Bank of New Zealand

Annual Report and Disclosure Statement

For the year ended 30 September 2024

No. 102

Contents

Annual Report

For the year ended 30 September 2024

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 2024, the Independent Auditor's Report and Independent Assurance Report on those financial statements.

The Bank is a climate reporting entity and will issue its first mandatory climate statement for the financial year ended 30 September 2024. The climate statement will be published on or before the mandatory deadline of 31 January 2025 and will be available on the Bank's website (https://www.bnz.co.nz/about-us/sustainability/reports).

This Annual Report is dated 7th November 2024 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 2024

This Disclosure Statement has been issued by Bank of New Zealand for the year ended 30 September 2024 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) "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; and

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

Bank of New Zealand Corporate Information

Address for Service

The name of the Registered Bank is Bank of New Zealand (referred to either by its full name, “BNZ” or as the “Bank”). The Bank’s address for service is Level 4, 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).

Voting Securities and Power to Appoint Directors

National Australia Group (NZ) Limited (“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 Reserve Bank of New Zealand (“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.

Guarantees

Covered Bond Guarantee

Certain debt securities (“Covered Bonds”) issued by the Bank, or its wholly owned controlled entity, BNZ International Funding Limited, acting through its London Branch (“BNZ-IF”), 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 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 28 *Transfers of Financial Assets* for further information.

Other material obligations of the Bank are not guaranteed.

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.

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.

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.

Bank of New Zealand Corporate Information

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 2024, 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.

Pending Proceedings or Arbitration

The Bank's Directors are of the opinion that 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.

Other Matters

The Bank's Directors are of the opinion that 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.

Directorate and Auditor

Communications addressed to the Directors and responsible persons, or any of them, may be sent to Level 4, 80 Queen Street, Auckland 1010, New Zealand.

Changes to Directors

Gary Andrew Lennon retired as a Non-Executive Director of the Bank, effective 31 October 2023.

Nathan Laurence Goonan was appointed as a Non-Executive Director of the Bank, effective 1 November 2023.

Emma Elaine Gray was appointed as an Independent Non-Executive Director of the Bank, effective 1 November 2023.

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

Warwick Ean Hunt was appointed as Chair of the BNZ Board, effective 1 June 2024. The RBNZ has confirmed that Mr. Hunt still qualifies as an independent director of the Bank following his appointment as an Independent Non-Executive Director of the ultimate parent bank, effective 2 December 2024.

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

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.

Executive Director
Daniel James Huggins
Primary Occupation: Managing Director and Chief Executive Officer
Other Occupation: Company Director
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

Bank of New Zealand Corporate Information

Independent Non-Executive Directors
Godfrey Lester Boyce
Primary Occupation: Company Director
FCA, BCA., (Victoria University of Wellington)
New Zealand

Other Directorships:
Nil.

Barbara Joan Chapman, CNZM, CMInstD
Primary Occupation: Company Director
B.Com. (University of Canterbury)
New Zealand

Other Directorships:
Acting Chair of Fletcher Building Limited and Fletcher Building Industries Limited, Chair of Genesis Energy Limited, Chair of NZME 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.

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, The Sleeping Giant (Fiji) Limited.

Non-Executive Director
Nathan Laurence Goonan
Primary Occupation: NAB Group Chief Financial Officer
Other Occupation: Company Director
BA Agricultural Science (Hons), BA Commerce (Finance) (University of Melbourne)
Australia

Other Directorships:
86 400 Holdings Limited, 86 400 Pty Limited, 86 400 Technology Pty Limited, Australia Japan Business Cooperation Committee Limited, Pollinate Networks Limited.

Diversity
As at 30 September 2024, the proportions of female Directors on the BNZ Board and female members as the Bank's Officers were 38% and 33%, respectively (30 September 2023: 29% and 36%).

For the purpose of this disclosure, the BNZ Executive Team has been treated as Officers.

The Bank has a Diversity & Inclusion Council to lead the BNZ diversity agenda, set strategic priorities and oversee performance related to diversity.

Bank of New Zealand Corporate Information

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

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
Nathan Laurence Goonan
Emma Elaine Gray
Kevin John Kenrick
Linley Ann Wood

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.

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.

Auditor
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.

Financial Statements

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Historical Summary of Financial Statements

Dollars in Millions	30/9/24	30/9/23	30/9/22	30/9/21	30/9/20
	Banking Group				
Income statement					
Interest income					
Effective interest income	7,722	6,759	3,800	2,891	3,440
Fair value through profit or loss	458	325	116	77	179
Interest expense	5,271	4,187	1,412	787	1,537
Net interest income	2,909	2,897	2,504	2,181	2,082
Gains less losses on financial instruments	273	245	251	277	88
Other operating income	434	355	376	401	350
Total operating income	3,616	3,497	3,131	2,859	2,520
Operating expenses	1,392	1,222	1,076	1,060	1,158
Total operating profit before credit impairment charge and income tax expense	2,224	2,275	2,055	1,799	1,362
Credit impairment charge/(write-back)	146	172	89	(37)	300
Total operating profit before income tax expense	2,078	2,103	1,966	1,836	1,062
Income tax expense on operating profit	572	594	552	514	300
Net profit for the year	1,506	1,509	1,414	1,322	762
Dividends					
Dividends paid on ordinary shares	1,305	869	560	-	-
Dividends reinvested as ordinary shares	-	5,000	-	-	-
Total dividends paid on ordinary shares	1,305	5,869	560	-	-
Perpetual preference shares distributions	20	5	-	-	-
Significant balance sheet items					
Total assets	130,737	130,065	131,420	119,122	112,310
Individually impaired assets	313	144	134	199	558
Total liabilities	117,409	118,205	120,359	109,241	103,653
Shareholders' equity	13,328	11,860	11,061	9,881	8,657
Contributed equity - perpetual preference shares	825	375	-	-	-

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 New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Income Statement

For the year ended 30 September 2024

Dollars in Millions	Note	Banking Group 30/9/24	Banking Group 30/9/23
Interest income	2		
Effective interest income		**7,722**	6,759
Fair value through profit or loss		**458**	325
Interest expense	2	**5,271**	4,187
Net interest income		**2,909**	2,897
Gains less losses on financial instruments	3	**273**	245
Other operating income	4	**434**	355
Total operating income		**3,616**	3,497
Operating expenses	5	**1,392**	1,222
Total operating profit before credit impairment charge and income tax expense		**2,224**	2,275
Credit impairment charge	11	**146**	172
Total operating profit before income tax expense		**2,078**	2,103
Income tax expense on operating profit	6	**572**	594
Net profit for the year		**1,506**	1,509

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 2024

Dollars in Millions	Note	Banking Group 30/9/24	Banking Group 30/9/23
Net profit for the year		**1,506**	1,509
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	26	**-**	8
Tax on items recognised in equity		**-**	(2)
		-	6
Items that may be reclassified subsequently to profit or loss			
Movement in cash flow hedge reserve	13	**(55)**	(248)
Movement in cost of hedging reserve		**(24)**	(46)
Tax on items recognised in equity		**22**	82
		(57)	(212)
Total other comprehensive income/(expense)		**(57)**	(206)
Total comprehensive income for the year		**1,449**	1,303

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 2024

Dollars in Millions	Note	Ordinary Capital	Perpetual Preference Capital	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Cost of Hedging Reserve	FVTOCI Reserve	Retained Profits	Total Share-holders' Equity
					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 effect on items directly recognised in equity		-	-	-	15	7	-	-	22
Total comprehensive income/(expense)		-	-	-	(40)	(17)	-	1,506	1,449
Issue of ordinary shares through conversion of Perpetual Notes	24	900	-	-	-	-	-	-	900
Ordinary dividends paid		-	-	-	-	-	-	(1,305)	(1,305)
Issue of perpetual preference shares / (issue costs)	24	-	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
					Banking Group (30/9/23)				
Balance at beginning of year		4,056	-	3	282	10	1	6,709	11,061
Comprehensive income/(expense)									
Net profit for the year		-	-	-	-	-	-	1,509	1,509
Credit risk adjustments on financial liabilities designated at fair value through profit or loss		-	-	-	-	-	-	8	8
Reserve movement through other comprehensive income		-	-	-	(248)	(46)	-	-	(294)
Tax effect on items directly recognised in equity		-	-	-	69	13	-	(2)	80
Total comprehensive income/(expense)		-	-	-	(179)	(33)	-	1,515	1,303
Issue of ordinary shares through dividend reinvestment	24	5,000	-	-	-	-	-	-	5,000
Ordinary dividends paid through dividend reinvestment	24	-	-	-	-	-	-	(5,000)	(5,000)
Ordinary dividends paid		-	-	-	-	-	-	(869)	(869)
Issue of perpetual preference shares / (issue costs)	24	-	375	-	-	-	-	(5)	370
Perpetual preference shares distributions		-	-	-	-	-	-	(5)	(5)
Balance at end of year		9,056	375	3	103	(23)	1	2,345	11,860

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 2024

Dollars in Millions	Note	Banking Group 30/9/24	Banking Group 30/9/23
Assets			
Cash and liquid assets[1]	7	**5,711**	10,950
Due from central banks and other institutions		**72**	90
Collateral paid		**927**	1,107
Trading assets[1]	8	**11,103**	9,143
Derivative financial instruments	13	**3,744**	4,802
Investments in debt instruments	9	**9**	-
Loans and advances to customers[1]	10	**106,101**	101,778
Other assets[1]	15	**1,563**	777
Deferred tax	14	**345**	316
Property, plant and equipment		**622**	604
Goodwill and other intangible assets	16	**540**	498
Total assets		**130,737**	130,065
Liabilities			
Due to central banks and other institutions[1]	17	**4,879**	6,080
Collateral received[1]		**1,057**	1,780
Trading liabilities[1]	18	**278**	868
Deposits and other borrowings	19	**84,254**	81,006
Derivative financial instruments	13	**3,914**	4,321
Current tax liabilities		**193**	40
Other liabilities[1]	21	**2,899**	1,874
Bonds and notes	20	**19,385**	20,786
Subordinated debt	23	**550**	1,450
Total liabilities		**117,409**	118,205
Net assets		**13,328**	11,860
Shareholders' equity			
Contributed equity – ordinary shares	24	**9,956**	9,056
Contributed equity – perpetual preference shares	24	**825**	375
Reserves		**27**	84
Retained profits	24	**2,520**	2,345
Total shareholders' equity		**13,328**	11,860
Interest earning and discount bearing assets		**121,860**	121,117
Interest and discount bearing liabilities		**97,943**	98,169

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

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

The financial statements are dated 7th November 2024 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 2024

		Banking Group	
Dollars in Millions	Note	30/9/24	30/9/23
Cash flows from operating activities			
Interest income		8,247	7,003
Interest expense[1]		(5,140)	(3,790)
Net trading income		265	658
Other income		360	355
Personnel expenses		(726)	(705)
Other operating expenses		(565)	(373)
Taxes and subvention payments		(425)	(830)
Net cash flows from operating activities before changes in operating assets and liabilities[1]		2,016	2,318
Changes in operating assets and liabilities arising from cash flow movements			
Net (increase)/decrease in:			
Due from central banks and other institutions		18	282
Collateral paid		925	1,637
Loans and advances to customers[1]		(4,435)	(2,557)
Other assets[1]		(744)	322
Net increase/(decrease) in:			
Due to central banks and other institutions		24	12
Collateral received[1]		(715)	(1,441)
Deposits and other borrowings		3,248	2,860
Other liabilities[1]		886	(439)
Net movement in trading assets and trading liabilities[1]		(2,213)	(1,058)
Net movement in derivative financial instruments		74	17
Net change in operating assets and liabilities[1]		(2,932)	(365)
Net cash flows from operating activities[1]	37	(916)	1,953
Cash flows from investing activities			
Proceeds from sale of controlled entity	25	108	-
Purchase of investments in debt instruments		(9)	-
Purchase of property, plant and equipment		(73)	(57)
Acquisition of intangible assets		(201)	(179)
Net cash flows from investing activities		(175)	(236)
Cash flows from financing activities			
Proceeds from issue of bonds and notes		3,399	4,157
Repayment of bonds and notes		(5,378)	(3,467)
Repayment of subordinated debt		-	(500)
Increase in contributed equity - perpetual preference shares (net of issuance costs)	24	444	370
Ordinary dividend		(1,305)	(869)
Perpetual preference shares distribution		(20)	(5)
Payment of lease liabilities		(63)	(55)
Proceeds from repurchase agreements under RBNZ funding facilities		1,856	2,610
Repayment of repurchase agreements under RBNZ funding facilities		(3,070)	(1,472)
Net cash flows from financing activities		(4,137)	769
Net movement in cash and cash equivalents[1]		(5,228)	2,486
Cash and cash equivalents at beginning of year[1]		9,782	7,296
Cash and cash equivalents at end of year[1]		4,554	9,782
Cash and cash equivalents at end of year comprised:			
Cash and liquid assets[1]	7	5,711	10,950
Due to central banks and other institutions classified as cash and cash equivalents[1]	17	(1,157)	(1,168)
Total cash and cash equivalents[1]		4,554	9,782

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

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

Note 1 Principal Accounting Policies

In these financial statements Bank of New Zealand is referred to as the "Bank". The "Banking Group" means Bank of New Zealand, all of its wholly owned entities listed in Note 34 *Investments in Wholly Owned Entities* and entities consolidated for financial reporting purposes listed in Note 32 *Structured Entities, Securitisation, Funds Management, Fiduciary Activities and Insurance*.

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).

Basis for preparation

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

Assumptions and estimates

The preparation of the financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities. It also requires management to exercise judgement in the process of applying accounting policies.

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.

Reclassification of financial information

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

Statement of compliance

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

Changes in accounting policies and disclosures

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

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

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

	Banking Group
Dollars in Millions	30/9/23
Cash and liquid assets	37
Trading assets	781
Loans and advances to customers	9
Other assets[1]	65
Total amounts due from related entities	892
Due to central banks and other institutions	116
Collateral received	309
Trading liabilities	420
Other liabilities[1]	157
Total amounts due to related entities	1,002

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

Investments in debt instruments at fair value through other comprehensive income

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

Note 1 Principal Accounting Policies *continued*

International Tax Reform – Pillar Two Model Rules

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

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.

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.

Currency of presentation

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

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.

Rounding of amounts

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

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.

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.

Note 1 Principal Accounting Policies *continued*

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, and instruments designated 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.

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 26 *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 on the financial liabilities designated as measured at fair value through profit or loss, with the exception of Bonds and notes.

Note 1 Principal Accounting Policies *continued*

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 26 *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 on 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.

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.

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	**30/9/24**	30/9/23
Interest income		
Cash and liquid assets[1]	**489**	579
Due from central banks and other institutions	**12**	17
Trading assets[1]	**458**	292
Loans and advances to customers[1]	**7,137**	6,104
Other[1]	**84**	92
Total interest income	**8,180**	7,084
Total interest income was derived from financial assets:		
Effective interest method	**7,722**	6,759
At fair value through profit or loss	**458**	325
	8,180	7,084
Interest expense		
Due to central banks and other institutions[1]	**180**	241
Trading liabilities[1]	**30**	3
Deposits and other borrowings	**3,551**	2,563
Bonds and notes	**1,366**	1,139
Subordinated debt to related entities	**42**	134
Other[1]	**102**	107
Total interest expense	**5,271**	4,187
Total interest expense was incurred on financial liabilities:		
Effective interest method	**4,568**	3,440
At fair value through profit or loss	**703**	747
	5,271	4,187

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

Note 3 Gains Less Losses on Financial Instruments

Accounting policy

Gains less losses on financial instruments recognised in the income statement comprises fair value gains and losses from three distinct activities:

- 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 accounting relationships recognise fair value movements on both the hedged item and hedging derivative in a fair value hedge accounting relationship, and hedge ineffectiveness for both fair value and cash flow hedge accounting relationships. Interest income and expenses on both hedging instruments and hedged item 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 includes gains and losses on the derecognition of financial instruments held at amortised cost.

	Banking Group	
Dollars in Millions	30/9/24	30/9/23
Trading gains less losses on financial instruments	**237**	234
Net gain/(loss) attributable to assets, liabilities and derivatives designated in hedge relationships	**(5)**	7
Net gain/(loss) in the fair value of derivatives used for hedging purposes not designated in hedge relationships	**13**	(20)
Net gain/(loss) in the fair value of financial assets designated at fair value through profit or loss and related derivatives[1, 2]	**4**	19
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)[2]	**24**	5
Total gains less losses on financial instruments	**273**	245
Net gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss and related derivatives includes[2]:		
Gain/(loss) attributable to derivatives used for hedging of financial liabilities designated at fair value through profit or loss	**411**	78
Gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss	**(387)**	(73)

[1] Included in Net gain/(loss) in the fair value of financial assets designated at fair value through profit or loss and related derivatives is a loss of $2 million in the fair value of financial assets designated at fair value through profit or loss excluding credit risk adjustments (30 September 2023: nil). Credit risk adjustments on financial assets designated at fair value through profit or loss are disclosed in Note 11 *Allowance for Expected Credit Losses*.

[2] 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 when the service has been 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.

Funds management and other fiduciary activities

Fees and commissions earned through the marketing of funds management products and other fiduciary activities are included in the income statement as they are earned.

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 when the service has been 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	30/9/24	30/9/23
Fees and commissions		
Money transfer fees	67	78
Fees earned on financial assets and liabilities	216	217
Fees earned on trust and other fiduciary activities	6	6
Investment management income	20	32
Other fees and commissions income	46	51
Total fees and commissions income	355	384
Fees and commissions expense[1]	(24)	(32)
Net fees and commissions income	331	352
Other income[2]	103	3
Total other operating income	434	355

[1] Expenses directly attributable and incremental to fees and commissions income, in particular, credit card rewards programme and investment management expenses.

[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 service is rendered 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

Employee entitlements to long service leave are measured as the present value of expected future payments using an actuarial valuation method based on legal and contractual entitlements and assessments having regard to staff departures, leave utilisation and future salary levels. Expected future payments are discounted using relevant market yields at the reporting date.

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.

All other 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.

	Banking Group	
Dollars in Millions	30/9/24	30/9/23
Amortisation and depreciation		
Amortisation of intangible assets	111	81
Depreciation on property, plant and equipment	87	91
Total amortisation and depreciation	198	172
Personnel expenses		
Share based payments	3	2
Defined contribution pension expense	20	18
Salaries and other staff expenses	701	687
Total personnel expenses	724	707
Other		
Impairment losses and write offs	48	9
Loss on disposal of property, plant and equipment	-	1
Rental expense	13	12
Related entity expenses	45	45
Other expenses[1]	364	276
Total other operating expenses	470	343
Total operating expenses	1,392	1,222

[1] For the year ended 30 September 2024, Other expenses include expenditure related to the sale of BNZ Investment Services Limited and technology costs.

	Banking Group	
Dollars in Thousands	30/9/24	30/9/23
Fees paid to auditors		
Audit and review of financial statements[2]	2,389	2,327
Other assurance and agreed upon procedures[3]	694	599
Non-audit services[4]	13	62

[2] Includes audit fees for securitisation vehicles and funds managed by the Banking Group, and limited assurance on the Banking Group's disclosure of capital adequacy and regulatory liquidity ratios.

[3] Fees paid for other assurance services and agreed upon procedures relate to funding activities, securitisation vehicles and funds managed by the Banking Group. Fees paid for other assurance services also includes fees paid for pre assessment over climate reporting and assurance over the Bank's sustainable finance framework and reporting.

[4] Fees paid for remuneration benchmarking reports and expense reimbursements.

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	30/9/24	30/9/23
Income tax expense/ (benefit) on operating profit charged to income statement		
Current tax	601	617
Deferred tax	(29)	(23)
Total income tax expense/ (benefit) on operating profit charged to income statement	572	594
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	2,103
Prima facie income tax at 28%	582	589
Add/(deduct): Tax effect of amounts which are non-deductible or non-assessable:		
Non-assessable items	(29)	-
Non-deductible items	1	-
Prior year adjustment	(1)	-
Other accounting movements	19	5
Total income tax expense on operating profit	572	594
Effective tax rate	27.5%	28.2%
Income tax expense/ (benefit) charged to other comprehensive income		
Current tax	(22)	(80)
Total income tax expense/ (benefit) charged to other comprehensive income	(22)	(80)

Imputation Credit Account

The amount of imputation credits available to the Banking Group as at 30 September 2024 was $1,030 million (30 September 2023: $1,145 million).

Asset Notes

Note 7 Cash and Liquid Assets

Accounting policy

Cash and liquid assets consists of cash and transaction balances with central banks and other institutions.

	Banking Group	
Dollars in Millions	30/9/24	30/9/23
Coins, notes and cash at bank	**100**	101
Transaction balances with central banks	**4,868**	10,096
Transaction balances with other institutions[1]	**743**	753
Total cash and liquid assets	**5,711**	10,950

[1] Comparative balance has been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

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	30/9/24	30/9/23
Government bonds, notes and securities	**4,141**	2,737
Semi-government bonds, notes and securities	**3,393**	3,593
Corporate and other institutions bonds, notes and securities	**1,994**	1,966
Securities purchased under agreements to resell with other institutions[2]	**1,575**	847
Total trading assets	**11,103**	9,143

[2] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

Included in Trading assets as at 30 September 2024 were $122 million of trading securities encumbered through repurchase agreements (30 September 2023: $214 million). These trading securities have not been derecognised by the Bank as the Bank retains substantially all the risks and rewards of ownership. Counterparties have the right to sell or repledge these encumbered securities.

Where the Banking Group has accepted collateral arising from secured placements and reverse repurchase agreements, the Banking Group is obliged to return equivalent securities. Securities repledged by the Banking Group are strictly for the purposes of providing collateral for the counterparty. These transactions are conducted under terms that are usual and customary for standard lending, securities borrowing and lending activities.

As at 30 September 2024, the fair value of securities accepted as collateral that the Banking Group is permitted to sell or repledge was $1,563 million (30 September 2023: $847 million), of which securities with a fair value of $4 million (30 September 2023: $407 million) were repledged.

Note 9 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.

	Banking Group	
Dollars in Millions	30/9/24	30/9/23
Government bonds, notes and securities	**4**	-
Semi-government bonds, notes and securities	**5**	-
Total investments in debt instruments	**9**	-

Note 10 Loans and Advances to Customers

Accounting policy

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Banking Group provides money or services 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 deferred 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. During the year ended 30 September 2024, the Banking Group commenced the classification of certain loans and advances to customers previously measured at fair value through profit and loss as financial assets measured at amortised cost.

	Banking Group	
Dollars in Millions	30/9/24	30/9/23
Overdrafts	2,292	2,273
Credit card outstandings	785	813
Housing loans	60,102	57,746
Other term lending[1]	42,883	40,740
Other lending	741	896
Total gross loans and advances to customers	106,803	102,468
Deduct:		
Allowance for expected credit losses and credit risk adjustments (refer to Note 11)[2]	1,024	932
Deferred and other unearned future income and expenses	(134)	(88)
Capitalised brokerage costs	(194)	(168)
Fair value hedge adjustments on housing loans	6	14
Total deductions	702	690
Total net loans and advances to customers	106,101	101,778

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

[2] The balance as at 30 September 2024 consists of allowance for expected credit losses $1,024 million (30 September 2023: $926 million) and credit risk adjustment on financial assets at fair value through profit or loss of $nil (30 September 2023: $6 million).

As at 30 September 2024, included within the Banking Group's Loans and advances to customers were housing loans with a carrying amount of $20,890 million that have been transferred to consolidated structured entities but not derecognised in their entirety (30 September 2023: $22,273 million). The Banking Group continues to recognise all of the transferred assets. Details on transactions with the BNZ RMBS Trust Series 2008-1 (the "RMBS Trust") and the BNZ Covered Bond Trust (the "Covered Bond Trust") are provided in Notes 28 *Transfers of Financial Assets*, 32 *Structured Entities, Securitisation, Funds Management, Fiduciary Activities and Insurance* and 36 *Risk Management*.

Note 11 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
- financial guarantee contracts

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, geographical location of the borrower and other relevant factors.

ECL are either measured over 12 months or the expected lifetime of the exposure, depending on credit deterioration since origination, according to the following 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.
- 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.

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.

Note 11 Allowance for Expected Credit Losses *continued*

Assessment of significant increase in credit risk

The Banking Group has an internally developed credit rating master-scale, derived from historical default data drawn from a number of sources, to assess the potential default risk in lending, or providing other financial services products to counterparties or customers. For loans and advances, the Banking Group has a single common master-scale across all retail and non-retail counterparties for probability of default. The probability of default master-scale can be broadly mapped to external rating agencies and has performing (pre-default) and non-performing (post-default) grades.

- For Residential Mortgage, Other Retail and Corporate Exposures facilities, internally derived credit ratings, as described above, represent a key determinant of credit risk. The Banking Group assigns each customer a credit rating at initial recognition based on available information. 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.
- In addition, the Banking Group considers that a significant increase in credit risk occurs when a facility is more than 30 days past due.

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.

Calculation of expected credit losses

ECL are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Banking Group in accordance with the contract and the cash flows that the Banking Group expects to receive.
- Financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Banking Group if the commitment is drawn down and the cash flows that the Banking Group expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Banking Group expects to recover.

For Residential Mortgage, Other Retail and Corporate facilities, overall credit default risk is represented by the Customer Rating Score ("CRS"), as it incorporates a measure of probability of default.

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.

- For accounting purposes, 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.

Note 11 Allowance for Expected Credit Losses *continued*

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.
- Macro-economic factors taken into consideration include, but are not limited to, unemployment, interest rates, gross domestic product, inflation, commercial and residential property prices, and require an evaluation of both the current and forecast direction of the macro-economic cycle.
- 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.

Key judgements and estimates

- A collective assessment of impairment takes into account data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and concentrations of risk and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups).
- Judgement is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. In estimating these cash flows, the Banking Group makes 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.

Movement in Allowance for Expected Credit Loss

The total allowance for ECL increased by $98 million compared to the balance at 30 September 2023. This is mainly due to increases in the residential mortgage lending allowance for ECL of $29 million and corporate exposures allowance for ECL of $67 million.

The increase in residential mortgage lending allowance for ECL reflects the increase in gross mortgage lending, an increase in individually assessed allowance of $10 million, as well as an overall increase in provision coverage rates. Coverage rates increased due to deteriorating asset quality that occurred predominantly in the first six months of the year ended 30 September 2024, as customers' debt serviceability deteriorated because of higher interest rates. The increase in corporate exposures allowance for ECL is due to an increase in the individually assessed allowance of $40 million mainly for customers in agribusiness and manufacturing, and an increase in the collectively assessed allowance of $27 million due to asset quality deterioration across corporate exposures. Gross loans migrations across stages reflect a combination of asset quality deterioration, and an impact of methodology refinements.

Note 11 Allowance for Expected Credit Losses *continued*

The following table for the year ended 30 September 2024 is prescribed by the Order and 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 financial assets have transferred between ECL stages and subsequent remeasurement of the allowance for ECL during the year.

	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 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.

Note 11 Allowance for Expected Credit Losses *continued*

	Banking Group (30/09/23)				
	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	12	66	19	1	98
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	1	(1)	-	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	-	1	(1)	-	-
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]	4	36	6	2	48
Amounts written off	-	-	-	(1)	(1)
Recovery of amounts written off	-	-	-	-	-
Balance at end of year - Residential mortgage lending	17	102	24	2	145
Other retail exposures					
Balance at beginning of year	9	18	11	2	40
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	3	(2)	(1)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(1)	2	(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]	-	5	1	8	14
Amounts written off	-	-	-	(16)	(16)
Recovery of amounts written off	-	-	-	7	7
Balance at end of year - Other retail exposures	11	21	9	4	45
Corporate exposures					
Balance at beginning of year	46	487	46	70	649
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	23	(23)	-	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(9)	16	(7)	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(7)	7	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	(3)	(2)	5	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(17)	36	72	19	110
Amounts written off	-	-	-	(22)	(22)
Recovery of amounts written off	-	-	-	-	-
Discount unwind[2]	-	-	-	(1)	(1)
Balance at end of year - Corporate exposures	43	506	116	71	736
Total					
Balance at beginning of year	67	571	76	73	787
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	27	(26)	(1)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(10)	19	(9)	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(8)	8	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	(4)	(4)	8	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(13)	77	79	29	172
Amounts written off	-	-	-	(39)	(39)
Recovery of amounts written off	-	-	-	7	7
Discount unwind[2]	-	-	-	(1)	(1)
Total balance at end of year	71	629	149	77	926

[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.

Note 11 Allowance for Expected Credit Losses *continued*

The following table summarises the changes in the gross carrying amounts of loans and advances to customers at amortised cost to explain changes in the Banking Group's allowance for ECL for the year.

	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 period - Other retail exposures	1,827	62	16	3	1,908
Corporate exposures					
Gross carrying amount at beginning of year	10,728	30,533	701	127	42,089
Transfers					
Transferred to collectively assessed 12-months ECL[1]	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)	(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 period - 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

[1] Transfers from Stage 2 to Stage 1 for corporate exposures include the impact of methodology refinements.

Note 11 Allowance for Expected Credit Losses *continued*

	Banking Group (30/9/23)				
	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	50,558	3,975	285	5	54,823
Transfers					
Transferred to collectively assessed 12-months ECL	478	(365)	(112)	(1)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(332)	364	(32)	-	-
Transferred to collectively assessed lifetime ECL credit impaired	(219)	(193)	412	-	-
Transferred to individually assessed lifetime ECL credit impaired	(2)	(7)	(3)	12	-
Net further lending/(repayment)	(2,437)	(18)	(10)	1	(2,464)
Additions	11,218	-	-	-	11,218
Deletions	(5,625)	(141)	(60)	(4)	(5,830)
Amounts written off	-	-	-	(1)	(1)
Total gross carrying amount at end of year	53,639	3,615	480	12	57,746
Allowance for ECL	17	102	24	2	145
Total net carrying amount at end of year - Residential mortgage lending	53,622	3,513	456	10	57,601
Other retail exposures					
Gross carrying amount at beginning of year	1,946	160	15	4	2,125
Transfers					
Transferred to collectively assessed 12-months ECL	88	(84)	(4)	-	-
Transferred to collectively assessed lifetime ECL not credit impaired	(149)	150	(1)	-	-
Transferred to collectively assessed lifetime ECL credit impaired	(14)	(10)	24	-	-
Transferred to individually assessed lifetime ECL credit impaired	(1)	(2)	(1)	4	-
Net further lending/(repayment)	(51)	(46)	-	17	(80)
Additions	517	-	-	-	517
Deletions	(452)	(52)	(14)	(4)	(522)
Amounts written off	-	-	-	(16)	(16)
Total gross carrying amount at end of year	1,884	116	19	5	2,024
Allowance for ECL	11	21	9	4	45
Total net carrying amount at end of year - Other retail exposures	1,873	95	10	1	1,979
Corporate exposures					
Gross carrying amount at beginning of year[1]	13,835	28,202	321	125	42,483
Transfers					
Transferred to collectively assessed 12-months ECL	3,909	(3,901)	(7)	(1)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(14,846)	14,871	(21)	(4)	-
Transferred to collectively assessed lifetime ECL credit impaired	(375)	(345)	720	-	-
Transferred to individually assessed lifetime ECL credit impaired	(59)	(38)	(14)	111	-
Net further lending/(repayment)[1]	165	632	(16)	4	785
Additions	12,381	-	-	-	12,381
Deletions	(4,282)	(8,888)	(282)	(86)	(13,538)
Amounts written off	-	-	-	(22)	(22)
Total gross carrying amount at end of year	10,728	30,533	701	127	42,089
Allowance for ECL	43	506	116	71	736
Total net carrying amount at end of year - Corporate exposures	10,685	30,027	585	56	41,353
Total					
Gross carrying amount at beginning of year	66,339	32,337	621	134	99,431
Transfers					
Transferred to collectively assessed 12-months ECL	4,475	(4,350)	(123)	(2)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(15,327)	15,385	(54)	(4)	-
Transferred to collectively assessed lifetime ECL credit impaired	(608)	(548)	1,156	-	-
Transferred to individually assessed lifetime ECL credit impaired	(62)	(47)	(18)	127	-
Net further lending/(repayment)	(2,323)	568	(26)	22	(1,759)
Additions	24,116	-	-	-	24,116
Deletions	(10,359)	(9,081)	(356)	(94)	(19,890)
Amounts written off	-	-	-	(39)	(39)
Total gross carrying amount at end of year	66,251	34,264	1,200	144	101,859
Allowance for ECL	71	629	149	77	926
Total net carrying amount at end of year	66,180	33,635	1,051	67	100,933

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

Note 11 Allowance for Expected Credit Losses *continued*

Impact of changes in gross carrying amount on ECL

Residential mortgage lending

Residential mortgage lending gross carrying amount increased by $2,356 million in the year ended 30 September 2024, with associated ECL increasing by $29 million. The movement in ECL reflects an increase in the gross mortgage lending, an increase in individually assessed allowance of $10 million, as well as an overall increase in provision coverage rates.

Other retail exposures

Other retail exposures gross carrying amount decreased by $69 million in the year ended 30 September 2024, with associated ECL increasing by $2 million.

Corporate exposures

Corporate exposures gross carrying amount increased by $2,657 million in the year ended 30 September 2024, with associated ECL increasing by $67 million. The movement in ECL is mainly due to an increase in the individually assessed allowance of $40 million for customers in agribusiness and manufacturing, and an increase in collectively assessed allowance of $27 million, mainly due to asset quality deterioration across corporate exposures.

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 2024.

	Upside (%)			Base case (%)			Downside (%)		
	FY 2025	FY 2026	FY 2027	FY 2025	FY 2026	FY 2027	FY 2025	FY 2026	FY 2027
Macro-economic indicators[1]									
Gross domestic product change year on year	**3.6**	**3.6**	**2.4**	**2.8**	**3.0**	**2.4**	**(2.4)**	**(2.2)**	**2.9**
Unemployment	**5.3**	**4.7**	**4.7**	**5.5**	**5.2**	**5.1**	**5.8**	**7.6**	**9.0**
House price change year on year	**10.9**	**8.8**	**3.2**	**5.9**	**8.5**	**3.0**	**(26.0)**	**(18.4)**	**2.1**

[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 scenario reflects a substantially similar track for consumer price index and official cash rate, with lower level of unemployment, growth in house price index and higher gross domestic product.

Base case scenario: The base case scenario represents current forecasting of future macro-economic conditions, improving economic growth, moderation of inflation and a reduction in 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 under high inflation and high interest rates combined with significant house price deterioration.

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 2024	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023
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	**30/9/24**	30/9/23
Reported probability weighted ECL	**1,024**	926
100% upside ECL	**654**	610
100% base case ECL	**686**	610
100% downside ECL	**1,439**	1,311

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

As at 30 September 2024, the contractual amount outstanding on loans and advances to customers written off during the year and that are still subject to enforcement activity was $1 million for the Banking Group (30 September 2023: $1 million).

Credit risk adjustment on financial assets designated at fair value through profit or loss

The changes in value of financial assets designated at fair value through profit or loss that are attributable to changes in credit risk have been calculated using a statistical-based calculation that estimates expected losses attributable to adverse movement in credit risks.

As at 30 September 2024 the total credit risk adjustment on groups of financial assets designated at fair value through profit or loss was nil (30 September 2023: $6 million). As at 30 September 2024 there were no individual financial assets designated at fair value through profit or loss subject to credit risk adjustments (30 September 2023: nil).

Note 12 Asset Quality

Accounting policy

The Banking Group has disclosed certain components of its loan portfolio as impaired assets according to the classifications below:

- **Credit impaired assets** are defined in Note 11 *Allowance for Expected Credit Losses*.
- **Individually impaired assets** are impaired assets where an individually assessed allowance has been recorded.

The following categories are also disclosed but are not considered to be impaired assets:

- **Other assets under administration** are those loans that are not impaired or past due, but where the customer is in receivership, liquidation, bankruptcy, statutory management, a no asset procedure, voluntary administration or any other form of administration in New Zealand, or is in an equivalent form of voluntary or involuntary administration in an overseas jurisdiction.
- **Past due assets not individually impaired** are those loans for which payments of principal or interest are contractually past due but adequate security is held.

The Banking Group provides for credit impairment as disclosed in Note 11 *Allowance for Expected Credit Losses*. Accordingly, when management determines that a loan is not expected to be recovered in full, the principal amount and accrued interest on the obligation are written down to estimated net realisable value.

		Banking Group (30/9/24)		
Dollars in Millions	Residential Mortgage Lending	Other Retail Exposures	Corporate Exposures	Total
Individually impaired assets - undrawn lending commitments				
At amortised cost	-	1	7	8
Other assets under administration	2	2	2	6
		Banking Group (30/9/23)		
Individually impaired assets - undrawn lending commitments				
At amortised cost	-	-	9	9
Other assets under administration	-	-	2	2

		Banking Group (30/9/24)		
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	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
		Banking Group (30/9/23)		
Past due assets not individually impaired				
Loans and advances to customers				
1 - 7 days past due	141	27	169	337
8 - 29 days past due	130	10	32	172
1 - 29 days past due	271	37	201	509
30 - 59 days past due	98	8	29	135
60 - 89 days past due	57	4	61	122
90+ days past due	100	11	253	364
Total past due assets not individually impaired	526	60	544	1,130

Note 13 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, 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 relationship 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 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 (30/9/24)		Banking Group (30/9/23)	
Dollars in Millions	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Trading derivatives (including economic hedges)	**3,544**	**3,198**	4,403	3,923
Hedging derivatives	**200**	**716**	399	398
Total derivative financial instruments	**3,744**	**3,914**	4,802	4,321

Note 13 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 27 *Offsetting Financial Assets and Financial Liabilities*.

	Banking Group (30/9/24)		Banking Group (30/9/23)	
Dollars in Millions	**Fair Value Assets**	**Fair Value Liabilities**	Fair Value Assets	Fair Value Liabilities
Foreign exchange rate-related contracts				
Spot and forward contracts	**1,274**	**1,474**	1,106	1,046
Cross-currency swaps	**929**	**967**	1,042	1,032
Options	**39**	**39**	33	33
	2,242	**2,480**	2,181	2,111
Interest rate-related contracts				
Swaps	**1,278**	**696**	2,196	1,782
Options	**3**	**2**	-	4
	1,281	**698**	2,196	1,786
Other market-related contracts				
Commodity derivatives	**21**	**20**	26	26
	21	**20**	26	26
Total trading derivatives (including economic hedges)	**3,544**	**3,198**	4,403	3,923

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 27 *Offsetting Financial Assets and Financial Liabilities*. The calculation of the notional amount reflects the gross volume of transactions outstanding at the reporting period end 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 (30/9/24)		Banking Group (30/9/23)	
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	**13,032**	**-**	19,717	-
Cash flow hedges	Cross-currency swaps	Currency	**2,807**	**150**	5,857	399
Fair value hedges	Interest rate swaps	Interest	**5,151**	**-**	-	-
Fair value and cash flow hedges	Cross-currency swaps	Interest and currency	**560**	**50**	-	-
			21,550	**200**	25,574	399
Derivative liabilities						
Cash flow hedges	Interest rate swaps	Interest	**20,212**	**-**	13,644	-
Cash flow hedges	Cross-currency swaps	Currency	**15,325**	**706**	9,712	332
Fair value hedges	Interest rate swaps	Interest	**7,260**	**10**	10,264	40
Fair value and cash flow hedges	Cross-currency swaps	Interest and currency	**-**	**-**	547	26
			42,797	**716**	34,167	398

Note 13 Derivative Financial Instruments *continued*

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

	Banking Group (30/9/24)				Banking Group (30/9/23)			
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	**15,212**	**28,953**	**1,490**	**45,655**	13,180	27,768	2,677	43,625
Cross-currency swaps	**1,194**	**15,982**	**1,516**	**18,692**	-	13,062	3,054	16,116
Total notional amount	**16,406**	**44,935**	**3,006**	**64,347**	13,180	40,830	5,731	59,741

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	**30/9/24**	30/9/23
USD:NZD	**1.508**	1.490
EUR:NZD	**1.724**	1.715
CHF:NZD	**1.554**	1.554
AUD:NZD	**1.077**	1.077

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

	Banking Group (30/9/24)		Banking Group (30/9/23)	
	Fair value hedges	**Cash flow hedges**	Fair value hedges	Cash flow hedges
Currency	**%**	**%**	%	%
NZD Interest Rate	**0.25 - 2.88**	**0.04 - 7.30**	-	0.04 - 7.30
USD Interest Rate	**1.00 - 5.08**	**-**	1.00 - 4.85	-
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 $18 million of balances recognised in the cash flow hedge reserve for which hedge accounting is no longer applied (30 September 2023: $12 million). There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur (30 September 2023: 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 $6 million (30 September 2023: $14 million). The Banking Group does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

	Banking Group (30/9/24)		Banking Group (30/9/23)	
Dollars in Millions	**Carrying Amount**	**Fair value hedge adjustments**	Carrying Amount	Fair value hedge adjustments
Assets				
Loans and advances to customers (housing loans)	**-**	**(6)**	-	(14)
Investments in debt instruments[1]	**9**	**-**	-	-
Liabilities				
Bonds and notes	**13,506**	**(201)**	10,717	(882)

[1] The carrying amount of Investments in debt instruments at fair value through other comprehensive income 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 13 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					
	Change in fair value on hedging instruments	Change in fair value on hedging instruments	**Change in fair value on hedged items**	Change in fair value on hedged items	**Hedge ineffectiveness recognised in income statement[1]**	Hedge ineffectiveness recognised in income statement
Dollars in Millions	**30/9/24**	30/9/23	**30/9/24**	30/9/23	**30/9/24**	30/9/23
Fair value hedges (interest rate risk)	**644**	(43)	**(645)**	48	**(1)**	5
Cash flow hedges (interest rate risk)	**(20)**	(217)	**21**	219	**1**	2
Cash flow hedges (currency risk)	**(479)**	(75)	**474**	75	**(5)**	-
Fair value and cash flow hedges (interest rate and currency risk)	**49**	23	**(49)**	(23)	**-**	-
Total	**194**	(312)	**(199)**	319	**(5)**	7

[1] Hedge ineffectiveness recognised in income statement includes amounts reclassified from cost of hedging reserve to income statement. For the year ended 30 September 2024, $5 million was reclassified from cost of hedging reserve to income statement (30 September 2023: nil).

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
Cash flow hedge reserve (interest rate risk)		
Gains or losses recognised in other comprehensive income	**134**	71
Amount reclassified from the cash flow hedge reserve to income statement	**(162)**	(305)

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
Cash flow hedge reserve (currency risk)		
Gains or losses recognised in other comprehensive income	**(488)**	(80)
Amount reclassified from the cash flow hedge reserve to income statement	**461**	66

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	**30/9/24**	30/9/23
Deferred tax assets		
Balance at beginning of year	**316**	293
Tax benefit recognised in income statement	**29**	23
Balance at end of year	**345**	316
Deferred tax assets were attributable to the following items:		
Employee entitlements	**8**	9
Credit risk adjustments on financial assets at fair value through profit or loss	**2**	3
Allowance for expected credit losses on credit exposures	**287**	259
Depreciation and amortisation	**27**	31
Operating expense provisions	**3**	5
Prepaid pension assets	**(2)**	(2)
NZ IFRS 16 leases	**6**	3
Other	**14**	8
Total deferred tax assets	**345**	316

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 Other Assets

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
Accrued interest receivable	**268**	251
Prepaid pension assets	**8**	8
Securities sold – not yet settled	**918**	206
Other assets[1,2]	**369**	312
Total other assets	**1,563**	777

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

[2] Comparative balance has been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

Note 16 Goodwill and Other Intangible Assets

Accounting policy

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.

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.

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 or 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	**30/9/24**	30/9/23
Goodwill	**15**	15
Internally generated software[1]	**506**	461
Acquired software	**19**	22
Total goodwill and other intangible assets	**540**	498
At cost	**1,239**	1,402
Deduct: Accumulated amortisation/impairment losses	**(699)**	(904)
Total goodwill and other intangible assets	**540**	498
Reconciliation of movements in internally generated software		
Balance at beginning of year	**461**	379
Additions from internal development	**196**	170
Disposals, impairments and write-offs	**(42)**	(9)
Amortisation	**(109)**	(79)
Balance at end of year	**506**	461

[1] Included in internally generated software was a work in progress balance of $188 million as at 30 September 2024 (30 September 2023: $136 million).

Liability Notes

Note 17 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	**30/9/24**	30/9/23
Transaction balances with other institutions[1,2]	**1,157**	1,062
Deposits from central banks	**103**	86
Deposits from other institutions[2,3]	**242**	341
Securities sold under agreements to repurchase from central banks[4,5]	**3,377**	4,591
Total due to central banks and other institutions	**4,879**	6,080

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

[2] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

[3] Included in deposits from other institutions as at 30 September 2024 was nil amount classified as cash and cash equivalents in the cash flow statement (30 September 2023: $106 million).

[4] Included in securities sold under agreements to repurchase from central banks as at 30 September 2024 was $928 million (30 September 2023: $1,142 million) relating to Term Lending Facility and $2,449 million (30 September 2023: $3,449 million) relating to Funding for Lending Programme.

[5]The Bank's obligation to repurchase is disclosed under Notes 17 *Due to Central Banks and Other Institutions* and 18 *Trading Liabilities*.

Deposits from central banks and deposits from other institutions are unsecured and rank equally with the Banking Group's other unsecured liabilities. 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.

Note 18 Trading Liabilities

Accounting policy

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

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
Securities sold short	**151**	237
Securities sold under agreements to repurchase from other institutions[6,7]	**127**	631
Total trading liabilities	**278**	868

[6] The Bank's obligation to repurchase is disclosed under Notes 17 *Due to Central Banks and Other Institutions* and 18 *Trading Liabilities*.

[7] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

Note 19 Deposits and Other Borrowings

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
Deposits not bearing interest	**12,404**	13,686
On-demand and short term deposits bearing interest	**31,371**	30,014
Term deposits	**38,509**	34,802
Total customer deposits	**82,284**	78,502
Certificates of deposit	**1,500**	1,587
Commercial paper	**470**	917
Total deposits and other borrowings	**84,254**	81,006

Deposits and other borrowings are unsecured and rank equally with the Banking Group's other unsecured liabilities. 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.

Note 20 Bonds and Notes

Dollars in Millions	Banking Group 30/9/24	Banking Group 30/9/23
Offshore Covered Bonds	**5,325**	6,357
Domestic medium term notes	**4,098**	4,411
Offshore medium term notes	**9,962**	10,018
Total bonds and notes	**19,385**	20,786

As at 30 September 2024, the contractual amount to be paid at maturity of the Bonds and notes is $19,523 million (30 September 2023: $21,972 million).

Dollars in Millions	Banking Group 30/9/24	Banking Group 30/9/23
Bonds and notes by currency		
US Dollar	**7,174**	7,276
New Zealand Dollar	**4,098**	4,411
Australian Dollar	**184**	175
Hong Kong Dollar	**-**	136
Euro	**6,838**	7,792
Swiss Franc	**1,091**	996
Total bonds and notes by currency	**19,385**	20,786

Note 21 Other Liabilities

Dollars in Millions	Banking Group 30/9/24	Banking Group 30/9/23
Accrued interest payable[1]	**796**	648
Payables and accrued expenses[1]	**335**	338
Securities purchased – not yet settled	**1,011**	207
Employee entitlements	**100**	102
Lease liabilities (refer to Note 22)	**468**	448
Other liabilities	**189**	131
Total other liabilities	**2,899**	1,874

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

Certain unsecured liabilities as set out in Schedule 7 of the Companies Act 1993 rank in priority to general creditors' claims in a winding up of the Bank.

Note 22 Leases

Accounting policy

At the inception of a contract, the Banking Group assesses whether the contract is, or contains, a lease. 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. At inception or on reassessment of a contract that contains a lease component, the Banking Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. For the leases of land and buildings where the Banking Group is the lessee, the Banking Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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. In addition, the right-of-use asset is reviewed for impairment and adjusted for certain remeasurements of the lease liability.

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. It is remeasured when there is a lease modification that is not accounted for as a separate lease, there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Banking Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Banking Group changes its assessment of whether it will exercise a purchase, extension or termination option. 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.

	Banking Group	
Dollars in Millions	30/9/24	30/9/23
Effect of leases on the Balance Sheet		
Right-of-use assets		
Property, plant and equipment		
Buildings	415	436
Technology and other	4	1
Total right-of-use assets	419	437
Additions to right-of-use assets during the year	54	211
Lease Liabilities		
Other liabilities	468	448
Total lease liabilities	468	448
Effect of leases on the Income Statement		
Depreciation		
Buildings	46	51
Technology and other	2	2
Total depreciation on right-of-use assets	48	53
Interest expense on lease liability	24	9
Short-term lease expense	1	3

Future cash flow effect of leases

The table below is a maturity analysis of future lease payments in respect of existing lease arrangements on an undiscounted basis.

	Banking Group	
Dollars in Millions	30/9/24	30/9/23
Future lease payments		
Due within one year	57	55
Due after one year but no later than five years	178	160
Due after five years	503	434
Total future lease payments	738	649

The Banking Group has future lease contract commitments totalling less than $1 million in relation to new buildings across New Zealand as at 30 September 2024. For the year ended 30 September 2023 the Banking Group had future lease contract commitments totalling approximately $67 million, which are now reflected within right-of-use assets and lease liabilities.

Note 23 Subordinated Debt

Dollars in Millions	Banking Group 30/9/24	Banking Group 30/9/23
Subordinated Notes due to related entity		
National Australia Bank Limited	**550**	550
Total Subordinated Notes due to related entity	**550**	550
Perpetual Notes due to related entity		
National Australia Bank Limited	**-**	900
Total Perpetual Notes due to related entity	**-**	900
Total subordinated debt	**550**	1,450

2031-Subordinated Notes due to related entity

On 25 June 2021, the Bank issued $550 million of subordinated unsecured notes ("2031-Subordinated Notes") to National Australia Bank Limited. The 2031-Subordinated Notes are included in Tier 2 capital of the Banking Group and the Registered Bank (refer to Note 35 *Capital Adequacy*). The 2031-Subordinated Notes will mature on 25 June 2031. The 2031-Subordinated Notes do not confer any right to vote in general meetings of the Bank or National Australia Bank Limited.

Redemption

Subject to certain conditions, including the approval of the Reserve Bank of New Zealand ("RBNZ"), the Bank has the option to redeem all or some of the 2031-Subordinated Notes for their face value together with accrued interest (if any) on any interest payment date on or after 25 June 2026. In addition, subject to certain conditions, including the approval of the RBNZ, the Bank may redeem at any time all (but not some only) of the 2031-Subordinated Notes if a regulatory or tax event occurs.

Interest

The interest rate for the 2031-Subordinated Notes is reset every three months based on the prevailing three-month bank bill rate plus a margin of 1.36% per annum for the term of the 2031-Subordinated Notes. Interest is payable quarterly in arrear subject to 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 2031-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 2031-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.

Ranking of 2031-Subordinated Notes

In a liquidation of the Bank, the claims of holders of 2031-Subordinated Notes will rank: (1) ahead of claims of holders of ordinary shares in the Bank ("BNZ Shares") and other subordinated securities that rank below the 2031-Subordinated Notes (such as the perpetual preference shares issued to external investors); (2) equally with claims of other holders of 2031-Subordinated Notes and holders of other subordinated securities that rank equally with the 2031-Subordinated Notes; and (3) 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).

Perpetual Notes due to related entity (converted)

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. The Perpetual Notes were included in Additional Tier 1 capital of the Banking Group and the Registered Bank (refer to Note 35 *Capital Adequacy*) and were subject to a transitional phase out from 1 January 2022.

Shareholders' Equity Note

Note 24 Contributed Equity

Number of shares in Millions	Banking Group 30/9/24	Banking Group 30/9/23
Issued and fully paid shares		
Ordinary shares - balance at beginning of year	**10,076**	5,076
Ordinary shares - issued during the year	**763**	5,000
Ordinary shares - balance at end of year	**10,839**	10,076
Perpetual preference shares - balance at beginning of year	**375**	-
Perpetual preference shares - issued during the year	**450**	375
Perpetual preference shares - balance at end of year	**825**	375
Total issued and fully paid shares	**11,664**	10,451

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 Note 35 *Capital Adequacy*).

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 2023, the Perpetual Notes, all held by NAGNZ, were converted into 762,750,000 BNZ Shares. Refer to Note 23 *Subordinated Debt* for further information.

On 30 March 2023, the Bank paid a dividend of $5,000 million and issued 5,000 million ordinary shares to NAGNZ at a subscription price of $1.00 per share under a dividend reinvestment plan.

Dividends on ordinary shares for the year ended 30 September 2024 were a weighted average of 12.09 cents per share (year ended 30 September 2023: a weighted average of 77.19 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 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 2024, 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 transactions.

	Banking Group	
Dollars in Millions	30/9/24	30/9/23
Balances with related entities		
Ultimate parent		
Cash and liquid assets	27	37
Collateral paid	188	-
Trading assets	1,515	781
Derivative financial instruments	1,403	1,879
Other assets[1]	33	64
Joint ventures of immediate parent		
Loans and advances to customers	48	-
Other assets	1	-
Controlled entities of ultimate parent		
Loans and advances to customers	-	9
Other assets	-	1
Total due from related entities	3,215	2,771
Ultimate parent		
Due to central banks and other institutions	5	44
Collateral received	-	309
Trading liabilities	35	420
Derivative financial instruments	1,690	1,647
Other liabilities[1]	363	157
Subordinated debt (refer to Note 23)	550	1,450
Joint ventures of immediate parent		
Due to central banks and other institutions	12	-
Controlled entities of ultimate parent		
Due to central banks and other institutions	52	72
Total due to related entities	2,707	4,099

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

As at 30 September 2024, no provisions have been recognised in respect of loans provided to related entities (30 September 2023: nil). There were no debts with any of the above parties written off or forgiven during the year ended 30 September 2024 (30 September 2023: 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. These transactions are subject to normal commercial terms and conditions. The Bank provides some accounting administration and banking services to controlled entities for which fees may not be charged.

Ordinary dividends paid to the shareholder are disclosed in the Statement of Changes in Equity and in Note 24 *Contributed Equity*.

The Bank markets and distributes the BNZ KiwiSaver Scheme, the Private Wealth Series, the YouWealth Scheme and the BNZ Term PIE (collectively the "Investment Schemes") that are managed and issued by BNZ Investment Services Limited ("BNZISL"). The banking arrangements for these Investment Schemes are provided by the Bank. Refer to Note 32 *Structured Entities, Securitisation, Funds Management, Fiduciary Activities and Insurance* for further information.

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 Investment Schemes, and fees are charged by the Bank to FirstCape for distributing the Investment Schemes. The Bank provides banking services to certain subsidiaries of FirstCape Group, interest and fees are charged on these services.

During the financial 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 and BNZ-IF. Refer to Note 28 *Transfers of Financial Assets* for further information.

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

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
Interest income		
Ultimate parent	**57**	21
Joint ventures of immediate parent	**1**	-
Controlled entities of ultimate parent	**-**	1
Total interest income due from related entities	**58**	22
Interest expense		
Ultimate parent	**73**	158
Controlled entities of ultimate parent	**-**	37
Total interest expense due to related entities	**73**	195
Gains less losses on financial instruments and other operating income		
Net unrealised gain/(loss) on derivative contracts with ultimate parent	**(519)**	(653)
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	**2**	-
Operating expenses		
Intercompany recharges paid to ultimate parent	**32**	32
Other service charges paid to ultimate parent	**12**	13
Other expenses paid to joint ventures of immediate parent	**1**	-
Other transactions		
Payment for the use of tax losses to controlled entities of ultimate parent	**17**	8

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 2024 (year ended 30 September 2023: nil).

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
Transactions with key management personnel		
Short term employee benefits[1]	**13**	13
Other long-term benefits	**2**	1
Other[2]	**1**	-
Share-based payments	**2**	2
Total key management personnel benefits[1]	**18**	16
Loans to key management personnel	**13**	14
Deposits from key management personnel	**9**	9
Interest income on amounts due from key management personnel	**1**	1
Interest expense on amounts due to key management personnel[3]	**-**	-

[1] Comparative balances have been restated to align with the methodology used in the current period.
[2] Includes termination benefits.
[3] 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 (30/9/24)		Banking Group (30/9/23)	
	Number	**Weighted average grant date fair value**	Number	Weighted average grant date fair value
Performance rights granted during the year - Deferred Variable Reward[4]	**21,188**	**A$28.92**	18,997	A$29.11
Performance rights granted during the year - Long-term Variable Reward (LTVR)[4,5]	**-**	**-**	48,340	A$11.65
Performance rights granted during the year - Long-term Incentive (LTI)[5]:				
Long-term Variable Reward component	**28,784**	**A$13.70**	-	-
Long-term Equity Award component	**28,784**	**A$23.01**	-	-
Fully paid ordinary shares granted during the year	**34,422**	**A$27.87**	33,190	A$30.60

[4] Comparative balances have been restated to align with the presentation used in the current period.
[5] From 1 October 2023, the LTVR equity plan has been changed to the LTI equity plan comprising of two equally weighted components.

The number of performance rights outstanding as at 30 September 2024 was 195,362 (30 September 2023: 121,356).

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 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.

	Banking Group (30/9/24)			Banking Group (30/9/23)		
Dollars in Millions	**At Fair Value**	**At Amortised Cost**	**Total Carrying Amount**	At Fair Value	At Amortised Cost	Total Carrying Amount
Financial assets						
Cash and liquid assets[1]	**-**	**5,711**	**5,711**	-	10,950	10,950
Due from central banks and other institutions	**-**	**72**	**72**	-	90	90
Collateral paid	**-**	**927**	**927**	-	1,107	1,107
Trading assets[1]	**11,103**	**-**	**11,103**	9,143	-	9,143
Derivative financial instruments	**3,744**	**-**	**3,744**	4,802	-	4,802
Investments in debt instruments[2]	**9**	**-**	**9**	-	-	-
Loans and advances to customers[1]	**-**	**106,101**	**106,101**	603	101,175	101,778
Other financial assets[1]	**-**	**1,280**	**1,280**	-	559	559
Total financial assets	**14,856**	**114,091**	**128,947**	14,548	113,881	128,429
Financial liabilities						
Due to central banks and other institutions[1]	**-**	**4,879**	**4,879**	-	6,080	6,080
Collateral received[1]	**-**	**1,057**	**1,057**	-	1,780	1,780
Trading liabilities[1]	**278**	**-**	**278**	868	-	868
Deposits and other borrowings	**1,970**	**82,284**	**84,254**	2,504	78,502	81,006
Derivative financial instruments	**3,914**	**-**	**3,914**	4,321	-	4,321
Other financial liabilities[1]	**-**	**2,576**	**2,576**	-	1,587	1,587
Bonds and notes	**5,879**	**13,506**	**19,385**	10,069	10,717	20,786
Subordinated debt	**-**	**550**	**550**	-	1,450	1,450
Total financial liabilities	**12,041**	**104,852**	**116,893**	17,762	100,116	117,878

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.
[2] 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

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
Bonds and notes		
Balance at beginning of year	**43**	51
Movement during the year	**-**	(8)
Balance at end of year	**43**	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 tables on page 46 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 2024 (year ended 30 September 2023: nil).

Note 26 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 (30/9/24)			
Financial assets				
Trading assets	**11,103**	**3,288**	**7,815**	**-**
Derivative financial instruments	**3,744**	**-**	**3,744**	**-**
Investments in debt instruments[1]	**9**	**4**	**5**	**-**
Loans and advances to customers	**-**	**-**	**-**	**-**
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**	**-**
	Banking Group (30/9/23)			
Financial assets				
Trading assets[2]	9,143	1,984	7,159	-
Derivative financial instruments	4,802	-	4,802	-
Loans and advances to customers	603	-	603	-
Financial liabilities				
Trading liabilities[2]	868	215	653	-
Deposits and other borrowings	2,504	-	2,504	-
Derivative financial instruments	4,321	-	4,321	-
Bonds and notes	10,069	-	10,069	-

Financial instruments at amortised cost[3]

Dollars in Millions	Carrying Amount	Fair Value Total	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
	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**	**-**
	Banking Group (30/9/23)				
Financial assets					
Loans and advances to customers[2]	101,175	100,008	-	2,273	97,735
Financial liabilities					
Deposits and other borrowings	78,502	78,438	-	78,438	-
Bonds and notes	10,717	10,669	-	10,669	-
Subordinated debt	1,450	1,446	-	1,446	-

[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.

[2] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

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

Note 26 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, credit risk adjustments, unearned and deferred income. 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

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

Subordinated debt

For Subordinated Notes and Perpetual Notes, the fair value is estimated by discounting the expected future cash flows based on the maturity of the notes, using current market interest rates of similar types of notes.

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 27 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 (30/9/24)								
	Amounts Subject to Enforceable Netting Arrangements								
	Effect of Offsetting on Balance Sheet			Related Amounts not Offset					
Dollars in Millions	Gross Amounts	Amount Offset	Net Amounts Reported on Balance Sheet	Financial Instru-ments	Non-Cash Collateral[1]	Cash Collateral[1]	Net Amount	Amounts not Subject to Enforceable Netting Arrange-ments	Carrying Amount
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[2]	**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[3]	**3,504**	**-**	**3,504**	**-**	**3,504**	**-**	**-**	**-**	**3,504**
Deposits and other borrowings	**2,852**	**516**	**2,336**	**-**	**-**	**-**	**2,336**	**81,918**	**84,254**
	Banking Group (30/9/23)								
Financial assets									
Derivative financial instruments	17,643	13,054	4,589	2,361	300	1,673	255	213	4,802
Collateral paid	2,308	1,201	1,107	-	-	505	602	-	1,107
Reverse repurchase agreements[2]	847	-	847	-	847	-	-	-	847
Loans and advances[4]	1,660	1,626	34	-	-	-	34	101,744	101,778
Financial liabilities									
Derivative financial instruments	17,851	14,180	3,671	2,361	-	505	805	650	4,321
Collateral received	1,855	75	1,780	-	-	1,673	107	-	1,780
Repurchase agreements[3]	5,222	-	5,222	-	5,222	-	-	-	5,222
Deposits and other borrowings	3,180	1,626	1,554	-	-	-	1,554	79,452	81,006

[1] Collateral amounts (cash and non-cash financial collateral) included are reflected at their fair value; however, this amount is limited to the net balance sheet exposure in order to not include any overcollateralisation. Non-cash financial collateral relating to derivative financial instruments is not recorded on the balance sheet.

[2] Reverse repurchase agreements are reported on the balance sheet within Trading assets of $1,575 million (30 September 2023: $847 million). Refer to Note 8 *Trading Assets* for further information.

[3] Repurchase agreements are reported on the balance sheet within Due to central banks and other institutions of $3,377 million (30 September 2023: $4,591 million) and Trading liabilities of $127 million (30 September 2023: $631 million). Refer to Notes 17 *Due To Central Banks And Other Institutions* and 18 *Trading Liabilities* for further information.

[4] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

Derivative financial instruments

Derivative financial instrument contracts are typically subject to International Swaps and Derivatives Association ("ISDA") master netting agreements, as well as relevant Credit Support Annexes ("CSA") 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.

Note 27 Offsetting Financial Assets and Financial Liabilities *continued*

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 10 *Loans and Advances to Customer*s and deposits not bearing interest and on-demand and short term deposits bearing interest in Note 19 *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 28 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 that have not been derecognised in their entirety

The RMBS Trust provides an internal residential mortgage-backed securities ("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 Bank 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 36 *Risk Management*.

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 and BNZ-IF. The assets of the Covered Bond Trust are not available to the Bank unless and until all prior ranking creditors of the Covered Bond Trust have been satisfied. The housing loans held by the Covered Bond Trust have not been derecognised by the Bank for financial reporting purposes as the Bank retains substantially all of the risks and rewards of ownership.

Government bonds and securities transferred under the agreements to repurchase have not been derecognised from the balance sheet as the Bank retains substantially all the risks and rewards of ownership. The fair value of these agreements is approximately equal to the carrying amount on the balance sheet due to their short term nature.

The Bank's obligations under agreements to repurchase are classified under Notes 17 *Due to Central Banks and Other Institutions*, 18 *Trading Liabilities* and 25 *Related Party Disclosures*. Further details on securities sold under agreements to repurchase are provided in these notes.

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

	Banking Group			
	Carrying Amount of Assets	Carrying Amount of Assets	**Carrying Amount of Associated Liabilities**	Carrying Amount of Associated Liabilities
Dollars in Millions	**30/9/24**	30/9/23	**30/9/24**	30/9/23
Housing loans held by RMBS Trust	**14,681**	14,678	**3,377**	4,591
Housing loans held by Covered Bond Trust	**6,209**	7,595	**5,325**	6,357
Government bonds and securities	**122**	214	**123**	214
	21,012	22,487	**8,825**	11,162

The Banking Group had issued debt securities with a face value of $5,433 million that were guaranteed by the Covered Bond Trust as at 30 September 2024 (30 September 2023: $6,791 million). The underlying collateral that supports the guarantee provided by the Covered Bond Trust comprised housing loans, collections receivable and cash with a carrying amount of $6,456 million as at 30 September 2024 (30 September 2023: $7,868 million). The fair value of the underlying collateral approximates its carrying amount because it is either short term in nature or reprice frequently.

Further details on the transactions with the RMBS Trust and the Covered Bond Trust are provided in Notes 32 *Structured Entities, Securitisation, Funds Management, Fiduciary Activities and Insurance* and 36 *Risk Management*.

Note 29 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).

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.

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

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 (30/9/24)				
Dollars in Millions	Partnership Banking	Corporate and Institutional Banking	Total Reportable Segments	Other	Total Banking Group
Net interest income	**2,089**	**715**	**2,804**	**105**	**2,909**
Other income[1]	**212**	**250**	**462**	**245**	**707**
Total operating income[2]	**2,301**	**965**	**3,266**	**350**	**3,616**
Operating expenses	**262**	**59**	**321**	**1,071**	**1,392**
Total operating profit/(loss) before credit impairment charge and income tax expense	**2,039**	**906**	**2,945**	**(721)**	**2,224**
Credit impairment charge	**15**	**73**	**88**	**58**	**146**
Total operating profit/(loss) before income tax expense	**2,024**	**833**	**2,857**	**(779)**	**2,078**
Income tax expense/(benefit) on operating profit	**565**	**234**	**799**	**(227)**	**572**
Net profit/(loss) for the year	**1,459**	**599**	**2,058**	**(552)**	**1,506**
Lending assets	**81,602**	**24,451**	**106,053**	**48**	**106,101**
Deposit liabilities	**62,961**	**14,412**	**77,373**	**4,911**	**82,284**
	Banking Group (30/9/23)				
Net interest income	2,142	696	2,838	59	2,897
Other income[1]	223	264	487	113	600
Total operating income[2]	2,365	960	3,325	172	3,497
Operating expenses[3]	264	61	325	897	1,222
Total operating profit/(loss) before credit impairment charge and income tax expense	2,101	899	3,000	(725)	2,275
Credit impairment charge/(write-back)	128	(31)	97	75	172
Total operating profit/(loss) before income tax expense	1,973	930	2,903	(800)	2,103
Income tax expense/(benefit) on operating profit[3]	554	260	814	(220)	594
Net profit/(loss) for the year[3]	1,419	670	2,089	(580)	1,509
Lending assets[4]	78,439	23,274	101,713	65	101,778
Deposit liabilities	61,553	13,721	75,274	3,228	78,502

[1] Other income includes Gains less losses on financial instruments and Other operating income.

[2] For the year ended 30 September 2024, 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 2023: nil).

[3] Comparative balances have been reclassified to align with the segment measures for the year ended 30 September 2024, where fixed costs within Operating expenses are no longer allocated to Partnership Banking and Corporate and Institutional Banking, and are now recognised in the Other segment. As a result, for the year ended 30 September 2023, a reclassification of $845 million was made to the Other segment, with $697 million from Partnership Banking and $148 million from Corporate and Institutional Banking, which caused subsequent adjustments to Income tax expense/(benefit) and Net profit/(loss).

[4] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

Note 30 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.

On 30 April 2024, the Bank completed the sale of BNZISL to FirstCape (refer to Note 25 *Related Party Disclosures*). Under the sale agreement, the Bank has provided certain warranties and indemnities in favour of FirstCape, under which BNZ may be liable to FirstCape. The potential outcome and total costs associated with these warranties and indemnities remain uncertain.

The Banking Group has received information requests from its regulators as part of both industry and bank-specific reviews being undertaken, and the Banking Group has also initiated contact with its regulators on compliance-related matters. The scope of reviews, inquiries and investigations can be wide-ranging and may relate to, or have related in recent years to, a range of matters, including anti-money laundering 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.
- 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 36 *Risk Management*.

Note 30 Contingent Liabilities and Other Commitments *continued*

Dollars in Millions	Banking Group 30/9/24	Banking Group 30/9/23
Bank guarantees and letters of credit		
Bank guarantees	**423**	414
Standby letters of credit	**278**	317
Documentary letters of credit	**150**	106
Performance related contingencies	**1,527**	1,417
Total bank guarantees and letters of credit	**2,378**	2,254
Credit related commitments		
Revocable commitments to extend credit	**6,242**	7,452
Irrevocable commitments to extend credit	**14,326**	14,217
Total credit related commitments	**20,568**	21,669
Total bank guarantees, letters of credit and credit related commitments	**22,946**	23,923

Note 31 Credit Exposures to Connected Persons and Non-bank 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 2024 over the Banking Group's Tier 1 Capital as at 30 September 2024. The gross amount and amount netted off under a bilateral netting agreement are included in the table below.

	Banking Group (30/9/24) Dollars in Millions	% of Tier One Capital As At
As at end of year		
Credit exposure to connected persons (on gross basis, before netting)	**6,068**	**48.9%**
Credit exposure to connected persons (amount netted)	**4,485**	**36.1%**
Credit exposure to connected persons (on partial bilateral net basis)	**1,583**	**12.8%**
Credit exposure to non-bank connected persons	**140**	**1.1%**
Peak for the year ended		
Credit exposure to connected persons (on gross basis, before netting)	**6,674**	**53.8%**
Credit exposure to connected persons (amount netted)	**4,026**	**32.4%**
Credit exposure to connected persons (on partial bilateral net basis)	**2,648**	**21.4%**
Credit exposure to non-bank connected persons	**-**	**0.0%**

As at 30 September 2024, 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 2024.

As at 30 September 2024, the Banking Group had no 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 2024.

Note 32 Structured Entities, Securitisation, Funds Management, Fiduciary Activities and Insurance

Funds management

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.

On 30 April 2024, the Bank completed the sale of BNZISL to FirstCape, at which point BNZISL ceased to be a wholly owned controlled entity of the Bank. Refer to Note 25 *Related Party Disclosures* for further information. Under a referral agreement and a manufacturing and distribution agreement between the Bank and FirstCape, the Bank will continue distributing the Investment Schemes and FirstCape will issue and manage the Investment Schemes. The Bank continues to control, and BNZISL continues to manage, 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.

During the reporting period, up until 30 April 2024, the Bank provided services to a number of customers, including advice on, administration of, and management of investment portfolios.

The outstanding value of assets related to funds under management by the Bank is set out in the table below.

	Banking Group	
Dollars in Millions	30/9/24	30/9/23
Managed Investment Scheme Regulated Offers	-	7,243
BNZ Term PIE[1]	-	1,471

[1] Following the sale of BNZISL, BNZ Term PIE continues to be controlled and consolidated by the Bank, however, it is no longer managed by the Bank.

Managed Investment Scheme Regulated Offers do not represent deposits or other liabilities of the Bank or any other member of NAB, are not owned by the Banking Group and are therefore not included as part of the Banking Group's assets on the balance sheet. Investments made in the 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 Investment Schemes or the repayment of capital. During the reporting period, the Managed Investment Scheme Regulated Offers were managed by BNZISL. BNZISL was a wholly owned subsidiary of the Banking Group up until 30 April 2024, at which point BNZISL ceased to be a member of the Banking Group.

Insurance business

The Banking Group does not conduct any Insurance Business, as defined by condition 3 of the Bank's Conditions of Registration set out on page 91.

Marketing and distribution of insurance products

The Banking Group is involved in marketing 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.

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.

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	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 and BNZ-IF.

Further details on the transactions with the RMBS Trust and the Covered Bond Trust are provided in Note 28 *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 32 Structured Entities, Securitisation, Funds Management, Fiduciary Activities and Insurance *continued*

Unconsolidated structured entities

Unconsolidated structured entities refer to all 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 2024.

	Banking Group (30/9/24)				Banking Group (30/9/23)			
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	**1,685**	**7**	**4**	**1,696**	887	5	2	894
Commitments and guarantees	**462**	**-**	**-**	**462**	614	-	-	614
Total maximum exposure to credit loss	**2,147**	**7**	**4**	**2,158**	1,501	5	2	1,508

The total assets of unconsolidated structured entities are not considered meaningful for the purpose of understanding the Banking Group's financial risks associated with these entities and so have not been presented. Unless specified otherwise, 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. Exposure to loss is managed as part of the Banking Group-wide risk management framework. Refer to Note 36 *Risk Management* for further information.

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

Risk management

The Banking Group has in place policies and procedures to ensure that the activities identified 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.

The Banking Group's risk review and risk management systems are equally applicable to the marketing and distribution of products issued by the third party entities identified in the marketing and distribution of insurance products and funds management sections of this note.

In addition, the following measures are also taken to manage any risk to the Banking Group of marketing and distributing insurance products:

- disclaimers on policies, application forms and other collateral relating to insurance products expressly state that the policy is not an obligation of the Bank and that the Bank does not guarantee the obligations of the insurer; and
- the introduction of new policies and changes to existing policies marketed or distributed by the Banking Group are subject to the Banking Group's standard risk management policies and procedures.

The Bank does not guarantee the capital, income or return of any of the products referred to above.

Transactions with Banking Group 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.

Peak aggregate funding provided to entities

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

During the year ended 30 September 2024, 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.

Note 33 Concentrations of Credit Exposures to Individual Counterparties and Groups of Closely Related 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 excludes supranationals or quasi-sovereign agencies 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 (30/9/24)	
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%	-	1
15-19%	1	-
20-24%	-	-

The above table 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, supranationals or quasi-sovereign agencies with a long term credit rating below A- or A3, to whom their aggregate credit exposure, as at 30 September 2024, or peak end-of-day aggregate credit exposure, for the year ended 30 September 2024, 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 2024, or peak end-of-day aggregate credit exposure, for the year ended 30 September 2024, equalled or exceeded 10% of the Banking Group's Common Equity Tier 1 Capital.

Note 34 Investments in Wholly Owned Entities

The following table presents the wholly owned entities of the Bank as at 30 September 2024. These entities have the same reporting date as the Bank.

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

Movements in wholly owned entities

On 30 April 2024, BNZISL was sold to FirstCape. The transaction resulted in a pre-tax gain of $103 million (before transaction costs) for the Banking Group. Refer to Notes 4 *Other Operating Income* and 25 *Related Party Disclosures* for further information.

Note 35 Capital Adequacy

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

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

RBNZ Capital Adequacy Framework

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

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

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

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

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

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

Capital management policies

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

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

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

Capital requirements, as detailed in the Banking Group's ICAAP document, are managed by the Bank's Executive Risk and Compliance Committee ("ERCC") and the Asset, Liability and Capital Committee ("ALCCO") under delegated authority from the Board of Directors.

For more information on the capital structure of the Banking Group, refer to page 65.

The tables on the following pages detail the capital calculation, capital ratios and capital requirements as at 30 September 2024. 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.

Note 35 Capital Adequacy *continued*

Regulatory capital

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

Dollars in Millions	Banking Group Unaudited 30/9/24
Qualifying capital	
Common Equity Tier 1 capital	
Contributed equity - ordinary shares	9,956
Retained profits	2,520
Accumulated other comprehensive income and other disclosed reserves	24
Deductions from Common Equity Tier 1 capital:	
Goodwill and other intangible assets	540
Cash flow hedge reserve	63
Credit value adjustment on liabilities designated at fair value through profit or loss	(31)
Prepaid pension assets (net of deferred tax)	6
Deferred tax asset	345
Total expected loss less total eligible allowances for impairment	-
Total Common Equity Tier 1 capital	11,577
Additional Tier 1 capital	
Contributed equity - perpetual preference shares	825
Total Additional Tier 1 capital	825
Total Tier 1 capital	12,402
Tier 2 capital	
Revaluation reserves	3
Subordinated Notes	550
Total eligible impairment allowance in excess of expected loss	348
Total Tier 2 capital	901
Total Tier 1 and Tier 2 qualifying capital	13,303

Banking Group Basel III regulatory capital ratios

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

	Banking Group		
	Regulatory Minima	Unaudited 30/9/24	Unaudited 30/9/23
Common Equity Tier 1 capital ratio	4.5%	13.9%	13.3%
Tier 1 capital ratio	7.0%	14.9%	14.6%
Total qualifying capital ratio	9.0%	16.0%	15.7%
Prudential capital buffer ratio	4.5%	7.0%	7.7%

Registered Bank Basel III regulatory capital ratios

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 30/9/24	Unaudited 30/9/23
Common Equity Tier 1 capital ratio	13.9%	13.2%
Tier 1 capital ratio	14.9%	14.6%
Total qualifying capital ratio	16.0%	15.7%

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.

Note 35 Capital Adequacy *continued*

Total regulatory capital requirements

Dollars in Millions	Banking Group Unaudited (30/9/24) Total Exposure at Default after Credit Risk Mitigation	Risk-Weighted Exposure or Implied Risk-Weighted Exposure	Total Capital Requirement[1]
Credit risk			
Exposures subject to the internal ratings based approach[1]	110,283	50,439	4,540
Specialised lending subject to the slotting approach[1]	6,875	7,636	687
Exposures subject to the standardised approach[1]	21,050	3,152	284
Equity exposures[1]	1	6	1
Credit Value Adjustment subject to BPR ("CVA")	N/A	466	42
Adjustment for standardised RWA floor[2]	N/A	5,738	516
Total credit risk	138,209	67,437	6,070
Operational risk	N/A	11,738	939
Market risk	N/A	3,948	316
Total	138,209	83,123	7,325

[1] In calculating the total capital requirement, a scalar has been applied to the RWA, as required by the RBNZ in accordance with the Bank's Conditions of Registration.
[2] The Banking Group's IRB RWA (after multiplying by the scalar) are subject to a floor equal to 85% of the value of those RWA recalculated using the standardised methodology.

Advanced Internal Ratings Based approach to credit risk management

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 to calculate loss estimates for the credit portfolio. This includes consideration of:

- probability of default ("PD") which estimates the probability that a customer will default over the next 12 months;
- exposure at time of default ("EAD") which estimates the amount of outstanding principal, fees and interest owed at the time of default; and
- loss given default ("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.

The above three elements (PD, EAD, and LGD) 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, EAD and LGD) 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.

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.

The risk-weighted asset amounts calculated using the 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.

Note 35 Capital Adequacy *continued*

Credit risk subject to the Internal Ratings Based ("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 (30/9/24)				
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	3,872	44	15	699
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.32	16,117	30	34	6,556
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.91	16,346	31	54	10,541
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.44	6,673	34	78	6,283
Exposure-weighted PD grade >5.0 ≤ 99.99%	12.09	1,170	38	145	2,040
Default PD grade = 100%	100.00	469	42	214	1,205
Total corporate exposures	1.95	44,647	33	51	27,324
Residential mortgage					
Exposure-weighted PD grade >0 ≤ 0.1%	-	-	-	-	-
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.40	1,147	18	14	189
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.99	59,697	19	26	18,604
Exposure-weighted PD grade >1.5 ≤ 5.0%	4.92	1,706	19	66	1,358
Exposure-weighted PD grade >5.0 ≤ 99.99%	-	-	-	-	-
Default PD grade = 100%	100.00	592	22	251	1,783
Total residential mortgage exposures	2.01	63,142	19	29	21,934
Other retail[2]					
Exposure-weighted PD grade >0 ≤ 0.1%	0.05	724	87	12	106
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.24	439	86	38	200
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.90	185	86	82	181
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.70	107	84	113	145
Exposure-weighted PD grade >5.0 ≤ 99.99%	11.69	31	80	140	52
Default PD grade = 100%	100.00	7	74	431	35
Total other retail exposures	1.09	1,493	86	40	719
Retail small to medium enterprises					
Exposure-weighted PD grade >0 ≤ 0.1%	0.07	6	50	9	1
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.30	613	29	16	115
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.92	360	33	32	136
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.67	224	35	48	128
Exposure-weighted PD grade >5.0 ≤ 99.99%	13.60	20	39	69	17
Default PD grade = 100%	100.00	23	36	239	65
Total retail SME exposures	2.95	1,246	32	31	462
Total[3]					
Exposure-weighted PD grade >0 ≤ 0.1%	0.04	4,602	51	15	806
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.33	18,316	31	32	7,060
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.97	76,588	22	32	29,462
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.94	8,710	32	76	7,914
Exposure-weighted PD grade >5.0 ≤ 99.99%	12.11	1,221	39	144	2,109
Default PD grade = 100%	100.00	1,091	31	236	3,088
Total exposures	1.98	110,528	26	38	50,439

[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.

Note 35 Capital Adequacy *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.

	Banking Group		
	Unaudited (30/9/24)		
Dollars in Millions	Total Exposure	Exposure at Default[1]	Risk-Weighted Assets
On-balance sheet exposures			
Corporate	39,528	39,528	24,620
Residential mortgage	60,104	60,104	21,051
Other retail	781	781	489
Retail small to medium enterprises	1,180	1,180	435
Total on-balance sheet exposures	101,593	101,593	46,595
Off-balance sheet exposures			
Corporate	14,506	4,243	2,128
Residential mortgage	3,571	3,038	883
Other retail	2,200	712	230
Retail small to medium enterprises	462	66	27
Total off-balance sheet exposures	20,739	8,059	3,268
Derivatives and securities financing transactions[2]			
Corporate	876	876	576
Total derivatives and securities financing transactions	876	876	576
Summary[3]			
Corporate		44,647	27,324
Residential mortgage		63,142	21,934
Other retail		1,493	719
Retail small to medium enterprises		1,246	462
Total credit risk exposures subject to the IRB approach		110,528	50,439

[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.

Note 35 Capital Adequacy *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 (30/9/24)		
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	1,183	70	994
Good	4,488	90	4,847
Satisfactory	642	115	885
Weak	162	250	487
Default	15	-	-
Total on-balance sheet exposures subject to the slotting approach	6,490	93	7,213

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 (30/9/24)			
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	7	4	93	4
Undrawn commitments	720	348	93	388
Market related contracts	2,276	33	78	31
Total off-balance sheet exposures subject to the slotting approach	3,003	385	92	423
Total exposures subject to the slotting approach		6,875	93	7,636

Note 35 Capital Adequacy *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 (30/9/24)		
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	100	0	-
Sovereigns and central banks	11,280	0	-
	-	20	-
	-	50	-
	-	100	-
	-	150	-
Multilateral development banks and other international organisations	1,221	0	-
	-	20	-
	-	50	-
	-	100	-
	-	150	-
Public sector entities	1,973	20	395
	-	50	-
	-	100	-
	-	150	-
Banks	1,320	20	264
	1,165	50	582
	-	100	-
	-	150	-
Other on-balance sheet exposures subject to the standardised approach by average risk weight			
Corporate	-	100	-
Residential mortgages	-	-	-
Past due assets	-	133	-
Other assets[1]	1,377	98	1,350
Total on-balance sheet exposures subject to the standardised approach	18,436	14	2,591

[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 (30/9/24)				
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	584	100	584	27	156
Memo item: Undrawn commitment to the Business Growth Fund	-	-	-	-	-

	Banking Group			
	Unaudited (30/9/24)			
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]	1,355	944	22	209
Interest rate contracts[2]	891	311	15	47
Other	8	8	20	2
Total counterparty credit risk for counterparties subject to the standardised approach	2,254	1,263	20	258

[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.

Note 35 Capital Adequacy *continued*

Dollars in Millions	Banking Group Unaudited (30/9/24) 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	411	2	8
Collateral posted for clearing own trades	356	39	139
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	767	19	147
Total exposures subject to the standardised approach	21,050	15	3,152

Equity exposures

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

Dollars in Millions	Banking Group Unaudited (30/9/24) 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)	1	400	6
Total equity exposures	1	400	6

Impact of the Standardised Floor on Total Credit Risk RWA

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 (30/9/24) Risk-Weighted Assets Calculated for Compliance Purposes	Recalculated using the Standardised Approach
Total IRB and supervisory slotting exposures	58,075	75,074
Standardised floor at 85% of standardised equivalents	N/A	63,813
IRB and slotting RWA with floor applied	63,813	N/A
RWA for standardised exposures	3,624	N/A
Total credit risk RWA	67,437	N/A

Note 35 Capital Adequacy *continued*

Credit risk mitigation

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 table below 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.

	Banking Group				
	Unaudited (30/9/24)				
Dollars in Millions	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)	2,022	4,350	-	-	-
For all portfolios:					
Total value of exposures covered by credit derivatives or guarantees	-	-	-	-	-

Residential mortgages by loan-to-valuation ("LVR") ratio

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 LVRs 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.

	Banking Group		
	Unaudited (30/9/24)		
Dollars in Millions	On-balance Sheet Exposures at Default	Off-balance Sheet Exposures at Default[1]	Total Exposures at Default
LVR Range			
0-59%	28,288	1,401	29,689
60-69%	13,073	579	13,652
70-79%	15,408	742	16,150
80-89%	2,344	34	2,378
Over 90%	991	282	1,273
Total exposures at default secured by residential mortgages	60,104	3,038	63,142

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

Reconciliation of exposures secured by residential mortgages to housing loans in Note 10 *Loans and Advances to Customers*

	Banking Group
	On-balance Sheet Exposures at Default Unaudited
Dollars in Millions	30/9/24
Loans and advances to customers - housing loans	60,102
Add: Partial write offs excluded under the IRB approach	2
Total housing loan exposures secured by residential mortgages	60,104

Operational risk

	Banking Group	
	Unaudited (30/9/24)	
Dollars in Millions	Implied Risk-Weighted Exposure	Total Operational Risk Capital Requirement
Operational risk	11,738	939

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

Note 35 Capital Adequacy *continued*

Market risk

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

	Banking Group			
	Unaudited (30/9/24)			
	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	**3,925**	**4,776**	**314**	**382**
Foreign exchange risk	**22**	**74**	**2**	**6**
Equity risk	**1**	**1**	**-**	**-**
Total market risk	**3,948**	**4,851**	**316**	**388**

The aggregate market risk exposure above is derived in accordance with BPR140 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.

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 strategic risk, balance sheet and liquidity risk, conduct risk, compliance risk and sustainability risk.

As at 30 September 2024, the Banking Group had an internal capital allocation for strategic risk of nil (30 September 2023: nil).

Capital structure

Contributed equity

Refer to Note 24 *Contributed Equity* for further information on ordinary shares and perpetual preference shares.

Subordinated debt

Refer to Note 23 *Subordinated Debt* for further information on Perpetual Notes and Subordinated Notes.

Reserves

Accumulated other comprehensive income and other disclosed reserves in Tier 1 capital includes the cost of hedging reserve of $(40) million which captures changes in the fair value of hedging instruments due to currency basis and the FVTOCI reserve of $1 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.

National Australia Bank Limited capital adequacy

The table below shows the 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 30/9/24	Unaudited 30/9/23	**Unaudited 30/9/24**	Unaudited 30/9/23
Common Equity Tier 1 capital ratio	**12.35%**	12.22%	**12.08%**	12.13%
Tier 1 capital ratio	**14.67%**	14.19%	**14.65%**	14.36%
Total capital ratio	**20.92%**	19.88%	**21.49%**	20.67%

The ultimate parent banking group data is the Level 2 capital ratio (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 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 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 2024.

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.

Note 35 Capital Adequacy *continued*

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 of this note). The standardised equivalent RWA, capital components, and capital ratios in this page are presented for disclosure purposes only and do not affect the Banking Group's compliance with regulatory minima.

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.

	Banking Group		
	Unaudited (30/9/24)		
Dollars in Millions	Common Equity Tier 1 capital	Tier 1 capital	Total capital
Standardised equivalent capital amount	11,577	12,402	12,955
Standardised equivalent total RWA	94,384	94,384	94,384
Ratio	12.3%	13.1%	13.7%

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

Historical Summary of Actual and 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.

	Banking Group
Dollars in Millions	Unaudited 30/9/24
Total qualifying capital ratio[1]	16.0%
Standardised equivalent total capital ratio[2]	13.7%
Average risk weight for all modelled credit risk exposures[3]	49.5%
Standardised equivalent average risk weight for all modelled credit risk exposures[4]	65.2%

[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.

Credit Risk: 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 (30/9/24)			
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
Corporate	44,647	27,324	44,538	40,757
Residential mortgage	63,142	21,934	61,734	25,911
Other retail	1,493	719	793	790
Retail small to medium enterprises	1,246	462	1,246	970
Specialised lending subject to the slotting approach	6,875	7,636	6,875	6,646
Total	117,403	58,075	115,186	75,074

[1] Exposure represents exposure at default pre-credit risk mitigation with the exception of specialised lending subject to the slotting approach which represents exposure at default after credit risk mitigation.

Note 36 Risk Management

Risk management

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

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

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

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

The key risks faced by the Banking Group include:

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

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

Board governance

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

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

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

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.

Internal audit function

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

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

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

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

External auditor and credit rating agencies

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

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

Note 36 Risk Management *continued*

Strategic risk

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

Credit risk

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

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

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

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

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

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

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 collateral taken to mitigate credit risk.

Cash and liquid assets

Cash and liquid assets consist of transaction balances with central banks and other institutions and reverse repurchase agreements.

Collateral paid

Collateral paid consists of collateral to meet derivative trading obligations. Balances held with central supervisory banks and other interest bearing assets that are due from other banks are managed based on the counterparty's creditworthiness. The Banking Group will utilise master netting arrangements where possible to reduce its exposure to credit risk.

Trading assets

The Banking Group may utilise credit derivatives, guarantees provided by central banks 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 8 *Trading Assets*.

Investments in debt instruments

Investments in debt instruments consist of government and semi-government bonds. The amount of collateral held against such instruments will depend on the counterparty and the nature of the specific financial instrument.

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 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 CSAs 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.

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 significant level of collateralisation depending on the nature of the product.

Note 36 Risk Management *continued*

Credit card outstandings are mostly unsecured. However, where the borrower has provided collateral for other lending, the collateral can also be available to secure any credit card debt.

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 Note 35 *Capital Adequacy*.

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.

Concentrations of credit exposure

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	30/9/24	30/9/23
Maximum exposure to credit risk		
Cash and liquid assets[1, 2]	5,611	10,849
Due from central banks and other institutions	72	90
Collateral paid	927	1,107
Trading assets[2]	11,103	9,143
Investments in debt instruments	9	-
Other financial assets[3]	1,280	559
Derivative financial instruments	3,744	4,802
Gross loans and advances to customers[2]	106,803	102,468
Total on-balance sheet credit exposures	129,549	129,018
Off-balance sheet credit exposures[4]	16,704	16,471
Total maximum exposure to credit risk	146,253	145,489

[1] Cash and liquid assets exclude coins, notes and cash at bank.

[2] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

[3] Other financial assets include securities sold but not yet settled, accrued interest and due from customers on acceptances. Comparative balances have been restated to align with the presentation used in the current period.

[4] 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 (30/9/24)			Banking Group (30/9/23)		
Dollars in Millions	On-balance sheet	Off-balance sheet	Total exposure	On-balance sheet[5]	Off-balance sheet	Total exposure
Concentration by industry						
Agriculture	14,627	1,049	15,676	14,419	1,149	15,568
Forestry and fishing	1,182	321	1,503	1,091	347	1,438
Mining	244	200	444	241	240	481
Manufacturing	3,665	2,065	5,730	3,713	1,709	5,422
Electricity, gas and water	767	1,001	1,768	649	596	1,245
Construction	1,616	878	2,494	1,572	867	2,439
Wholesale and retail trade	4,953	1,271	6,224	4,537	1,530	6,067
Accommodation, restaurants, culture and recreation	1,761	334	2,095	1,556	456	2,012
Transport and storage	2,101	1,450	3,551	1,972	1,435	3,407
Communications	542	233	775	432	241	673
Financial, investment and insurance	17,487	1,802	19,289	21,793	1,628	23,421
Property, business and personal services	10,463	1,662	12,125	10,307	2,043	12,350
Government, education, health and community services	9,061	1,239	10,300	8,190	1,118	9,308
Real estate - mortgage	60,102	3,193	63,295	57,746	3,105	60,851
Personal lending	978	6	984	800	7	807
Total credit exposures by industry	129,549	16,704	146,253	129,018	16,471	145,489
Concentration by geography						
New Zealand	121,995	16,261	138,256	121,485	16,211	137,696
Overseas	7,554	443	7,997	7,533	260	7,793
Total credit exposures by geography	129,549	16,704	146,253	129,018	16,471	145,489

[5] Comparative balances have been restated to align with the presentation used in the current year. Refer to Note 1 *Principal Accounting Policies* for further information.

Note 36 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 11 *Allowance for Expected Credit Losses* for further information.

	Banking Group (30/9/24)			
Dollars in Millions	Stage1	Stage2	Stage3	Total
Credit risk exposure by risk grade				
Gross loans and advances to customers and loan commitments				
Senior investment grade	**48,021**	**174**	**-**	**48,195**
Investment grade	**28,517**	**9,568**	**-**	**38,085**
Sub-investment grade	**11,919**	**30,434**	**-**	**42,353**
Default	**-**	**-**	**1,116**	**1,116**
Total gross loans and advances to customers and loan commitments	**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**
	Banking Group (30/9/23)			
Credit risk exposure by risk grade				
Gross loans and advances to customers and loan commitments				
Senior investment grade	42,286	2,580	-	44,866
Investment grade	26,697	10,914	-	37,611
Sub-investment grade	12,493	29,377	-	41,870
Default	-	-	1,426	1,426
Total gross loans and advances to customers and loan commitments	81,476	42,871	1,426	125,773

Derivatives

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.

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.

Strategy in using financial instruments

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 investing these funds. The Banking Group also deals in a range of other financial products including derivatives and foreign exchange contracts where the Bank has deemed it has the expertise in the relevant market and infrastructure to support management processes.

Executing this strategy may result in market risk for the Banking Group, which is the risk of financial loss from unfavourable movements in market variables such as interest or foreign exchange rates. The Banking Group's activities involve the use of financial instruments to mitigate market risk or selectively position for 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.

Note 36 Risk Management *continued*

Market risk - traded

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

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

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

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

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

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

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

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 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.

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

	Banking Group							
	As At		Average Value During Year		Minimum Value During Year		Maximum Value During Year	
Dollars in Millions	**30/9/24**	30/9/23	**30/9/24**	30/9/23	**30/9/24**	30/9/23	**30/9/24**	30/9/23
VaR at a 99% confidence level								
Foreign exchange risk	**0.13**	0.17	**0.28**	0.44	**0.08**	0.07	**0.94**	2.51
Interest rate risk	**1.75**	1.63	**1.96**	2.21	**0.89**	1.09	**4.94**	4.56
Volatility risk	**0.01**	0.01	**0.01**	0.01	**-**	0.01	**0.03**	0.03
Credit spread risk	**0.73**	0.86	**0.36**	0.58	**0.17**	0.21	**0.86**	1.29
Diversification benefit	**(0.75)**	(0.64)	**(0.57)**	(0.86)	**N/A**	N/A	**N/A**	N/A
Total VaR for physical and derivative positions	**1.87**	2.03	**2.04**	2.38	**0.97**	1.11	**4.94**	4.73

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

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

Note 36 Risk Management *continued*

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	**30/9/24**	30/9/23
US dollar	**(14)**	7
Australian dollar	**2**	(2)
Japanese yen	**4**	3
Pound sterling	**(1)**	1
Euro	**(1)**	(4)
Other	**2**	2

Market risk – non-traded/banking positions

Non-traded market risk includes all market risks which are not designated as traded market risk. Non-traded market risk largely consists of structural interest rate risk in the balance sheet arising from loans and deposits and also holdings of high quality liquid assets within the prudential asset portfolio.

Non-traded market risk also includes funding and liquidity risk.

The Banking Group has adopted non-traded market risk policies, including the NAB Group Liquidity Risk Policy and the NAB Group Capital Risk Policy. These policies are approved by the NAB Board and approved by the BNZ Board for adoption by the Banking Group (as appropriate).

Note 36 Risk Management *continued*

Interest rate risk

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

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

Interest rate risk for non-traded market risk is measured, managed and monitored using 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 historic simulation method. Due to the generally longer holding period for non-traded products, the parameters applied differ. The key parameters for measuring non-traded market risk are as follows:

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

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

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

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
VaR for physical and derivative positions at a 99% confidence level		
As at end of year	**55**	36
Average value during year ended	**51**	34
Minimum value during year ended	**38**	27
Maximum value during year ended	**61**	40

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

	Banking Group	
Dollars in Millions	**30/9/24**	30/9/23
EaR for physical and derivative positions at a 99% confidence level		
As at end of year	**13**	10
Average value during year ended	**11**	16
Minimum value during year ended	**7**	8
Maximum value during year ended	**19**	25

Note 36 Risk Management *continued*

Interest rate repricing schedule

The following tables represent 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 36 *Risk Management*.

	Banking Group (30/9/24)						
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	5,711	5,493	-	-	-	-	218
Due from central banks and other institutions	72	71	1	-	-	-	-
Collateral paid	927	927	-	-	-	-	-
Trading assets	11,103	3,351	113	1,302	837	5,500	-
Derivative financial instruments	3,744	-	-	-	-	-	3,744
Investments in debt instruments	9	-	-	-	-	9	-
Loans and advances to customers	106,101	55,360	13,527	16,633	14,301	4,435	1,845
Other financial assets[1]	1,280	-	-	-	-	-	1,280
Total financial assets	128,947	65,202	13,641	17,935	15,138	9,944	7,087
Liabilities							
Due to central banks and other institutions	4,879	3,738	50	47	961	26	57
Collateral received	1,057	1,057	-	-	-	-	-
Trading liabilities	278	127	-	-	-	151	-
Deposits and other borrowings	84,254	47,040	13,579	8,593	1,228	1,411	12,403
Derivative financial instruments	3,914	-	-	-	-	-	3,914
Other financial liabilities[1]	2,576	-	-	-	-	-	2,576
Bonds and notes	19,385	1,503	1,846	1,458	1,657	12,921	-
Subordinated debt	550	550	-	-	-	-	-
Total financial liabilities	116,893	54,015	15,475	10,098	3,846	14,509	18,950
On-balance sheet sensitivity gap	12,054	11,187	(1,834)	7,837	11,292	(4,565)	(11,863)
Derivative financial instruments							
Net hedging derivative notionals	-	(7,638)	3,401	(5,418)	(5,304)	14,959	-
Interest sensitivity gap - net	12,054	3,549	1,567	2,419	5,988	10,394	(11,863)

[1] The Banking Group has revised the classification used to calculate other financial assets and other financial liabilities.

Note 36 Risk Management *continued*

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
	Banking Group (30/9/23)						
Assets							
Cash and liquid assets[1]	10,950	10,769	-	-	-	-	181
Due from central banks and other institutions	90	81	9	-	-	-	-
Collateral paid	1,107	1,107	-	-	-	-	-
Trading assets[1]	9,143	2,135	729	670	1,788	3,821	-
Derivative financial instruments	4,802	-	-	-	-	-	4,802
Loans and advances to customers[1]	101,778	49,529	7,957	16,965	16,112	9,445	1,770
Other financial assets[1,2]	559	-	-	-	-	-	559
Total financial assets	128,429	63,621	8,695	17,635	17,900	13,266	7,312
Liabilities							
Due to central banks and other institutions[1]	6,080	4,713	34	36	22	1,160	115
Collateral received[1]	1,780	1,780	-	-	-	-	-
Trading liabilities[1]	868	631	-	-	-	237	-
Derivative financial instruments	4,321	-	-	-	-	-	4,321
Deposits and other borrowings	81,006	45,026	9,815	10,252	1,205	1,022	13,686
Other financial liabilities[1,2]	1,587	-	-	-	-	-	1,587
Bonds and notes	20,786	1,940	1,392	2,701	3,241	11,512	-
Subordinated debt	1,450	1,450	-	-	-	-	-
Total financial liabilities	117,878	55,540	11,241	12,989	4,468	13,931	19,709
On-balance sheet sensitivity gap[1]	10,551	8,081	(2,546)	4,646	13,432	(665)	(12,397)
Derivative financial instruments							
Net hedging derivative notionals	-	(5,130)	5,558	(3,140)	(8,010)	10,722	-
Interest sensitivity gap - net[1]	10,551	2,951	3,012	1,506	5,422	10,057	(12,397)

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

[2] The Banking Group has revised the classification used to calculate other financial assets and other financial liabilities.

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.

Liquidity risk

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

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

The following are types of liquidity risks:

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

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

The BNZ Board has the ultimate responsibility to monitor and review the adequacy of the Banking Group's liquidity compliance and management framework, with the guidance of the Banking Group's BRCC. To aid in the fulfilment of its guidance responsibilities, BRCC receives recommendations from ERCC and regular reports on the Banking Group's liquidity management activity, risk limits and sensitivity metrics. The Banking Group's 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.

Note 36 Risk Management *continued*

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.

Maturity profile

The tables on pages 76 and 77 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 30 *Contingent Liabilities and Other Commitments*. Other financial assets and other financial liabilities only include balances which have contractual future cash flows.

	Banking Group (30/9/24)					
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]	-	1,280	2	9	44	1,335
Total	11,274	27,832	20,186	37,916	88,607	185,815
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[1]	-	(1,433)	(452)	(475)	(507)	(2,867)
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[2]						
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] The Banking Group has revised the classifications used to calculate other financial assets and other financial liabilities.

[2] Derivative financial liabilities include hedging and trading derivative cash flows.

Note 36 Risk Management *continued*

Dollars in Millions	Banking Group (30/9/23) 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[1]	10,950	-	-	-	-	10,950
Due from central banks and other institutions	-	82	9	-	-	91
Collateral paid	-	1,107	-	-	-	1,107
Trading assets[1]	-	1,659	1,596	5,760	1,132	10,147
Loans and advances to customers[1]	5,399	20,488	16,276	32,103	78,295	152,561
Other financial assets[1,2]	-	559	-	-	-	559
Total	16,349	23,895	17,881	37,863	79,427	175,415
Liabilities						
Due to central banks and other institutions[1]	(1,062)	(1,568)	(978)	(2,742)	-	(6,350)
Collateral received[1]	-	(1,780)	-	-	-	(1,780)
Trading liabilities[1]	-	(632)	(4)	(154)	(178)	(968)
Deposits and other borrowings	(43,104)	(15,930)	(20,743)	(2,444)	-	(82,221)
Other financial liabilities[1,2]	-	(669)	(289)	(413)	(435)	(1,806)
Bonds and notes	-	(721)	(5,130)	(15,478)	(2,544)	(23,873)
Subordinated debt[3]	-	(913)	(27)	(143)	(649)	(1,732)
Total	(44,166)	(22,213)	(27,171)	(21,374)	(3,806)	(118,730)
Derivative financial liabilities[4]						
Derivative financial liabilities inflow	-	43,472	15,166	26,618	5,439	90,695
Derivative financial liabilities (outflow)	-	(46,878)	(20,082)	(36,459)	(8,784)	(112,203)

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.
[2] The Banking Group has revised the classifications used to calculate other financial assets and other financial liabilities.
[3] The maturity classification of the Bank's Perpetual Notes reflects the scheduled mandatory conversion date. Refer to Note 23 *Subordinated Debt* for further information.
[4] Derivative financial liabilities include hedging and trading derivative cash flows.

Liquidity portfolio management

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

Dollars in Millions	Banking Group **30/9/24**	30/9/23
Cash and balances immediately convertible to cash[5]	**5,711**	10,950
Securities purchased under agreements to resell	**1,448**	216
Government bonds, notes and securities	**3,994**	2,506
Semi-government bonds, notes and securities	**3,398**	3,587
Corporate and other institutions bonds, notes and securities	**1,994**	1,966
Total liquidity portfolio	**16,545**	19,225

[5] Comparative balance has been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

As at 30 September 2024, the Banking Group also held residential mortgage-backed securities ("RMBS") of $15,000 million (30 September 2023: $15,000 million) of which $14,160 (30 September 2023: $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 $6,503 million (30 September 2023: $6,506 million).

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 2024, the Banking Group had repurchase agreements with the RBNZ with a value of $928 million (30 September 2023: $1,142 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 2024, Banking Group had repurchase agreements with the RBNZ with a value of $2,449 million (30 September 2023: $3,449 million) under the FLP.

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

Note 36 Risk Management *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.

	Banking Group	
	Unaudited For the 3 months ended 30/9/24	Unaudited For the 3 months ended 30/6/24
One-week mismatch ratio	**6.2%**	6.0%
One-month mismatch ratio	**7.0%**	7.1%
One-year core funding ratio	**88.0%**	88.8%

Note 36 Risk Management *continued*

Concentrations of funding

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	30/9/24	30/9/23
Concentration by industry			
Customer deposits			
Agriculture, forestry and fishing		**3,228**	3,181
Mining		**442**	394
Manufacturing		**1,820**	1,798
Electricity, gas and water		**149**	126
Construction		**1,640**	1,625
Wholesale and retail trade		**2,501**	2,665
Accommodation, restaurants, culture and recreation		**1,469**	1,586
Transport and storage		**1,917**	1,847
Communications		**277**	469
Financial, investment and insurance		**8,832**	8,678
Property, business and personal services		**13,687**	13,400
Government, education, health and community services		**3,983**	3,811
Personal deposits		**42,339**	38,922
Total customer deposits by industry		**82,284**	78,502
Concentration by geography			
Wholesale funding			
New Zealand[1]		**11,027**	13,528
Overseas[2]		**15,757**	17,292
Total wholesale funding by geography		**26,784**	30,820
Total funding		**109,068**	109,322
Total funding comprised:			
Customer deposits	19	**82,284**	78,502
Wholesale funding[3]			
Due to central banks and other institutions[1]		**4,879**	6,080
Other borrowings	19	**1,970**	2,504
Bonds and notes		**19,385**	20,786
Subordinated debt		**550**	1,450
Total wholesale funding		**26,784**	30,820
Total funding		**109,068**	109,322

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.
[2] This represents the wholesale active funding programmes of BNZ-IF and the Bank from offshore markets.
[3] Following a review of the Banking Group's financial instruments that represent wholesale funding, Collateral received has been removed from this table.

Operational risk

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

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

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

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

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

For the Banking Group's approach to calculating operational risk capital for the purpose of capital adequacy, refer to Note 35 *Capital Adequacy*.

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

Note 36 Risk Management *continued*

Compliance risk

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

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

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

Conduct risk

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

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

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

Sustainability risk

Sustainability risk is the risk that Environmental, Social or Governance (“ESG”) events or conditions negatively impact the risk and return profile, value or reputation of the Bank 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 Bank who are suppliers to the agricultural sector, and to those who reside in, and operate businesses within, impacted communities.

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

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

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

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

Note 37 Notes to the Cash Flow Statement

Dollars in Millions	Banking Group 30/9/24	Banking Group 30/9/23
Reconciliation of net profit for the year to net cash flows from operating activities		
Net profit for the year	**1,506**	1,509
Add/(deduct) non-cash items included in net profit:		
Increase in accrued interest receivable	**(18)**	(81)
Depreciation and amortisation expense	**198**	172
Credit impairment charge	**146**	172
Impairment losses and write offs on non-financial assets	**47**	9
Increase/(decrease) in provision for tax	**147**	(236)
Unrealised gains less losses on financial instruments	**(8)**	414
Increase in accrued interest payable[1]	**131**	397
Decrease in other assets	**1**	-
Decrease in other liabilities	**(3)**	(39)
(Gain)/loss on disposal of property, plant and equipment	**(1)**	1
Other non-cash items	**(27)**	-
Deduct items classified as investing activities included in net profit:		
Gain on sale from disposal of controlled entity	**(103)**	-
Deduct operating cash flows not included in net profit:		
Net change in operating assets and liabilities[1]	**(2,932)**	(365)
Net cash flows from operating activities[1]	**(916)**	1,953

[1] Comparative balances have been restated to align with the presentation used in the current period. Refer to Note 1 *Principal Accounting Policies* for further information.

Dollars in Millions	Bonds and Notes	Subordinated Debt	RBNZ Facilities	Total
	Banking Group (30/9/24)			
Reconciliation of net debt				
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**
	Banking Group (30/9/23)			
Balance at beginning of year	20,181	1,950	3,453	25,584
Net cash flows	690	(500)	1,138	1,328
Non-cash changes				
Foreign exchange adjustments	(110)	-	-	(110)
Fair value adjustments	59	-	-	59
Hedge adjustments	(36)	-	-	(36)
Other non-cash movements	2	-	-	2
Balance at end of year	20,786	1,450	4,591	26,827

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Assurance engagements performed by Ernst & Young

Our assurance procedures in relation to Bank of New Zealand (the "Bank") and the entities it controlled at 30 September 2024 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 2024 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 8 to 81 of the Annual Report and Disclosure Statement. These pages also include the Supplementary Information, and the Capital Adequacy and Regulatory Liquidity Ratios Information which are subject to a separate opinion and conclusion respectively as described below and so are not covered by the Financial Statement audit.
- Audit of the information required by Clause 21 of the Order to be disclosed in accordance with Schedule 4 (being the additional information on statement of financial position that is presented on the Balance Sheet, additional information on concentrations of credit risk (Note 36), additional information on interest rate sensitivity (Note 36), additional information on liquidity risk (Note 36) and reconciliation of mortgage-related amounts (Note 35)), Schedule 7 (Asset quality in Note 12), Schedule 13 (Concentration of credit exposures to individual counterparties in Note 33), Schedule 14 (Credit exposures to connected persons in Note 31), Schedule 15 (Insurance business, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products in Note 32) and Schedule 17 (Risk management policies in Note 36) of the Order (together the "Supplementary Information"). The Supplementary Information is presented for the year ended 30 September 2024 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 in Notes 35 and 36 (the "Capital Adequacy and Regulatory Liquidity Ratios Information"). The Capital Adequacy and Regulatory Liquidity Ratios Information is presented for the year ended 30 September 2024 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 Supplementary Information

Opinion

We have audited the Financial Statements and the Supplementary Information (as defined above). The Financial Statements comprise the:

- balance sheet of the Banking Group as at 30 September 2024;
- 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 2024 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 Supplementary Information for the year ended 30 September 2024 or as at that date, as applicable:
  - presents fairly the matters to which it relates; and
  - is disclosed in accordance with Schedules 4, 7, 13 to 15 and 17 of the Order.

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 Supplementary Information* 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 supplementary information 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 Supplementary Information* 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 disclosed in Note 11 *Allowance for Expected Credit Losses*, the allowance for expected credit losses and credit risk adjustments (ECL) is measured in accordance with the requirements of New Zealand Equivalent to International Financial Reporting Standard 9 *Financial Instruments* (NZ IFRS 9). In assessing the allowance for expected credit loss, key areas of significant judgment included: ▸ the application of the impairment requirements of NZ IFRS 9 within the expected credit loss (ECL) methodology; ▸ the identification of exposures with a significant increase in credit risk; ▸ assumptions used in ECL models (for both exposures assessed on an individual or collective basis); and ▸ the incorporation of forward-looking information to reflect the impact of current and anticipated external factors, both in the multiple economic scenarios and the probability weightings applied for each of these 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 provision calculation.	We assessed the alignment of the Banking Group's ECL model and its underlying methodology against the requirements of NZ IFRS 9. In conjunction with our actuarial and economic 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 significant increase in credit risk; ▸ the appropriateness and sensitivity of collective provisions to changes in 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 expected credit losses by assessing the reasonableness of key inputs into the credit impairment 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 ECL models; ▸ review and approval of economic scenarios assumptions, and weightings. We assessed the adequacy and appropriateness of the disclosures related to credit impairment 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.	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, Supplementary Information and auditor's report

The directors of the Bank are responsible, on behalf of the Bank, for the Annual Report and Disclosure Statement, which includes information other than the Financial Statements, the Supplementary Information and auditor's report.

Our opinion on the Financial Statements and Supplementary Information 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 Supplementary Information, 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 Supplementary Information or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, 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.

Directors' responsibilities for the Financial Statements and Supplementary Information

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 Supplementary Information 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 Supplementary Information that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements and Supplementary Information, 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 Supplementary Information

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole and Supplementary Information 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 Supplementary Information.

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
7 November 2024

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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 of the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information for the year ended 30 September 2024 or as at that date, as applicable, in all material respects, 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 2024 or as at that date, as applicable, disclosed in Notes 35 and 36 to the Financial Statements 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:

1. Compliance with the Order, including Clause 21 which requires the Capital Adequacy and Regulatory Liquidity Ratios Information to be included in the Annual Report and Disclosure Statement in accordance with Schedule 11 of the Order.
2. 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 supplementary information 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 2024 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
7 November 2024

Credit Ratings

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.

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 2024 - 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 4.5% 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 - 1%	30%	Stage 2
>1 - 2%	60%	Stage 1
>2 - 4.5%	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.

1CA. That the bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

   For the purposes of this condition of registration, "transitional AT1 capital instrument" has the meaning given in section A2.3 of BPR110: Capital Definitions and "loss absorption trigger event" and "non-viability trigger event" have the meanings given in sub-section C2.2(3) of BPR120: Capital Adequacy Requirements.

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.

Conditions of Registration

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.

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.

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.

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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.

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.

Conditions of Registration

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.

Changes in Conditions of Registration

Between 30 September 2023 and 30 September 2024, the RBNZ made the following changes to the Bank’s Conditions of Registration.

On 1 October 2023, the Bank’s Conditions of Registration were updated to (i) refer to updated versions of Banking Prudential Requirements following the decisions made on the Mutual Capital Instruments and Risk Weights Omnibus consultations and (ii) reflect the phased implementation of the updated version of Banking Standard 8 (BS8 *Connected Exposures*) which, among other things, removes the gross connected exposures limit as a percentage of Tier 1 capital.

On 1 December 2023, the Bank’s Conditions of Registration were updated to permit the Bank to return customers impacted by Cyclone Gabrielle from a “restricted” classification to “performing” without waiting six months to re-rate the loan as “non-defaulted”.

On 1 April 2024, the Bank’s Conditions of Registration were updated to (i) incorporate the adjustments necessary to clarify the risk weighting of past due loans underwritten by Kāinga Ora, (ii) reflect that the phased implementation of the updated version of Banking Standard 8 (BS8:Connected Exposures) is complete and (iii) remove the requirements for the transition period which ended on 30 September 2023 for Banking Standard 11 (BS11: Outsourcing Policy).

On 1 July 2024, the Bank’s Conditions of Registration were updated to (i) implement changes to the minimum Total capital ratio and Tier 1 capital ratio in line with decisions announced by RBNZ in the 2019 Capital Review, (ii) incorporate a revised version of BPR131: Standardised credit risk RWAs to clarify the risk weighting of exposures to sovereigns with unsolicited credit ratings, and clarify the treatment of past due Kainga Whenua loans, (iii) remove Condition of Registration 4A relating to disclosure reporting, which had been included on an interim basis, (iv) minor edits to legislative references in the BPRs and (v) activating Debt-to-Income restrictions and implementing changes to Loan-to-Valuation restrictions.

Non-compliance with Conditions of Registration

The Bank’s Disclosure Statement for the year ended 30 September 2020 noted that it had concluded an investigation phase of the data and systems used to calculate its regulatory capital and was continuing with remediation activities. The programme under which these remediation activities were being undertaken has now concluded with a number of non-material data and system related errors being advised to RBNZ and subsequently corrected.

Directors' Statement

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 2024:

   (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 7th November 2024 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

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