Bank of New Zealand
Disclosure Statement

For the six months ended 31 March 2025

No. 103

Contents

Disclosure Statement

For the six months ended 31 March 2025

This Disclosure Statement has been issued by Bank of New Zealand for the six months ended 31 March 2025 in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

In this Disclosure Statement, unless the context otherwise requires:

a) The name of the Registered Bank is Bank of New Zealand (referred to either by its full name, "BNZ" or as the "Bank");
b) "Banking Group" means Bank of New Zealand's financial reporting group, which consists of Bank of New Zealand, all of its wholly owned entities and other entities consolidated for financial reporting purposes;
c) The ultimate parent bank, and ultimate holding company, of Bank of New Zealand is National Australia Bank Limited. References in this document to "NAB" are references to National Australia Bank Limited's financial reporting group, which consists of National Australia Bank Limited, all of its wholly owned entities and other entities consolidated for financial reporting purposes; and
d) Words and phrases defined by the Order have the same meanings when used in this Disclosure Statement.

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

Address for Service

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

Income Statement

For the six months ended 31 March 2025

		Banking Group		
		Unaudited 6 Months	Audited 12 Months	Unaudited 6 Months
Dollars in Millions	Note	**31/3/25**	30/9/24	31/3/24
Interest income				
Effective interest income		**3,580**	7,722	3,865
Fair value through profit or loss		**253**	458	226
Interest expense		**2,333**	5,271	2,629
Net interest income		**1,500**	2,909	1,462
Gains less losses on financial instruments	2	**82**	273	144
Other operating income	3	**165**	434	164
Total operating income		**1,747**	3,616	1,770
Operating expenses		**672**	1,392	641
Total operating profit before credit impairment charge/(write-back) and income tax expense		**1,075**	2,224	1,129
Credit impairment charge/(write-back)	5	**(28)**	146	71
Total operating profit before income tax expense		**1,103**	2,078	1,058
Income tax expense on operating profit		**308**	572	296
Net profit for the period		**795**	1,506	762

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

Statement of Comprehensive Income

For the six months ended 31 March 2025

	Banking Group		
	Unaudited 6 Months	Audited 12 Months	Unaudited 6 Months
Dollars in Millions	**31/3/25**	30/9/24	31/3/24
Net profit for the period	**795**	1,506	762
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	**7**	-	9
Tax on items recognised directly in equity	**(2)**	-	(3)
	5	-	6
Items that may be reclassified subsequently to profit or loss			
Movement in cash flow hedge reserve	**26**	(55)	(72)
Movement in cost of hedging reserve	**4**	(24)	(28)
Movement in fair value through other comprehensive income ("FVTOCI") reserve	**2**	-	-
Tax on items recognised directly in equity	**(9)**	22	28
	23	(57)	(72)
Total other comprehensive income/(expense)	**28**	(57)	(66)
Total comprehensive income for the period	**823**	1,449	696

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

Statement of Changes in Equity

For the six months ended 31 March 2025

Dollars in Millions	Ordinary Shares	Perpetual Preference Shares	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Cost of Hedging Reserve	FVTOCI Reserve	Retained Profits	Total Share-holders' Equity
Banking Group								
Unaudited 6 Months 31/3/25								
Balance at beginning of period	**9,956**	**825**	**3**	**63**	**(40)**	**1**	**2,520**	**13,328**
Comprehensive income/(expense)								
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**795**	**795**
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**7**
Reserve movement through other comprehensive income	**-**	**-**	**-**	**26**	**4**	**2**	**-**	**32**
Tax on items recognised directly in equity	**-**	**-**	**-**	**(7)**	**(1)**	**(1)**	**(2)**	**(11)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**19**	**3**	**1**	**800**	**823**
Ordinary dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(496)**	**(496)**
Perpetual preference shares distributions	**-**	**-**	**-**	**-**	**-**	**-**	**(22)**	**(22)**
Balance at end of period	**9,956**	**825**	**3**	**82**	**(37)**	**2**	**2,802**	**13,633**
Audited 12 Months 30/9/24								
Balance at beginning of year	9,056	375	3	103	(23)	1	2,345	11,860
Comprehensive income/(expense)								
Net profit for the year	-	-	-	-	-	-	1,506	1,506
Reserve movement through other comprehensive income	-	-	-	(55)	(24)	-	-	(79)
Tax on items recognised directly in equity	-	-	-	15	7	-	-	22
Total comprehensive income/(expense)	-	-	-	(40)	(17)	-	1,506	1,449
Issue of ordinary shares through conversion of Perpetual Notes	900	-	-	-	-	-	-	900
Ordinary dividends paid	-	-	-	-	-	-	(1,305)	(1,305)
Issue of perpetual preference shares / (issue costs)	-	450	-	-	-	-	(6)	444
Perpetual preference shares distributions	-	-	-	-	-	-	(20)	(20)
Balance at end of period	9,956	825	3	63	(40)	1	2,520	13,328
Unaudited 6 Months 31/3/24								
Balance at beginning of period	9,056	375	3	103	(23)	1	2,345	11,860
Comprehensive income/(expense)								
Net profit for the period	-	-	-	-	-	-	762	762
Credit risk adjustments on financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	9	9
Reserve movement through other comprehensive income	-	-	-	(72)	(28)	-	-	(100)
Tax on items recognised directly in equity	-	-	-	20	8	-	(3)	25
Total comprehensive income/(expense)	-	-	-	(52)	(20)	-	768	696
Issue of ordinary shares through conversion of Perpetual Notes	900	-	-	-	-	-	-	900
Ordinary dividends paid	-	-	-	-	-	-	(679)	(679)
Perpetual preference shares distributions	-	-	-	-	-	-	(10)	(10)
Balance at end of period	9,956	375	3	51	(43)	1	2,424	12,767

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

Balance Sheet

As at 31 March 2025

		Banking Group		
		Unaudited	Audited	Unaudited
Dollars in Millions	Note	**31/3/25**	30/9/24	31/3/24
Assets				
Cash and liquid assets		**5,212**	5,711	7,559
Due from central banks and other institutions		**153**	72	92
Collateral paid		**709**	927	860
Trading assets		**11,650**	11,103	10,076
Derivative financial instruments		**3,193**	3,744	3,434
Investments in debt instruments		**1,190**	9	-
Loans and advances to customers	4	**108,502**	106,101	104,164
Other assets		**1,004**	1,563	1,287
Deferred tax		**318**	345	321
Property, plant and equipment		**608**	622	610
Goodwill and other intangible assets		**609**	540	525
Total assets		**133,148**	130,737	128,928
Liabilities				
Due to central banks and other institutions		**4,377**	4,879	5,185
Collateral received		**1,224**	1,057	1,409
Trading liabilities		**397**	278	1,163
Deposits and other borrowings	6	**87,591**	84,254	81,792
Derivative financial instruments		**2,345**	3,914	2,719
Current tax liabilities		**96**	193	15
Other liabilities		**2,165**	2,899	2,344
Bonds and notes		**19,880**	19,385	20,984
Subordinated debt	7	**1,440**	550	550
Total liabilities		**119,515**	117,409	116,161
Net assets		**13,633**	13,328	12,767
Shareholders' equity				
Contributed equity – ordinary shares		**9,956**	9,956	9,956
Contributed equity – perpetual preference shares		**825**	825	375
Reserves		**50**	27	12
Retained profits		**2,802**	2,520	2,424
Total shareholders' equity		**13,633**	13,328	12,767

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

Cash Flow Statement

For the six months ended 31 March 2025

		Banking Group		
		Unaudited 6 Months	Audited 12 Months	Unaudited 6 Months
Dollars in Millions	Note	**31/3/25**	30/9/24	31/3/24
Cash flows from operating activities				
Interest received		**3,902**	8,247	4,102
Interest paid		**(2,389)**	(5,140)	(2,524)
Net trading income received		**197**	265	133
Other income received		**186**	360	182
Personnel expenses		**(391)**	(726)	(384)
Other operating expenses		**(311)**	(565)	(260)
Taxes and subvention payments		**(389)**	(425)	(301)
Net cash flows from operating activities before changes in operating assets and liabilities		**805**	2,016	948
Changes in operating assets and liabilities arising from cash flow movements				
Net (increase)/decrease in:				
Due from central banks and other institutions		**(81)**	18	(2)
Collateral paid		**384**	925	580
Loans and advances to customers		**(2,358)**	(4,435)	(2,446)
Other assets		**546**	(744)	(453)
Net increase/(decrease) in:				
Due to central banks and other institutions		**45**	24	82
Collateral received		**157**	(715)	(363)
Deposits and other borrowings		**3,331**	3,248	778
Other liabilities		**(589)**	886	391
Net movement in trading assets and trading liabilities		**(615)**	(2,213)	(420)
Net movement in derivative financial instruments		**405**	74	(183)
Net change in operating assets and liabilities		**1,225**	(2,932)	(2,036)
Net cash flows from operating activities		**2,030**	(916)	(1,088)
Cash flows from investing activities				
Proceeds from sale of controlled entity		**-**	108	-
Acquisition of controlled entities	11	**(29)**	-	-
Proceeds from sale or maturity of investments in debt instruments		**85**	-	-
Purchase of investments in debt instruments		**(1,253)**	(9)	-
Purchase of property, plant and equipment		**(23)**	(73)	(23)
Acquisition of intangible assets		**(100)**	(201)	(81)
Net cash flows from investing activities		**(1,320)**	(175)	(104)
Cash flows from financing activities				
Proceeds from issue of bonds and notes		**1,052**	3,399	2,068
Repayment of bonds and notes		**(2,049)**	(5,378)	(2,570)
Proceeds from issue of subordinated debt	7	**884**	-	-
Increase in contributed equity - perpetual preference shares (net of issuance costs)		**-**	444	-
Ordinary dividend		**(496)**	(1,305)	(679)
Perpetual preference shares distribution		**(22)**	(20)	(10)
Payment of lease liabilities		**(31)**	(63)	(31)
Proceeds from repurchase agreements under RBNZ funding facilities		**1,732**	1,856	907
Repayment of repurchase agreements under RBNZ funding facilities		**(2,604)**	(3,070)	(1,996)
Net cash flows from financing activities		**(1,534)**	(4,137)	(2,311)
Net movement in cash and cash equivalents		**(824)**	(5,228)	(3,503)
Cash and cash equivalents at beginning of period		**4,554**	9,782	9,782
Cash and cash equivalents at end of period		**3,730**	4,554	6,279
Cash and cash equivalents at end of period comprised:				
Cash and liquid assets		**5,212**	5,711	7,559
Due to central banks and other institutions classified as cash and cash equivalents		**(1,482)**	(1,157)	(1,280)
Total cash and cash equivalents		**3,730**	4,554	6,279

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

Notes to and Forming Part of the Interim Financial Statements

For the six months ended 31 March 2025

Note 1 Principal Accounting Policies

These condensed interim financial statements are general purpose financial reports prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for profit oriented entities, the requirements of IAS 34 *Interim Financial Reporting*, NZ IAS 34 *Interim Financial Reporting* and the Order, and should be read in conjunction with the Disclosure Statement for the year ended 30 September 2024.

Reclassification of financial information

Certain comparative balances have been reclassified to align with the presentation used in the current reporting period. These are footnoted in the relevant notes to the interim financial statements. These reclassifications have no impact on the overall financial performance or financial position for the comparative periods.

Changes in accounting policies and disclosures

Accounting policies used in the preparation of these condensed interim financial statements are consistent with the accounting policies used in the preparation of the Disclosure Statement for the year ended 30 September 2024.

Critical accounting assumptions and estimates

The preparation of these condensed interim financial statements requires the use of certain critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities. Unless explicitly stated, there have been no significant changes to the accounting estimates, judgements and assumptions used in preparing these condensed interim financial statements compared to those applied in the preparation of the Disclosure Statement for the year ended 30 September 2024.

Income Statement Notes

Note 2 Gains Less Losses on Financial Instruments

	Banking Group		
	Unaudited 6 Months	Audited 12 Months	Unaudited 6 Months
Dollars in Millions	31/3/25	30/9/24	31/3/24
Trading gains less losses on financial instruments	90	237	136
Net gain/(loss) attributable to assets, liabilities and derivatives designated in hedge relationships	4	(5)	(6)
Net gain/(loss) in the fair value of derivatives used for hedging purposes not designated in hedge relationships	(19)	13	1
Net gain/(loss) in the fair value of financial assets designated at fair value through profit or loss and related derivatives[1]	-	4	4
Net gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss and related derivatives (refer to table below)[1]	7	24	10
Other gains less losses on financial instruments	-	-	(1)
Total gains less losses on financial instruments	82	273	144
Net gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss and related derivatives includes:			
Gain/(loss) attributable to derivatives used for hedging of financial liabilities designated at fair value through profit or loss	41	411	235
Gain/(loss) in the fair value of financial liabilities designated at fair value through profit or loss	(34)	(387)	(225)

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

Note 3 Other Operating Income

	Banking Group		
	Unaudited 6 Months	Audited 12 Months	Unaudited 6 Months
Dollars in Millions	31/3/25	30/9/24	31/3/24
Fees and commissions			
Money transfer fees	40	67	31
Fees earned on financial assets and liabilities	109	216	108
Investment management income	-	20	17
Other fees and commissions income	28	52	24
Total fees and commissions income	177	355	180
Fees and commissions expense[2]	(14)	(24)	(16)
Net fees and commissions income	163	331	164
Other income[3]	2	103	-
Total other operating income	165	434	164

[2] Expenses directly attributable and incremental to fees and commissions income.
[3] 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.

Asset Notes

Note 4 Loans and Advances to Customers

	Banking Group		
	Unaudited	Audited	Unaudited
Dollars in Millions	**31/3/25**	30/9/24	31/3/24
Overdrafts	**2,392**	2,292	2,194
Credit card outstandings	**776**	785	825
Housing loans	**62,140**	60,102	58,812
Other term lending	**43,068**	42,883	42,151
Other lending	**742**	741	884
Total gross loans and advances to customers	**109,118**	106,803	104,866
Deduct:			
Allowance for expected credit losses	**975**	1,024	971
Deferred and other unearned future income and expenses	**(157)**	(134)	(102)
Capitalised brokerage costs	**(202)**	(194)	(176)
Fair value hedge adjustments on housing loans	**-**	6	9
Total deductions	**616**	702	702
Total net loans and advances to customers	**108,502**	106,101	104,164

Note 5 Allowance for Expected Credit Losses

Expected Credit Losses (“ECL”) are derived from unbiased and probability-weighted estimates of expected loss. The measurement of ECL and assessment of significant increase in credit risk considers information about current conditions, past events, as well as reasonable and supportable forecasts of future economic conditions.

The Banking Group’s ECL measurement is derived from a probability weighted average of three distinct scenarios (base case, upside and downside) in addition to forward-looking adjustments for emerging risk at an industry, geography or segment level. The probability of each scenario is determined by considering relevant macro-economic outlooks and their likely impact on the Banking Group’s credit portfolios.

Key judgements and estimates

- In determining ECL, management judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions and granular probability of default and loss given default assumptions.
- 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.
- When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward-looking information and analysis based on the Banking Group’s historical loss experience.

Movement in allowance for expected credit losses

The total allowance for ECL decreased by $49 million compared to the balance as at 30 September 2024. This is due to an improving forecast of domestic conditions reflected in baseline macro-economics and a reduced likelihood of the downside scenario, partially offset by deterioration in corporate asset quality. Residential mortgage lending ECL coverage reduced by $24 million, $22 million from collectively assessed allowance and $2 million from individually assessed allowance. Other retail ECL coverage reduced by $10 million. Corporate ECL coverage reduced by $15 million, $30 million from reduced collectively assessed allowance partially offset by an increase in individually assessed allowance of $15 million. The $49 million decrease in total allowance for ECL reflects the combined effect of $28 million credit impairment write-back to the income statement and $24 million write-offs, partially offset by $3 million recoveries.

Note 5 Allowance for Expected Credit Losses *continued*

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

	Banking Group				
	Unaudited (31/3/25)				
	Collectively assessed allowance			Individually assessed allowance	
Dollars in Millions	Stage 1	Stage 2	Stage 3	Stage 3	Total
Movement in Allowance for ECL					
Balance at beginning of period	106	701	90	127	1,024
Transfers	40	(48)	(2)	10	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(68)	(4)	19	25	(28)
Amounts written off	-	-	-	(24)	(24)
Recovery of amounts written off	-	-	-	3	3
Discount unwind[2]	-	-	-	-	-
Total balance at end of period	78	649	107	141	975
	Audited (30/9/24)				
Balance at beginning of period	71	629	149	77	926
Transfers	39	(19)	(47)	27	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(4)	91	(12)	71	146
Amounts written off	-	-	-	(51)	(51)
Recovery of amounts written off	-	-	-	6	6
Discount unwind[2]	-	-	-	(3)	(3)
Total balance at end of period	106	701	90	127	1,024
	Unaudited (31/3/24)				
Balance at beginning of period	71	629	149	77	926
Transfers	16	(8)	(26)	18	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(15)	75	(8)	19	71
Amounts written off	-	-	-	(28)	(28)
Recovery of amounts written off	-	-	-	3	3
Discount unwind[2]	-	-	-	(1)	(1)
Total balance at end of period	72	696	115	88	971

[1] Classified as credit impairment charge/(write-back) in the income statement.
[2] The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. This discount unwinds through interest income over the period the asset is held.

Note 5 Allowance for Expected Credit Losses *continued*

ECL scenario analysis

The Banking Group's forecasts assume the following key macro-economic variables used in the upside, base case and downside scenario as at 31 March 2025.

	Upside (%) Unaudited			Base case (%) Unaudited			Downside (%) Unaudited		
	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	2.4	3.6	2.4	2.4	3.0	2.4	(4.6)	1.2	3.1
Unemployment	5.3	4.7	4.7	5.4	5.2	4.9	5.8	8.8	8.7
House price change year on year	10.9	8.8	3.2	3.3	6.5	3.4	(25.6)	(7.1)	4.7

[1] Macro-economic indicators for upside and base case represent annual change from September to September, and downside indicators represent annual change from March to March.

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 (%) Unaudited		Base case (%) Unaudited		Downside (%) Unaudited	
	HY 2025	FY 2024	HY 2025	FY 2024	HY 2025	FY 2024
Macro-economic scenario weightings						
Retail	2.5	2.5	55.0	52.5	42.5	45.0
Non-Retail	2.5	2.5	55.0	52.5	42.5	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		
	Unaudited	Unaudited	Unaudited
Dollars in Millions	31/3/25	30/9/24	31/3/24
Reported probability weighted ECL	975	1,024	971
100% upside ECL	553	654	570
100% base case ECL	606	686	602
100% downside ECL	1,477	1,439	1,423

Liability Notes

Note 6 Deposits and Other Borrowings

	Banking Group		
	Unaudited	Audited	Unaudited
Dollars in Millions	**31/3/25**	30/9/24	31/3/24
Deposits not bearing interest[1]	**15,173**	14,231	15,562
On-demand and short term deposits bearing interest[1]	**31,262**	29,544	27,742
Term deposits	**38,975**	38,509	36,702
Total customer deposits	**85,410**	82,284	80,006
Certificates of deposit	**783**	1,500	1,034
Commercial paper	**1,398**	470	752
Total deposits and other borrowings	**87,591**	84,254	81,792

[1] Comparative balances have been restated to reflect a change in classification for certain deposit products. The restatement of 30 September 2024 comparatives resulted in a $1,827 million increase in Deposits not bearing interest and a corresponding decrease in On-demand and short term deposits bearing interest. The restatement of 31 March 2024 comparatives resulted in a $1,974 million increase in Deposits not bearing interest and a corresponding decrease in On-demand and short term deposits bearing interest.

Note 7 Subordinated Debt

	Banking Group		
	Unaudited	Audited	Unaudited
Dollars in Millions	**31/3/25**	30/9/24	31/3/24
Subordinated Notes due to external investors	**890**	-	-
Subordinated Notes due to related entity	**550**	550	550
Total subordinated debt	**1,440**	550	550

Subordinated Notes due to external investors

On 28 January 2025, the Bank issued US$500 million of subordinated unsecured notes ("2035-Subordinated Notes"). The 2035-Subordinated Notes are included in Tier 2 capital of the Banking Group and the Registered Bank. The 2035-Subordinated Notes will mature on 28 January 2035 and the Bank has the option to redeem all or some of the 2035-Subordinated Notes on 28 January 2030.

Refer to Schedule 11 *Capital Adequacy under the Internal Models Based Approach, and Regulatory Liquidity Ratios* for further information.

Notes to and Forming Part of the Interim Financial Statements

Other Notes

Note 8 Fair Value of Financial Instruments

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

Hierarchy for fair value measurements

The tables on pages 12 and 13 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 in the six months ended 31 March 2025 (year ended 30 September 2024: nil; six months ended 31 March 2024: nil).

Financial instruments at fair value

	Banking Group			
	Unaudited (31/3/25)			
Dollars in Millions	Fair Value Total	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Financial assets				
Trading assets	**11,650**	**3,281**	**8,369**	**-**
Derivative financial instruments	**3,193**	**-**	**3,193**	**-**
Investments in debt instruments	**1,190**	**693**	**497**	**-**
Financial liabilities				
Trading liabilities	**397**	**57**	**340**	**-**
Deposits and other borrowings	**2,181**	**-**	**2,181**	**-**
Derivative financial instruments	**2,345**	**-**	**2,345**	**-**
Bonds and notes	**6,359**	**-**	**6,359**	**-**
	Audited (30/9/24)			
Financial assets				
Trading assets	11,103	3,288	7,815	-
Derivative financial instruments	3,744	-	3,744	-
Investments in debt instruments	9	4	5	-
Financial liabilities				
Trading liabilities	278	96	182	-
Deposits and other borrowings	1,970	-	1,970	-
Derivative financial instruments	3,914	-	3,914	-
Bonds and notes	5,879	-	5,879	-
	Unaudited (31/3/24)			
Financial assets				
Trading assets	10,076	1,989	8,087	-
Derivative financial instruments	3,434	-	3,434	-
Financial liabilities				
Trading liabilities	1,163	519	644	-
Deposits and other borrowings	1,786	-	1,786	-
Derivative financial instruments	2,719	-	2,719	-
Bonds and notes	8,614	-	8,614	-

Note 8 Fair Value of Financial Instruments *continued*

Financial instruments at amortised cost[1]

Dollars in Millions	Carrying Amount	Fair Value Total	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
	Banking Group				
	Unaudited (31/3/25)				
Financial assets					
Loans and advances to customers	108,502	108,324	-	2,392	105,932
Financial liabilities					
Deposits and other borrowings	85,410	85,481	-	85,481	-
Bonds and notes	13,521	13,579	-	13,579	-
Subordinated debt	1,440	1,441	-	1,441	-
	Audited (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	-
	Unaudited (31/3/24)				
Financial assets					
Loans and advances to customers	104,164	103,552	-	2,194	101,358
Financial liabilities					
Deposits and other borrowings	80,006	79,999	-	79,999	-
Bonds and notes	12,370	12,376	-	12,376	-
Subordinated debt	550	544	-	544	-

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

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

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

Note 9 Segment Analysis

Operating segments

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

The Banking Group's business is organised into two major reportable and operating segments: Partnership Banking, and Corporate and Institutional Banking. Partnership Banking provides financial products and services to retail, small and medium businesses (including agribusiness) and private customers. Corporate and Institutional Banking provides financial products and services to large corporate and institutional customers (including property and agribusiness), and it also includes the Banking Group's market trading, market sales and market activities providing risk management services to customers.

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

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.

	Banking Group				
	Unaudited 6 Months (31/3/25)				
Dollars in Millions	Partnership Banking[3]	Corporate and Institutional Banking[3]	Total Reportable Segments	Other[3]	Total Banking Group
Net interest income	**1,045**	**363**	**1,408**	**92**	**1,500**
Other income[1]	**65**	**167**	**232**	**15**	**247**
Total operating income	**1,110**	**530**	**1,640**	**107**	**1,747**
Total operating profit/(loss) before income tax expense	**906**	**448**	**1,354**	**(251)**	**1,103**
Income tax expense/(benefit)	**254**	**125**	**379**	**(71)**	**308**
Net profit/(loss) for the period	**652**	**323**	**975**	**(180)**	**795**
	Audited 12 Months (30/9/24)				
Net interest income	2,089	788	2,877	32	2,909
Other income[1]	126	298	424	283	707
Total operating income	2,215	1,086	3,301	315	3,616
Total operating profit/(loss) before income tax expense	1,948	937	2,885	(807)	2,078
Income tax expense/(benefit)	545	262	807	(235)	572
Net profit/(loss) for the period	1,403	675	2,078	(572)	1,506
	Unaudited 6 Months (31/3/24)				
Net interest income	1,033	394	1,427	35	1,462
Other income[1]	61	144	205	103	308
Total operating income	1,094	538	1,632	138	1,770
Total operating profit/(loss) before income tax expense[2]	972	474	1,446	(388)	1,058
Income tax expense/(benefit)	272	133	405	(109)	296
Net profit/(loss) for the period	700	341	1,041	(279)	762

[1] Other income includes Gains less losses on financial instruments and Other operating income.
[2] 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. Comparative balances have been reclassified to align with the segment measures for the six months ended 31 March 2025.
[3] From 1 October 2024, market trading, market sales and market risk management activities are reported within Corporate and Institutional Banking. Previously market trading and market risk management activities were reported in the Other Segment, and market sales were allocated to Partnership Banking and Corporate and Institutional Banking. Comparative balances have been reclassified to align with the segment measures for the six months ended 31 March 2025.

Note 10 Contingent Liabilities and Other Commitments

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

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

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

On 30 April 2024, the Bank completed the sale of BNZ Investment Services Limited to FirstCape Limited (“FirstCape”). 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 regulators as part of both industry and bank-specific reviews being undertaken, and the Banking Group has also initiated contact with regulators on compliance-related matters. The scope of reviews, inquiries and investigations can be wide-ranging and may relate to, or have related in recent years to, a range of matters, including anti-money laundering and countering financing of terrorism compliance issues. These matters can result in enforcement proceedings, fines and other financial penalties, as well as customer remediation programmes.

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

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

	Banking Group		
Dollars in Millions	**Unaudited 31/3/25**	Audited 30/9/24	Unaudited 31/3/24
Bank guarantees and letters of credit			
Bank guarantees	**503**	423	404
Standby letters of credit	**267**	278	315
Documentary letters of credit	**85**	150	91
Performance related contingencies	**1,421**	1,527	1,415
Total bank guarantees and letters of credit	**2,276**	2,378	2,225
Credit related commitments			
Revocable commitments to extend credit	**6,415**	6,242	5,954
Irrevocable commitments to extend credit	**15,177**	14,326	13,330
Total credit related commitments	**21,592**	20,568	19,284
Total bank guarantees, letters of credit and credit related commitments	**23,868**	22,946	21,509

Note 11 Investments in Wholly Owned Entities

Movements in wholly owned entities

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

Registered Bank Disclosures

For the six months ended 31 March 2025

Disclosure Requirements for Registered Banks

The following disclosures are in accordance with the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") as required for the half year accounting period. References to Schedules 3, 5, 7, 11, 13, 16 and 18 are in relation to those in the Order.

Schedule 3 Information to be Included in Disclosure Statement

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. Refer to Schedule 5 *Additional Financial Disclosures* for further information. Further details about the above guarantee can be obtained by referring to the Bank's Disclosure Statement for the year ended 30 September 2024 which is available at www.bnz.co.nz.

Other material obligations of the Bank are not guaranteed.

Directorate

There has been one change in the composition of the Bank's Board of Directors since 30 September 2024, Nathan Laurence Goonan resigned as a Non-Executive Director of the Bank, effective 17 March 2025.

Refer to page 44 for the Directors' Statement.

Responsible Persons

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

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

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.

Refer to pages 40 and 42 for the Independent Auditor's Review Report and Independent Assurance Report, respectively.

Changes in Conditions of Registration

Between 30 September 2024 and 31 March 2025, the Reserve Bank of New Zealand ("RBNZ") made the following changes to the Bank's Conditions of Registration.

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

Pending Proceedings or Arbitration

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

Other Matters

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

Credit Rating

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

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

Schedule 5 Additional Financial Disclosures

Additional information on statement of financial position

Dollars in Millions	**Banking Group** Unaudited 31/3/25
Total interest earning and discount bearing assets	125,244
Total interest and discount bearing liabilities	99,677
Total amounts due from related entities	2,799
Total amounts due to related entities	1,793

Financial assets pledged as collateral for liabilities

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

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

The table excludes collateral paid and received, as presented on the balance sheet, associated with derivative financial instruments. Derivative financial instruments are typically subject to International Swaps and Derivatives Association ("ISDA") master netting agreements, as well as relevant Credit Support Annexes 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.

Dollars in Millions	**Banking Group** Unaudited 31/3/25
Securities sold under agreements to repurchase from other institutions	
Trading assets	162
Securities sold under agreements to repurchase from central banks	
Residential mortgage-backed securities	3,347
Covered bonds	
Assets of the Covered Bond Trust pledged as collateral for covered bonds	6,437
Total financial assets pledged as collateral for liabilities	9,946

Additional information on income statement

Net trading gains or losses and other fair value adjustments are disclosed in Note 2 *Gains Less Losses on Financial Instruments*. The Banking Group does not have any loans and advances to customers designated at fair value through profit or loss. All other operating income is disclosed in Note 3 *Other Operating Income*.

Schedule 5 Additional Financial Disclosures *continued*

Additional information on concentrations of credit risk

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

Dollars in Millions	Banking Group Unaudited 31/3/25
Maximum exposure to credit risk	
Cash and liquid assets[1]	5,107
Due from central banks and other institutions	153
Collateral paid	709
Trading assets	11,650
Investments in debt instruments	1,190
Other financial assets[2]	698
Derivative financial instruments	3,193
Gross loans and advances to customers	109,118
Total on-balance sheet credit exposures	131,818
Off-balance sheet credit exposures[3]	17,453
Total maximum exposure to credit risk	149,271

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

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

	Banking Group Unaudited (31/3/25)		
Dollars in Millions	On-balance sheet	Off-balance sheet	Total exposure
Concentration by industry			
Agriculture	14,241	1,772	16,013
Forestry and fishing	1,181	357	1,538
Mining	196	119	315
Manufacturing	4,141	1,621	5,762
Electricity, gas and water	840	1,090	1,930
Construction	1,757	808	2,565
Wholesale and retail trade	4,803	1,455	6,258
Accommodation, restaurants, culture and recreation	1,865	356	2,221
Transport and storage	2,022	1,320	3,342
Communications	450	256	706
Financial, investment and insurance	16,809	1,832	18,641
Property, business and personal services	10,811	1,613	12,424
Government, education, health and community services	9,707	1,427	11,134
Real estate - mortgage	62,205	3,421	65,626
Personal lending	790	6	796
Total credit exposures by industry	131,818	17,453	149,271
Concentration by geography			
New Zealand	123,658	17,010	140,668
Overseas	8,160	443	8,603
Total credit exposures by geography	131,818	17,453	149,271

Schedule 5 Additional Financial Disclosures *continued*

Additional information on 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.

Dollars in Millions	Note	Banking Group Unaudited 31/3/25
Concentration by industry		
Customer deposits		
Agriculture, forestry and fishing		3,409
Mining		462
Manufacturing		1,976
Electricity, gas and water		301
Construction		1,759
Wholesale and retail trade		2,699
Accommodation, restaurants, culture and recreation		1,570
Transport and storage		1,656
Communications		331
Financial, investment and insurance		8,643
Property, business and personal services		14,081
Government, education, health and community services		4,341
Personal deposits		44,182
Total customer deposits by industry		85,410
Concentration by geography		
Wholesale funding		
New Zealand		10,325
Overseas[1]		17,553
Total wholesale funding by geography		27,878
Total funding		113,288
Total funding comprised:		
Customer deposits	6	85,410
Wholesale funding		
Due to central banks and other institutions		4,377
Other borrowings	6	2,181
Bonds and notes		19,880
Subordinated debt		1,440
Total wholesale funding		27,878
Total funding		113,288

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

Schedule 5 Additional Financial Disclosures *continued*

Additional information on interest rate sensitivity

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

	Banking Group Unaudited (31/3/25)						
Dollars in Millions	Total	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 2 Years	Over 2 Years	Non-Interest Bearing
Assets							
Cash and liquid assets	5,212	5,012	-	-	-	-	200
Due from central banks and other institutions	153	153	-	-	-	-	-
Collateral paid	709	709	-	-	-	-	-
Trading assets	11,650	4,878	71	45	1,515	5,141	-
Derivative financial instruments	3,193	-	-	-	-	-	3,193
Investments in debt instruments	1,190	-	-	-	128	1,062	-
Loans and advances to customers	108,502	59,169	13,724	18,883	11,833	2,921	1,972
Other financial assets	698	-	-	-	-	-	698
Total financial assets	131,307	69,921	13,795	18,928	13,476	9,124	6,063
Liabilities							
Due to central banks and other institutions	4,377	3,336	35	374	548	24	60
Collateral received	1,224	1,224	-	-	-	-	-
Trading liabilities	397	196	-	-	-	201	-
Deposits and other borrowings	87,591	48,963	12,287	8,285	1,218	1,666	15,172
Derivative financial instruments	2,345	-	-	-	-	-	2,345
Other financial liabilities	1,824	-	-	-	-	-	1,824
Bonds and notes	19,880	1,986	1,602	1,269	1,789	13,234	-
Subordinated debt	1,440	550	-	-	-	890	-
Total financial liabilities	119,078	56,255	13,924	9,928	3,555	16,015	19,401
On-balance sheet sensitivity gap	12,229	13,666	(129)	9,000	9,921	(6,891)	(13,338)
Derivative financial instruments							
Net hedging derivative notionals	-	(8,110)	1,381	(6,074)	(4,002)	16,805	-
Interest sensitivity gap - net	12,229	5,556	1,252	2,926	5,919	9,914	(13,338)

Additional information on liquidity risk

Maturity analysis of financial liabilities

The table below shows cash flows by remaining contractual maturities of the Banking Group's financial liabilities and derivative financial liabilities.

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 table 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 10 *Contingent Liabilities and Other Commitments*. Other financial liabilities only include balances which have contractual future cash flows.

	Banking Group Unaudited (31/3/25)					
Dollars in Millions	On Demand	3 Months or less	3 to 12 Months	1 to 5 Years	Over 5 Years	Total (Inflow)/ Outflow
Liabilities						
Due to central banks and other institutions	1,482	613	2,248	77	-	4,420
Collateral received	-	1,224	-	-	-	1,224
Trading liabilities	-	198	5	27	226	456
Deposits and other borrowings	45,707	18,870	21,272	3,023	190	89,062
Other financial liabilities	-	744	513	348	501	2,106
Bonds and notes	-	207	3,366	17,720	645	21,938
Subordinated debt	-	6	62	310	1,709	2,087
Total	47,189	21,862	27,466	21,505	3,271	121,293
Derivative financial liabilities[1]						
Derivative financial liabilities (inflow)	-	(41,158)	(11,802)	(30,047)	(3,184)	(86,191)
Derivative financial liabilities outflow	-	43,068	14,185	36,036	5,376	98,665

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

Schedule 5 Additional Financial Disclosures *continued*

Liquidity portfolio management

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

	Banking Group
Dollars in Millions	Unaudited 31/3/25
Cash and balances immediately convertible to cash[1]	5,231
Securities purchased under agreements to resell	2,319
Government bonds, notes and securities	3,915
Semi-government bonds, notes and securities	4,315
Corporate and other institutions bonds, notes and securities	1,894
Total liquidity portfolio	17,674

[1] As at 31 March 2025, included within Cash and balances immediately convertible to cash is $19 million due from other institutions (31 March 2024: nil).

As at 31 March 2025, the Banking Group also held residential mortgage-backed securities ("RMBS") of $15,000 million of which $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 the RBNZ's Liquidity Policy (BS13/BS13A) ("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 $6,756 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 31 March 2025, the Banking Group had repurchase agreements with the RBNZ with a value of $806 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 31 March 2025, the Banking Group had repurchase agreements with the RBNZ with a value of $1,699 million under the FLP.

Reconciliation of mortgage-related amounts

		Banking Group
Dollars in Millions	Note	On-balance Sheet Exposures at Default Unaudited 31/3/25
Loans and advances to customers - housing loans	4	62,140
Add: Partial write offs excluded under the internal ratings based approach		1
Total housing loan exposures secured by residential mortgages		62,141

Schedule 7 Asset Quality

Movement in allowance for expected credit losses

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

	Banking Group				
	Unaudited (31/3/25)				
	Collectively assessed allowance			Individually assessed allowance	
Dollars in Millions	Stage 1	Stage 2	Stage 3	Stage 3	Total
Movement in Allowance for ECL					
Residential mortgage lending					
Balance at beginning of period	46	64	52	12	174
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	-	-	-	-	-
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]	(25)	(11)	14	1	(21)
Amounts written off	-	-	-	(3)	(3)
Recovery of amounts written off	-	-	-	-	-
Balance at end of period - Residential mortgage lending	22	52	66	10	150
Other retail exposures					
Balance at beginning of period	17	19	7	4	47
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	4	(3)	(1)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(2)	2	-	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(1)	1	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	-	(2)	2	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(5)	(5)	1	7	(2)
Amounts written off	-	-	-	(11)	(11)
Recovery of amounts written off	-	-	-	3	3
Balance at end of period - Other retail exposures	14	12	6	5	37
Corporate exposures					
Balance at beginning of period	43	618	31	111	803
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	45	(45)	-	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(8)	12	(4)	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(5)	5	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	(7)	(1)	8	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(38)	12	4	17	(5)
Amounts written off	-	-	-	(10)	(10)
Recovery of amounts written off	-	-	-	-	-
Balance at end of period - Corporate exposures	42	585	35	126	788
Total					
Balance at beginning of period	106	701	90	127	1,024
Changes to the opening balance due to transfer between ECL stages:					
Transferred to 12-months ECL - collectively assessed allowance	50	(49)	(1)	-	-
Transferred to Lifetime ECL not credit impaired - collectively assessed allowance	(10)	14	(4)	-	-
Transferred to Lifetime ECL credit impaired - collectively assessed allowance	-	(6)	6	-	-
Transferred to Lifetime ECL credit impaired - individually assessed allowance	-	(7)	(3)	10	-
Charge/(credit) to income statement due to new and increased provisions (net of releases)[1]	(68)	(4)	19	25	(28)
Amounts written off	-	-	-	(24)	(24)
Recovery of amounts written off	-	-	-	3	3
Discount unwind[2]	-	-	-	-	-
Total balance at end of period	78	649	107	141	975

[1] Classified as credit impairment charge/(write-back) in the income statement.
[2] The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. This discount unwinds through interest income over the period the asset is held.

Schedule 7 Asset Quality *continued*

Movement in gross loans and advances to customers

The following table summarises the changes in the gross carrying amounts of loans and advances to customers at amortised cost to explain changes in the Banking Group's allowance for ECL. Refer to Note 5 *Allowance for Expected Credit Losses* for further information.

	Banking Group				
	Unaudited (31/3/25)				
	Collectively assessed allowance			Individually assessed allowance	
Dollars in Millions	Stage 1	Stage 2	Stage 3	Stage 3	Total
Movement in gross loans and advances to customers					
Residential mortgage lending					
Gross carrying amount at beginning of period	56,826	2,696	508	72	60,102
Transfers					
Transferred to collectively assessed 12-months ECL	433	(353)	(78)	(2)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(647)	658	(5)	(6)	-
Transferred to collectively assessed lifetime ECL credit impaired	(143)	(74)	252	(35)	-
Transferred to individually assessed lifetime ECL credit impaired	(4)	(7)	(38)	49	-
Net further lending/(repayment)	(1,379)	(14)	(8)	(2)	(1,403)
Additions	7,696	-	-	-	7,696
Deletions	(3,946)	(203)	(88)	(15)	(4,252)
Amounts written off	-	-	-	(3)	(3)
Total gross carrying amount at end of period	58,836	2,703	543	58	62,140
Allowance for ECL	22	52	66	10	150
Total net carrying amount at end of period - Residential mortgage lending	58,814	2,651	477	48	61,990
Other retail exposures					
Gross carrying amount at beginning of period	1,844	81	23	7	1,955
Transfers					
Transferred to collectively assessed 12-months ECL	46	(42)	(4)	-	-
Transferred to collectively assessed lifetime ECL not credit impaired	(202)	204	(2)	-	-
Transferred to collectively assessed lifetime ECL credit impaired	(10)	(5)	15	-	-
Transferred to individually assessed lifetime ECL credit impaired	(4)	(1)	(3)	8	-
Net further lending/(repayment)	(47)	(20)	-	9	(58)
Additions	324	-	-	-	324
Deletions	(210)	(26)	(9)	(6)	(251)
Amounts written off	-	-	-	(11)	(11)
Total gross carrying amount at end of period	1,741	191	20	7	1,959
Allowance for ECL	14	12	6	5	37
Total net carrying amount at end of period - Other retail exposures	1,727	179	14	2	1,922
Corporate exposures					
Gross carrying amount at beginning of period	13,915	30,349	248	234	44,746
Transfers					
Transferred to collectively assessed 12-months ECL	2,343	(2,331)	(4)	(8)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(6,509)	6,548	(27)	(12)	-
Transferred to collectively assessed lifetime ECL credit impaired	(54)	(84)	138	-	-
Transferred to individually assessed lifetime ECL credit impaired	(55)	(57)	(9)	121	-
Net further lending/(repayment)	(641)	(285)	(5)	2	(929)
Additions	8,331	-	-	-	8,331
Deletions	(2,337)	(4,571)	(107)	(104)	(7,119)
Amounts written off	-	-	-	(10)	(10)
Total gross carrying amount at end of period	14,993	29,569	234	223	45,019
Allowance for ECL	42	585	35	126	788
Total net carrying amount at end of period - Corporate exposures	14,951	28,984	199	97	44,231
Total					
Gross carrying amount at beginning of period	72,585	33,126	779	313	106,803
Transfers					
Transferred to collectively assessed 12-months ECL	2,822	(2,726)	(86)	(10)	-
Transferred to collectively assessed lifetime ECL not credit impaired	(7,358)	7,410	(34)	(18)	-
Transferred to collectively assessed lifetime ECL credit impaired	(207)	(163)	405	(35)	-
Transferred to individually assessed lifetime ECL credit impaired	(63)	(65)	(50)	178	-
Net further lending/(repayment)	(2,067)	(319)	(13)	9	(2,390)
Additions	16,351	-	-	-	16,351
Deletions	(6,493)	(4,800)	(204)	(125)	(11,622)
Amounts written off	-	-	-	(24)	(24)
Total gross carrying amount at end of period	75,570	32,463	797	288	109,118
Allowance for ECL	78	649	107	141	975
Total net carrying amount at end of period	75,492	31,814	690	147	108,143

Schedule 7 Asset Quality *continued*

Impact of changes in gross carrying amount on ECL

Residential mortgage lending

Residential mortgage lending gross carrying amount increased by $2,038 million in the six months ended 31 March 2025, with associated ECL decreasing by $24 million. The movement in ECL reflects a reduction in collectively assessed ECL due to improved macroeconomics offset by portfolio growth.

Other retail exposures

Other retail exposures gross carrying amount increased by $4 million in the six months ended 31 March 2025, with associated ECL decreasing by $10 million. The movement in ECL reflects a reduction in collectively assessed ECL due to improved macroeconomics.

Corporate exposures

Corporate exposures gross carrying amount increased by $273 million in the six months ended 31 March 2025, with associated ECL decreasing by $15 million. The movement in ECL is mainly due to a reduction in collectively assessed allowance of $30 million, offset by an increase in the individually assessed allowance of $15 million including write offs of $9 million for customers in agribusiness and manufacturing.

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

As at 31 March 2025 the Banking Group does not have any loans and advances to customers designated at fair value through profit or loss.

Other asset quality information

The Banking Group provides for credit impairment as disclosed in Note 5 *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 the estimated net realisable value.

Total individually impaired assets were $288 million as at 31 March 2025. These comprise of loans and advances to customers subject to individually assessed allowance, as disclosed in the table Movement in gross loans and advances to customers on page 23. As at 31 March 2025 there were no individual financial assets designated at fair value through profit or loss subject to credit risk adjustments.

	Banking Group			
	Unaudited (31/3/25)			
Dollars in Millions	Residential Mortgage Lending	Other Retail Exposures	Corporate Exposures	Total
Individually impaired assets - undrawn lending commitments				
At amortised cost	-	-	2	2
Other assets under administration	3	1	8	12

	Banking Group			
	Unaudited (31/3/25)			
Dollars in Millions	Residential Mortgage Lending	Other Retail Exposures	Corporate Exposures	Total
Past due assets not individually impaired				
Loans and advances to customers				
1 - 7 days past due	232	32	263	527
8 - 29 days past due	239	14	104	357
1 - 29 days past due	471	46	367	884
30 - 59 days past due	134	7	76	217
60 - 89 days past due	87	6	16	109
90+ days past due	131	10	117	258
Total past due assets not individually impaired	823	69	576	1,468

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

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.

Credit risk for exposures to bank and sovereign asset classes has been calculated 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.

IRB banks are 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. In March 2025, the RBNZ announced its intention to conduct a review of key capital settings.

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

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

For more information on the capital structure of the Banking Group, refer to page 34.

The tables on the following pages detail the capital calculation, capital ratios and capital requirements as at 31 March 2025. 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.

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

Regulatory capital

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

Dollars in Millions	Banking Group Unaudited 31/3/25
Qualifying capital	
Common Equity Tier 1 capital	
Contributed equity - ordinary shares	9,956
Retained profits	2,802
Accumulated other comprehensive income and other disclosed reserves	47
Deductions from Common Equity Tier 1 capital:	
Goodwill and other intangible assets	609
Cash flow hedge reserve	82
Credit value adjustment on liabilities designated at fair value through profit or loss	(26)
Prepaid pension assets (net of deferred tax)	6
Deferred tax asset	318
Total expected loss less total eligible allowances for impairment	16
Total Common Equity Tier 1 capital	11,800
Additional Tier 1 capital	
Contributed equity - perpetual preference shares	825
Total Additional Tier 1 capital	825
Total Tier 1 capital	12,625
Tier 2 capital	
Revaluation reserves	3
Subordinated Notes due to related entity	550
Subordinated Notes due to external investors	875
Total eligible impairment allowance in excess of expected loss	269
Total Tier 2 capital	1,697
Total Tier 1 and Tier 2 qualifying capital	14,322

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			
	Unaudited (31/3/25)		Unaudited (31/3/24)	
	RBNZ Minimum	Ratio	RBNZ Minimum	Ratio
Common Equity Tier 1 capital ratio	4.5%	13.8%	4.5%	14.1%
Tier 1 capital ratio	7.0%	14.8%	6.0%	14.5%
Total qualifying capital ratio	9.0%	16.7%	8.0%	15.6%
Prudential capital buffer ratio	4.5%	7.7%	4.5%	7.6%

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 31/3/25	Unaudited 31/3/24
Common Equity Tier 1 capital ratio	13.8%	14.0%
Tier 1 capital ratio	14.8%	14.5%
Total qualifying capital ratio	16.7%	15.6%

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.

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

Total regulatory capital requirements

	Banking Group			
	Unaudited (31/3/25)			
Dollars in Millions	Total Exposure at Default after Credit Risk Mitigation	Risk-Weighted Exposure or Implied Risk-Weighted Exposure	Total Capital Requirement[1]	Minimum Capital Requirement[2]
Credit risk				
Exposures subject to the IRB approach[3]	112,840	51,073	4,596	4,596
Specialised lending subject to the slotting approach[3]	7,228	7,881	709	709
Exposures subject to the standardised approach[3]	20,969	3,225	290	290
Equity exposures[3]	1	6	1	1
Credit Value Adjustment subject to BPR ("CVA")	N/A	601	54	54
Adjustment for standardised RWA floor[4]	N/A	6,974	628	628
Total credit risk	141,038	69,760	6,278	6,278
Operational risk	N/A	11,888	951	1,070
Market risk	N/A	3,899	312	351
Total	141,038	85,547	7,541	7,699

[1] The total capital requirement is calculated in accordance with the BPR as discussed in page 25.

[2] The minimum capital requirement is calculated based on the minimum total capital ratio requirement of 9% effective from 1 July 2024.

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

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

Advanced IRB 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.

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

continued

Credit risk subject to the IRB approach

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

	Banking Group				
	Unaudited (31/3/25)				
Dollars in Millions	Weighted Average PD (%)	Exposure at Default[1]	Exposure-Weighted LGD used for the Capital Calculation (%)	Exposure-Weighted Risk Weight (%)	Risk-Weighted Assets
Corporate					
Exposure-weighted PD grade >0 ≤ 0.1%	0.04	3,757	46	15	661
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.33	16,586	31	34	6,703
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.92	16,095	31	54	10,480
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.49	6,841	33	75	6,195
Exposure-weighted PD grade >5.0 ≤ 99.99%	14.89	1,420	40	166	2,824
Default PD grade = 100%	100.00	441	42	184	971
Total corporate exposures	2.27	45,140	33	51	27,834
Residential mortgage					
Exposure-weighted PD grade >0 ≤ 0.1%	-	-	-	-	-
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.40	1,224	19	15	216
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.98	62,134	19	26	19,578
Exposure-weighted PD grade >1.5 ≤ 5.0%	4.92	1,426	18	64	1,100
Exposure-weighted PD grade >5.0 ≤ 99.99%	-	-	-	-	-
Default PD grade = 100%	100.00	604	23	141	1,024
Total residential mortgage exposures	1.97	65,388	19	28	21,918
Other retail[2]					
Exposure-weighted PD grade >0 ≤ 0.1%	0.05	712	87	12	104
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.24	433	86	38	197
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.90	183	86	82	180
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.72	128	81	109	167
Exposure-weighted PD grade >5.0 ≤ 99.99%	13.35	39	77	138	64
Default PD grade = 100%	100.00	6	73	507	39
Total other retail exposures	1.20	1,501	86	42	751
Retail small to medium enterprises					
Exposure-weighted PD grade >0 ≤ 0.1%	-	-	-	-	-
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.30	367	28	15	64
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.99	403	33	33	162
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.74	402	37	50	239
Exposure-weighted PD grade >5.0 ≤ 99.99%	8.80	65	38	62	48
Default PD grade = 100%	100.00	23	44	203	57
Total retail SME exposures	3.57	1,260	33	38	570
Total[3]					
Exposure-weighted PD grade >0 ≤ 0.1%	0.04	4,469	52	14	765
Exposure-weighted PD grade >0.1 ≤ 0.5%	0.33	18,610	31	32	7,180
Exposure-weighted PD grade >0.5 ≤ 1.5%	0.96	78,815	22	32	30,400
Exposure-weighted PD grade >1.5 ≤ 5.0%	2.90	8,797	32	73	7,701
Exposure-weighted PD grade >5.0 ≤ 99.99%	14.59	1,524	41	161	2,936
Default PD grade = 100%	100.00	1,074	31	162	2,091
Total exposures	2.10	113,289	26	38	51,073

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

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

continued

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

	Banking Group		
	Unaudited (31/3/25)		
Dollars in Millions	Total Exposure	Exposure at Default[1]	Risk-Weighted Assets
On-balance sheet exposures			
Corporate	39,282	39,282	24,466
Residential mortgage	62,141	62,141	21,025
Other retail	782	782	504
Retail small to medium enterprises	1,181	1,181	535
Total on-balance sheet exposures	103,386	103,386	46,530
Off-balance sheet exposures			
Corporate	15,091	4,933	2,621
Residential mortgage	3,830	3,247	893
Other retail	2,176	719	247
Retail small to medium enterprises	480	79	35
Total off-balance sheet exposures	21,577	8,978	3,796
Derivatives and securities financing transactions[2]			
Corporate	925	925	747
Total derivatives and securities financing transactions	925	925	747
Summary[3]			
Corporate		45,140	27,834
Residential mortgage		65,388	21,918
Other retail		1,501	751
Retail small to medium enterprises		1,260	570
Total credit risk exposures subject to the IRB approach		113,289	51,073

[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.

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

Specialised lending subject to the slotting approach

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

	Banking Group		
	Unaudited (31/3/25)		
Dollars in Millions	Total Exposure at Default after Credit Risk Mitigation	Risk Weight (%)	Risk-Weighted Assets
On-balance sheet exposures subject to the slotting approach			
Strong	1,593	70	1,338
Good	4,487	90	4,846
Satisfactory	558	115	769
Weak	172	250	517
Default	21	-	-
Total on-balance sheet exposures subject to the slotting approach	6,831	91	7,470

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 (31/3/25)			
Dollars in Millions	Total Exposure	Exposure at Default	Average Risk Weight (%)	Risk-Weighted Assets
Off-balance sheet exposures subject to the slotting approach				
Off-balance sheet exposures	12	7	81	7
Undrawn commitments	824	362	87	378
Market related contracts	2,098	28	78	26
Total off-balance sheet exposures subject to the slotting approach	2,934	397	86	411
Total exposures subject to the slotting approach		7,228	91	7,881

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

continued

Credit risk exposures subject to the standardised approach

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

	Banking Group		
	Unaudited (31/3/25)		
Dollars in Millions	Total Exposure at Default after Credit Risk Mitigation	Risk Weight or Average Risk Weight (%)	Risk-Weighted Assets
On-balance sheet exposures subject to the standardised approach by separate risk weight			
Cash and gold bullion	104	0	-
Sovereigns and central banks	9,870	0	-
	-	20	-
	-	50	-
	-	100	-
	-	150	-
Multilateral development banks and other international organisations	1,400	0	-
	-	20	-
	-	50	-
	-	100	-
	-	150	-
Public sector entities	2,616	20	523
	-	50	-
	-	100	-
	-	150	-
Banks	1,994	20	399
	864	50	432
	-	100	-
	-	150	-
Other on-balance sheet exposures subject to the standardised approach by average risk weight			
Corporate	-	0	-
Residential mortgage	-	0	-
Past due assets	-	0	-
Other assets[1]	1,392	98	1,365
Total on-balance sheet exposures subject to the standardised approach	18,240	15	2,719

[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 (31/3/25)				
Dollars in Millions	Total Exposure or Principal Amount	Average Credit Conversion Factor (%)	Credit Equivalent Amount	Average Risk Weight (%)	Risk-Weighted Assets
Off-balance sheet exposures subject to the standardised approach					
Total off-balance sheet exposures subject to the standardised approach	606	100	606	27	163
Memo item: Undrawn commitment to the Business Growth Fund	-	-	-	-	-

	Banking Group			
	Unaudited (31/3/25)			
Dollars in Millions	Total Exposure or Principal Amount	Credit Equivalent Amount	Average Risk Weight (%)	Risk-Weighted Assets
Counterparty credit risk for counterparties subject to the standardised approach				
Foreign exchange contracts[2]	1,642	1,006	14	138
Interest rate contracts[2]	829	282	15	44
Other	8	7	20	1
Total counterparty credit risk for counterparties subject to the standardised approach	2,479	1,295	14	183

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

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

continued

	Banking Group		
	Unaudited (31/3/25)		
Dollars in Millions	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	444	2	9
Collateral posted for clearing own trades	384	39	151
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	828	19	160
Total exposures subject to the standardised approach	20,969	15	3,225

Equity exposures

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

	Banking Group		
	Unaudited (31/3/25)		
Dollars in Millions	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.

	Banking Group	
	Unaudited (31/3/25)	
	Risk-Weighted Assets	
Dollars in Millions	Calculated for Compliance Purposes	Recalculated using the Standardised Approach
Total IRB and supervisory slotting exposures	58,954	77,563
Standardised floor at 85% of standardised equivalents	N/A	65,928
IRB and slotting RWA with floor applied	65,928	N/A
RWA for standardised exposures	3,832	N/A
Total credit risk RWA	69,760	N/A

Schedule 11 Capital Adequacy Under the Internal Models Based Approach, and Regulatory Liquidity Ratios
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 (31/3/25)				
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)	2,661	3,873	-	-	-
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 (31/3/25)		
Dollars in Millions	On-balance Sheet Exposures at Default	Off-balance Sheet Exposures at Default[1]	Total Exposures at Default
LVR Range			
0-59%	28,224	1,446	29,670
60-69%	13,243	638	13,881
70-79%	17,000	869	17,869
80-89%	2,434	35	2,469
Over 90%	1,240	259	1,499
Total exposures at default secured by residential mortgages	62,141	3,247	65,388

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

Operational risk

	Banking Group	
	Unaudited (31/3/25)	
Dollars in Millions	Implied Risk-Weighted Exposure	Total Operational Risk Capital Requirement
Operational risk	11,888	951

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

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

Market risk

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

	Banking Group			
	Unaudited (31/3/25)			
	Implied Risk-Weighted Exposure		Aggregate Capital Charge	
Dollars in Millions	End of Period	Peak End-of-Day	End of Period	Peak End-of-Day
Interest rate risk	3,856	4,606	309	368
Foreign exchange risk	42	82	3	7
Equity risk	1	1	-	-
Total market risk	3,899	4,689	312	375

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 31 March 2025, the Banking Group had an internal capital allocation for strategic risk of nil (30 September 2024: nil; 31 March 2024: nil).

Capital structure

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.

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.

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

continued

Subordinated debt

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

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

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

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

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

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

The key terms of the Subordinated Notes are as follows:

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

Reserves

Accumulated other comprehensive income and other disclosed reserves in Tier 1 capital includes the cost of hedging reserve of $(37) million which captures changes in the fair value of hedging instruments due to currency basis and the FVTOCI reserve of $2 million which captures changes in the fair value of investments in debt instruments and investments in equity instruments that are measured at fair value through other comprehensive income.

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

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

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 31/3/25	Unaudited 31/3/24	Unaudited 31/3/25	Unaudited 31/3/24
Common Equity Tier 1 capital ratio	12.01%	12.15%	11.84%	11.85%
Tier 1 capital ratio	14.26%	14.13%	14.33%	14.05%
Total capital ratio	21.02%	20.27%	21.74%	20.76%

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

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

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

Under prudential regulations, NAB is required to hold capital above the prudential capital ratio ("PCR") and capital conservation buffer as determined by APRA for both the Level 1 and Level 2 Groups. The PCR is prescribed on a bilateral basis, and is not publicly disclosed. National Australia Bank Limited met the minimum capital adequacy requirements set by APRA as at 31 March 2025.

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

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

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

continued

Dual reporting

The following tables set out additional information on the Banking Group's RWA and resulting capital ratios recalculated as if the Banking Group was subject to the standardised approach (standardised equivalents), alongside the actual RWA and capital ratios calculated for compliance purposes (disclosed in the preceding pages). The standardised equivalent RWA, capital components, and capital ratios on 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 (31/3/25)		
Dollars in Millions	Common Equity Tier 1 capital	Tier 1 capital	Total capital
Standardised equivalent capital amount	11,816	12,641	14,069
Standardised equivalent total RWA	97,182	97,182	97,182
Ratio	12.2%	13.0%	14.5%

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

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

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 31/3/25	Unaudited 30/9/24
Total qualifying capital ratio[1]	16.7%	16.0%
Standardised equivalent total capital ratio[2]	14.5%	13.7%
Average risk weight for all modelled credit risk exposures[3,5]	49.1%	49.6%
Standardised equivalent average risk weight for all modelled credit risk exposures[4,5]	66.2%	65.8%

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

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

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

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

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

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 (31/3/25)			
Dollars in Millions	Exposure under the IRB Approach[6]	IRB Risk-Weighted Assets	Equivalent Exposure under the Standardised Approach[6]	Standardised Equivalents of Risk-Weighted Assets
Corporate	44,695	27,834	44,102	41,813
Residential mortgage	65,388	21,918	63,867	26,961
Other retail	1,501	751	795	789
Retail small to medium enterprises	1,256	570	1,247	989
Specialised lending subject to the slotting approach	7,228	7,881	7,228	7,011
Total	120,068	58,954	117,239	77,563

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

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

Regulatory liquidity ratios

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

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

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

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

	Banking Group	
	Unaudited For the 3 months ended 31/3/25	Unaudited For the 3 months ended 31/12/24
One-week mismatch ratio	**6.6%**	6.3%
One-month mismatch ratio	**6.9%**	7.5%
One-year core funding ratio	**88.5%**	88.6%

Schedule 13 Concentration of Credit Exposures to Individual Counterparties

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

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

	Banking Group Unaudited (31/3/25)	
Number of bank counterparties	Peak End-of-Day A- or A3 or above or its equivalent	Balance Sheet Date A- or A3 or above or its equivalent
Percentage of Common Equity Tier 1 capital		
10-14%	2	1
15-19%	-	-
20-24%	-	-
Number of non-bank counterparties		
Percentage of Common Equity Tier 1 capital		
10-14%	-	-
15-19%	-	-
20-24%	1	1

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

The Banking Group had no bank counterparties, supranational or quasi-sovereign agency with a long term credit rating below A- or A3, to whom their aggregate credit exposure, as at 31 March 2025, or peak end-of-day aggregate credit exposure, for the six months ended 31 March 2025, equalled or exceeded 10% of the Banking Group's Common Equity Tier 1 capital.

The Banking Group had no non-bank counterparties with a long term credit rating below A- or A3, to whom their aggregate credit exposure, as at 31 March 2025, or peak end-of-day aggregate credit exposure, for the six months ended 31 March 2025, equalled or exceeded 10% of the Banking Group's Common Equity Tier 1 Capital.

Schedule 16 Insurance Business

The Banking Group does not conduct any Insurance Business, as defined in the Bank's Conditions of Registration. The Bank's Conditions of Registration can be obtained by referring to the Bank's Disclosure Statement for the year ended 30 September 2024.

Schedule 18 Risk Management Policies

There have been no material changes to the Banking Group's policies for managing risk, or material exposures to new categories of risk, since 30 September 2024.

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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 31 March 2025 or from time to time during the period (collectively the "Banking Group") consisted of the following:

- Limited assurance engagement in relation to the condensed consolidated interim financial statements (the "Interim Financial Statements") of the Bank for the six months ended 31 March 2025 that are required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") included on pages 2 to 15 of the Disclosure Statement.
- Limited assurance engagement in relation to the information required by Clause 22 of the Order to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order which is disclosed on pages 17 to 24 and 39 (together the "Supplementary Information"). The Supplementary Information is presented for the six months ended 31 March 2025 or as at that date, as applicable.
- Limited assurance engagement in relation to the information required by Clause 22 of the Order to be disclosed in accordance with Schedule 11 of the Order which is disclosed on pages 25 to 38 (the "Capital Adequacy and Regulatory Liquidity Ratios Information"). The Capital Adequacy and Regulatory Liquidity Ratios Information is presented for the six months ended 31 March 2025 or as at that date, as applicable.

Independent Auditor's Review Report to the Shareholders of Bank of New Zealand

Report on the Interim Financial Statements and Supplementary Information

Conclusion

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

- the balance sheet of the Banking Group as at 31 March 2025;
- the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six months then ended of the Banking Group; and
- explanatory information.

Based on our review nothing has come to our attention that causes us to believe that the:

- Interim Financial Statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34), and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order:
  - does not present fairly, in all material respects, the matters to which it relates; or
  - is not disclosed, in all material respects, in accordance with those schedules.

This report is made solely to the Bank's shareholders, as a body. Our review has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an independent auditor's review 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 review procedures, for this report, or for the conclusions we have formed.

Basis for conclusion

We conducted our review in accordance with New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the Interim Financial Statements and Supplementary Information* section of our report.

We are independent of the Banking Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

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Ernst & Young provides financial statement and supplementary information audit, other assurance and agreed upon procedures services to 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.

Directors' responsibilities for the Interim Financial Statements and Supplementary Information

The directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Interim Financial Statements in accordance with Clause 25 of the Order, which requires the Interim Financial Statements to comply with NZ IAS 34 and IAS 34, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of Interim Financial Statements that are free from material misstatement, whether due to fraud or error.

In addition, the directors are responsible, on behalf of the Bank, for the preparation of the Supplementary Information which presents fairly, in all material respects, the matters to which it relates in accordance with Schedules 3, 5, 7, 13, 16 and 18 of the Order.

Auditor's responsibilities for the review of the Interim Financial Statements and Supplementary Information

Our responsibility is to express a conclusion on the Interim Financial Statements and Supplementary Information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the:

- Interim Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34; and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order:
  - does not present fairly, in all material respects, the matters to which it relates; or
  - is not disclosed, in all material respects, in accordance with those schedules; or
  - if applicable, has not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Financial Statements and Supplementary Information.

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

Ernst & Young

Chartered Accountants
7 May 2025
Auckland

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Independent Assurance Report to the Shareholders of Bank of New Zealand

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

Conclusion

We have undertaken a limited assurance engagement on the compliance, in all material respects, of the Bank's Capital Adequacy and Regulatory Liquidity Ratios Information (as defined above) for the six months ended 31 March 2025 or as at that date, as applicable, with Schedule 11 of the Order.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Capital Adequacy and Regulatory Liquidity Ratios Information for the six months ended 31 March 2025 or as at that date, as applicable, is not disclosed, in all material respects, in accordance with Schedule 11 of the Order.

Basis for Conclusion

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

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

Directors' Responsibilities

The Directors are responsible on behalf of the Bank for:

- Compliance with the Order, including Clause 22 which requires the Capital Adequacy and Regulatory Liquidity Ratios Information to be included in the Disclosure Statement in accordance with Schedule 11 of the Order.
- Identification of risks that threaten compliance with Clause 22 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 Interim 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, other assurance and agreed upon procedures services 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 Disclosure Statement for the six months ended 31 March 2025 or as at that date, as applicable, does not provide assurance on whether compliance will continue in the future.

Restrictions on Use of Report

This report has been prepared for the Bank's shareholders as a body for the purpose of providing limited assurance as to whether 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, as a body, for our limited assurance procedures, for this report, or for the conclusions we have formed. We acknowledge that our report will be included in the Bank's Disclosure Statement.

Ernst + Young

Chartered Accountants
Auckland
7 May 2025

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 six months ended 31 March 2025:

   (a) the Bank has complied in all material respects with its Conditions of Registration that applied during the period.

   (b) credit exposures to connected persons were not contrary to the interests of the Banking Group; and

   (c) the Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement is dated 7th May 2025 and signed by Mr. Hunt and Mr. Huggins as Directors and as responsible persons on behalf of all the other Directors.

W E Hunt
Chair

D J Huggins
Managing Director and Chief Executive Officer

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