



BANK OF NEW ZEALAND

*(incorporated in New Zealand with limited liability under
registered number 428849)*

NZ\$10,000,000,000 BNZ Covered Bond Programme

**unconditionally and irrevocably guaranteed as to payments of interest and principal by
CBG Trustee Company Limited**

(incorporated in New Zealand with limited liability under registered number 2467131)

as trustee of the BNZ Covered Bond Trust and Covered Bond Guarantor

This supplement (the **Supplement**) to the prospectus dated 31 May 2024 (the **Prospectus**) relating to the NZ\$10,000,000,000 BNZ Covered Bond Programme (the **Programme**) constitutes a supplement to the Prospectus for the purposes of Article 23(1) of the Prospectus Regulation and has been approved as such by the *Commission de Surveillance du Secteur Financier* (the **CSSF**) as competent authority under the Prospectus Regulation.

This Supplement is prepared in connection with the Programme. Capitalised terms used but not otherwise defined in this Supplement shall have the meaning ascribed thereto in the Prospectus. When used in this Supplement, **Prospectus Regulation** means Regulation (EU) 2017/1129.

This Supplement constitutes a supplement to, and should be read in conjunction with, the Prospectus and all documents which are deemed to be incorporated therein by reference (see “*Documents Incorporated by Reference*” in the Prospectus, as amended hereby).

BNZ and the Covered Bond Guarantor each accept responsibility for the information contained in this Supplement (including the documents incorporated by reference in accordance with section 8 of this Supplement). To the best of the knowledge and belief of BNZ and the Covered Bond Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and makes no omission likely to affect its import.

Statements contained in this Supplement, including any statement incorporated by reference into the Prospectus by this Supplement, will, to the extent applicable and whether expressly, by implication or otherwise, be deemed to modify or supersede statements incorporated in the Prospectus (or the documents incorporated by reference in the Prospectus).

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Prospectus, the statements in (a) will prevail.

The Arranger and the Dealers have not separately verified the information contained in this Supplement. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplement.

Purpose of the Supplement

The purpose of this Supplement is to (i) incorporate by reference the audited Financial Statements of the BNZ Covered Bond Trust (including the auditors' report and notes thereto), as prepared on behalf of the Covered Bond Guarantor, in its capacity as a Trustee of the Trust, for the financial year ended 30 September 2024 (the **2024 Audited Trust Financial Statements**), the annual report and disclosure

statement of BNZ for the financial year ended 30 September 2024 (the **2024 Annual Report and Disclosure Statement**), the relevant sections (as set out below) of BNZ’s U.S. Debt Funding Information for the financial years ended 30 September 2023 and 30 September 2024 and the relevant sections (as set out below) of BNZ’s Supplemental Information for the financial years ended 30 September 2023 and 30 September 2024; (ii) update the “*TREND INFORMATION*” and “*No Significant change in the financial performance or financial position*” statements for BNZ, and the “*Trend Information*” and “*No significant change and no material adverse change*” statements for the Covered Bond Guarantor; (iii) include certain updates to the risk factors under the heading “*Risks specific to BNZ*”; (iv) insert additional paragraphs to the section headed, “*BANK OF NEW ZEALAND – FINANCIAL INFORMATION CONCERNING BNZ’S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES – Financial Measures*” on page 210 of the Prospectus and (v) update the Alternative Performance Measures under the section “*ALTERNATIVE PERFORMANCE MEASURES*” on pages 298 and 299 of the Prospectus.

1. BNZ Covered Bond Trust - Publication of audited financial statements for the period ending 30 September 2024

On 10 December 2024, the BNZ Covered Bond Trust published its financial statements for the financial year ended 30 September 2024 (the **2024 Financial Statements**), as prepared on behalf of the Covered Bond Guarantor, in its capacity as a Trustee of the Trust.

A copy of the 2024 Financial Statements has been filed with the CSSF and by virtue of this Supplement, the 2024 Financial Statements are incorporated by reference in their entirety into, and form part of, the Prospectus, and are published on the website of the Luxembourg Stock Exchange (www.luxse.com) and is available via <https://dl.luxse.com/dlp/10e4df2e0ebd4b4ce585cf43d3b79e0a02>. The list of documents incorporated by reference on pages 81 to 83 (inclusive) of the Prospectus (under the section headed, “*Documents Incorporated by Reference*”) shall be construed accordingly.

The existing paragraph entitled “*Trend Information*” on page 213 of the Prospectus shall be deemed deleted and replaced with the following:

“Trend Information

There has been no material adverse change in the prospects of the Trust since 30 September 2024.”.

The existing paragraph entitled “*No significant change and no material adverse change*” on page 214 of the Prospectus shall be deemed deleted and replaced with the following:

“No significant change and no material adverse change

There has been no significant change in the financial performance or financial position of the Covered Bond Guarantor since 30 September 2024 (the date to which the latest audited published financial information of the Trust was prepared).

There has been no material adverse change in the prospects of the Covered Bond Guarantor since 30 September 2024 (the date to which the latest audited published financial information of the Trust was prepared).”.

2. Annual Report and Disclosure Statement of BNZ for the financial year ended 30 September 2024

On 7 November 2024, BNZ published the 2024 Annual Report and Disclosure Statement. A copy of the 2024 Annual Report and Disclosure Statement, which includes the consolidated audited financial statements of BNZ for the financial year ended 30 September 2024 (together with the

notes and the independent auditor's report thereto), has been filed with the CSSF and, by virtue of this Supplement, the information set out on the pages included in the relevant cross-reference list in section 8 of this Supplement, is incorporated by reference into, and forms part of, the Prospectus and is available via <https://dl.luxse.com/dlp/100d80df8e716542d9b3a347bd6933b98d>. The list of documents incorporated by reference on pages 81 to 83 (inclusive) of the Prospectus (under the section headed "*Documents Incorporated by Reference*") shall be construed accordingly.

The existing paragraph entitled "*TREND INFORMATION*" on page 207 of the Prospectus shall be deemed deleted and replaced with the following:

"TREND INFORMATION

There has been no material adverse change in the prospects of BNZ since 30 September 2024 (being the date to which the latest audited published financial information of BNZ was prepared)."

The existing paragraph entitled "*No significant change in the financial performance or financial position of BNZ*" on page 211 of the Prospectus shall be deemed deleted and replaced with the following:

"No Significant change in the financial performance or financial position of BNZ

There has been no significant change in the financial performance or financial position of the BNZ Group since 30 September 2024 (being the date to which the latest audited published financial information of BNZ was prepared)."

3. U.S. Debt Funding Information of BNZ for the financial years ended 30 September 2023 and 30 September 2024

A copy of BNZ's U.S. Debt Funding Information for the financial years ended 30 September 2023 and 30 September 2024 have been filed with the CSSF and, by virtue of this Supplement, the information set out on the pages included in the relevant cross-reference lists in section 8 of this Supplement, is incorporated by reference into, and forms part of, the Prospectus and is available via <https://dl.luxse.com/dlp/1016865b3b2cd4468195f786803254bef4> (in respect of the financial year ended 30 September 2023) and <https://dl.luxse.com/dlp/1058e4f0bbf3e747b792d56357c0176f59> (in respect of the financial year ended 30 September 2024). The list of documents incorporated by reference on pages 81 to 83 (inclusive) of the Prospectus (under the section headed, "*Documents Incorporated by Reference and*") shall be construed accordingly.

4. Supplemental Information of BNZ for the financial years ended 30 September 2023 and 30 September 2024

A copy of BNZ's Supplemental Information for the financial years ended 30 September 2023 and 30 September 2024 (supplemental to BNZ's audited consolidated financial statements included in the annual report and disclosure statement of BNZ for the financial year ended 30 September 2023 and 2024 Annual Report and Disclosure Statement respectively, which are incorporated by reference into the Prospectus) have been filed with the CSSF and, by virtue of this Supplement, the information set out on the pages included in the relevant cross-reference lists in section 8 of this Supplement, is incorporated by reference into, and forms part of, the Prospectus and is available via <https://dl.luxse.com/dlp/1066d145929dcf4b1c8b458aec4c5ad5de> (in respect of the financial year ended 30 September 2023) and <https://dl.luxse.com/dlp/1005ccd83c699b40cc910e9b699e6a0190> (in respect of the financial year ended 30 September 2024). The list of documents incorporated by reference on pages 81 to

83 (inclusive) of the Prospectus (under the section headed, “*Documents Incorporated by Reference*”) shall be construed accordingly.

5. Updates to the risk factors under the heading “*RISK FACTORS RELATING TO THE ISSUER, INCLUDING THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE COVERED BONDS*”

The risk factors on pages 20 to 41 of the Prospectus, from the risk factor entitled “*Risks specific to BNZ*” on page 20 to (and including) the risk factor entitled “*BNZ may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect*” on page 41, shall be deemed deleted in their entirety and replaced with the updated risk factors set out in the Annex to this Supplement.

6. BNZ Financial Measures

The following wording shall be inserted immediately below the existing paragraphs set out on page 210 of the Prospectus under the heading “*BANK OF NEW ZEALAND – FINANCIAL INFORMATION CONCERNING BNZ’S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES – Financial Measures*”:

“The financial measures below (together the **Financial Measures** and each a **Financial Measure**) have been calculated based on line items included in the annual report and disclosure statement of BNZ for the financial year ended 30 September 2024 and the “*Supplementary Business and Financial Disclosure*”¹ for the financial years ended 30 September 2024 and 30 September 2023. BNZ considers the Financial Measures to constitute alternative performance measures (**APMs**), as defined for the purposes of the European Securities and Markets Authority guidelines on APMs:

The cost to income ratio of BNZ as at 30 September 2024 was 38.50 per cent. and as at 30 September 2023 was 34.94 per cent.

The loan to deposit ratio of BNZ as at 30 September 2024 was 1.29 and as at 30 September 2023 was 1.30.

The net charge-offs to gross average loans of BNZ as at 30 September 2024 was 0.0 per cent. and as at 30 September 2023 was 0.0 per cent.

The net profit on average assets of BNZ as at 30 September 2024 was 1.15 per cent. and as at 30 September 2023 was 1.16 per cent.

The net yield on interest earning assets of BNZ as at 30 September 2024 was 2.37 per cent. and as at 30 September 2023 was 2.40 per cent.”

7. Alternative Performance Measures

By virtue of this Supplement, the existing paragraphs under the section “*ALTERNATIVE PERFORMANCE MEASURES*” on pages 298 and 299 of the Prospectus shall be deemed deleted and replaced with the following:

“Investors should review all APMs in conjunction with the annual report and disclosure statement of BNZ for the financial year ended 30 September 2024 and the annual report and disclosure statement of BNZ for the financial year ended 30 September 2023, each incorporated by reference in this Prospectus (together, the **Relevant Disclosure Statements**), the relevant sections (as

¹ This information package is available on: <https://www.bnz.co.nz/about-us/governance/suppdisc>.

indicated in the table below) of the “*BNZ U.S. Debt Funding Information*” (the **USDFI**) and the relevant sections (as indicated in the table below) of the “*BNZ Supplemental Information*” (the **Supplemental Information**) each incorporated by reference in this Prospectus, which, as applicable, relate solely to BNZ’s past performance for the financial years ended 30 September 2024 and 30 September 2023.

Financial Measure	Definitions and basis for calculation	Rationale for inclusion	Reconciliation with the Relevant Disclosure Statements or source (in relation to non-New Zealand GAAP line items)
Cost to income ratio	This measure is calculated as (x) operating expenses divided by (y) total operating income	A measure of how well BNZ manages its cost base relative to its income	See the section entitled “Income Statement” of the Relevant Disclosure Statements
Loan to deposit ratio	This measure is calculated as (x) loans and advances to customers divided by (y) customer deposits	A balance sheet strength measure indicating the portion of lending assets funded by customer deposits	See the section entitled “Balance Sheet” and the corresponding note “Deposits and Other Borrowings” of the Relevant Disclosure Statements
Net charge-offs to gross average loans	This measure is calculated as (x) (i) total bad debts written off minus (ii) total bad debts recovered divided by (y) average interest earning loans and advances to customers	A measure of the quality of BNZ’s loan book	See the sections entitled “Average Balance Sheet and Related Interest” and “Summary of Loan Loss Experience” of the Supplemental Information
Net profit on average assets	This measure is calculated as (x) net profit for the year divided by (y) total average assets	A measure to assess BNZ’s profitability and financial performance	See the sections entitled “Income Statement” of the Relevant Disclosure Statements and “Average Balance Sheet and Related Interest” of the Supplemental Information
Net yield on interest earning assets	This measure is calculated as (x) (i) annualised interest income minus (ii) annualised interest expense divided by (y)	A measure of net interest income generated by BNZ’s assets	See the sections entitled “Selected Financial Information” and “Results of Operations” of the USDFI

	total average interest earning assets		
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The line items used to calculate the above Financial Measures for the applicable financial periods can be located in the Relevant Disclosure Statements, the USDFI or the Supplemental Information, as indicated in the table below:

Documents	Line Items
Relevant Disclosure Statements	customer deposits loans and advances to customers net profit for the year operating expenses total operating income interest expense interest income
USDFI	average interest earning assets interest expense interest income
Supplemental Information	average interest earning loans and advances to customers total average assets total average interest earning assets total bad debts recovered total bad debts written off

8. Documents Incorporated by Reference

By virtue of this Supplement, the existing paragraphs under the section “*Cross Reference List*” on page 83 of the Prospectus shall be deemed deleted and replaced with the following:

“Cross Reference List

	Disclosure Statement to 30 September 2024	Disclosure Statement to 30 September 2023
BNZ		
BNZ Corporate Information	Pages 2-5	Pages 2-5
Balance Sheet	Page 10	Page 10
Income Statement	Page 8	Page 8
Cash Flow Statement	Page 11	Page 11
Statement of Changes in Equity	Page 9	Page 9
Notes to and Forming Part of the Financial Statements	Pages 12-81	Pages 12-79
Independent Auditor’s Report	Pages 82-86	Pages 80-86
Independent Assurance Report	Pages 87-88	N/A

Independent Auditor's Review Report	N/A	N/A
	Supplemental Information for the financial year ended 30 September 2024	Supplemental Information for the financial year ended 30 September 2023
BNZ		
Average Balance Sheet and Related Interest	Pages 3-4	Pages 3-4
Summary of Loan Loss Experience	Pages 8-11	Pages 9-13
	Financial Statements to 30 September 2024	Financial Statements to 30 September 2023
BNZ Covered Bond Trust		
Balance Sheet	Page 6	Page 6
Income Statement	Page 4	Page 4
Cash Flow Statement	Page 7	Page 7
Statement of Changes in Trust Capital	Page 5	Page 5
Notes to the Financial Statements Independent Auditor's Report	Pages 8-17 Appended to Financial Statements	Pages 8-17 Appended to Financial Statements
	Financial Statements to 30 September 2024	Financial Statements to 30 September 2023
BNZ U.S. Debt Funding Information		
Results of Operations	Pages 8-13	Pages 8-12
Results of Operations by Segments	Pages 13-15	Pages 12-14"

Any non-incorporated parts of a document referred to in this Supplement (which, for the avoidance of doubt, means any parts not listed in the cross-reference lists above) are either (i) not considered by BNZ to be relevant for investors or (ii) included elsewhere in this Supplement.

Other than the URLs for the documents incorporated by reference into the Prospectus by this Supplement, the content of any other websites or URLs referred to in this Supplement, or in any statement incorporated by reference into the Prospectus by this Supplement, does not form part of this Supplement or the Prospectus, and has not been scrutinised or approved by the CSSF.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Prospectus in relation to BNZ, since the publication of the Prospectus.

Copies of all documents incorporated by reference in the Prospectus and this Supplement can also be obtained from the website of the Luxembourg Stock Exchange at www.luxse.com.

ANNEX

Risks specific to BNZ

Set out below are the principal risks and uncertainties associated with BNZ and its controlled entities. It is not possible to determine the likelihood of these risks occurring with any certainty. However, the risk in each category that BNZ considers most material is listed first, based on the information available at the date of this Prospectus and BNZ's best assessment of the likelihood of each risk occurring and the potential negative impact to BNZ should such risk materialise. In the event that one or more of these risks materialises, BNZ's reputation, strategy, business, operations, financial condition and future performance could be materially and adversely impacted.

BNZ's risk management framework and internal controls may not be adequate or effective in accurately identifying, evaluating or addressing risks faced by BNZ. There may be other risks that are unknown or deemed immaterial, but which may subsequently become known or material. These may individually or in aggregate adversely impact BNZ. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by BNZ.

Strategic Risk

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

Strategic initiatives may fail to be executed, may not deliver all anticipated benefits or may otherwise change BNZ's risk profile

BNZ's corporate strategy sets its purpose, ambition and objectives.

BNZ prioritises and invests significant resources in the execution of initiatives that are aligned to its chosen strategy. These initiatives focus primarily on customers, technology, digital and data assets, infrastructure, business improvement, cultural transformation and employees, regulatory compliance, climate change (strategy, obligations, commitments and targets), other Environmental, Social and Governance (ESG) related matters and changes to associated controls, and in a number of cases have, and may in the future have, dependencies on external suppliers or partners. There is a risk that these initiatives may not realise some or all their anticipated benefits and outcomes. These initiatives may also increase operational, compliance, and other risks, which may not be appropriately assessed or controlled.

Any failure by BNZ to deliver in accordance with its strategy, or to deliver strategic programmes effectively, may result in material losses to BNZ, reputational damage, or a failure to achieve anticipated benefits, and ultimately, may materially and adversely impact BNZ's operations and financial performance and position.

BNZ faces a continually changing external environment

BNZ operates in a dynamic macro-economic environment. The impact of slowing global and domestic economic growth, increases to unemployment rates and elevated interest rates, and falling consumer and business confidence can reduce demand for credit, adversely impacting BNZ's revenue, or increase the risk of defaults, adversely impacting BNZ's financial performance. In addition, BNZ expense plans may be at risk due to continued inflationary pressures, particularly with respect to technology costs. External economic and geopolitical impacts may be further affected by uncertainties associated with international conflicts and geopolitical events.

There is substantial competition across the markets in which BNZ conducts business. BNZ faces competition from traditional financial services providers and other parties, including foreign banks, online banks and new market entrants, particularly non-bank competitors, such as financial technology companies and digital platforms. Some competitors have lower costs, or operating and business models, technology platforms or products that differ from or are more competitive than BNZ's and some competitors are subject to less regulatory oversight.

Competition for customers and the increasing use of brokers can lead to compression in profit margins and loss of market share. Intense competition increases the risk of additional price pressure, especially in commoditised lines of business, such as mortgages, where the providers with the lowest unit cost may gain market share and industry profit pools may be eroded. Such factors may ultimately impact BNZ's financial performance and position, profitability and returns to investors.

Evolving industry trends, technology changes, and environmental factors have impacted, and may continue to impact, customer and other stakeholder needs and preferences. BNZ may not predict these changes accurately or quickly enough, or have the resources and flexibility to adapt in sufficient time, to meet the needs and preferences of customers and other stakeholders and to keep pace with competitors. These risks are heightened in the current context in which technology, including its impact on the financial services industry, continues to evolve at a rapid pace. Additionally, it may not be possible for BNZ to meet the expectations of stakeholders in regard to certain trends or factors when there are opposing expectations between different stakeholders.

Adoption of new legislation and regulation may impose additional costs on BNZ to comply and create reputational and legal risks in the event of non-compliance. Recent regulatory and legislative developments and other trends that may impact BNZ include:

- The continued implementation of the Consumer Data Right (**CDR**), known as 'Open Banking', in the NZ banking sector. The NZ Government introduced the Customer and Product Data Bill to the NZ Parliament in May 2024. If passed, the Bill will establish a CDR that will seek to improve consumers' ability to compare and switch products. Banking is set to be the first sector designated under the proposed legislation. In the banking sector, a CDR will enable accredited entities, with a customer's consent, to access bank data and perform actions (i.e., payments) on the customer's behalf (**Open Banking**). Alongside the CDR Bill, the NZ Government recently closed a consultation on the regulatory regime for Open Banking and how Open Banking should be operationalised. The adoption of Open Banking is designed to increase competition and innovation in NZ banking, payments and financial data services which leads to better products and services for customers, and may increase compliance costs for banks, including BNZ, and limit banks' ability to charge for access to payments or data. The NZ Government has committed to ensuring Open Banking is fully operational by June 2026.
- The release of the NZ Commerce Commission's final report into competition for personal banking services in NZ in August 2024. The report includes 14 recommendations that, together, aim to support new entry into, and expansion of, the personal banking sector, to reduce the regulatory barriers to competition and to empower consumers to get better prices and services. This includes a recommendation that the NZ Government commit to operationalising Open Banking (described above).
- Increased focus on digital, data and analytics capabilities with the objective of creating easy and seamless customer experiences. The rapid development and deployment of artificial intelligence (**AI**) capabilities, including generative AI, continues to be a key strategic consideration for BNZ and for customers. Inadequate or lack of adoption of AI within business processes or customer propositions could pose a strategic disadvantage to BNZ relative to its competitors who deploy AI tools and could result in unwanted financial and non-financial consequences for BNZ. At the same time, as a new technology, the use of AI without sufficient controls, governance and risk

management may result in increased risks across all of BNZ's risk categories. Regulation of AI and similar technologies is developing globally and its impact on BNZ's business is currently uncertain.

- Increased demand for green or sustainability-related products or increased lending to assist customers in achieving their ESG-related performance objectives, for example, sustainability-linked loans, or, correspondingly, increased scrutiny of products, lending or other activities that are perceived to be inconsistent with the ESG-related performance objectives of BNZ or its stakeholders. In addition, there is currently no single, globally recognised set of accepted definitions for assessing whether activities are “green” or “sustainable” which may create greenwashing risks due to differences in interpretation.
- Ongoing growth of the broker market and the risk of disintermediating customer relationships.
- The evolving and increasingly complex payments landscape, including the increasing use of digital payments, new payments infrastructures and emerging technology, and the shift away from traditional payment methods. Adapting to these changes requires ongoing expenditure by BNZ.
- The continued consumer adoption of cryptocurrencies and other digital assets. The rate of digital asset adoption, digital asset product creation (for example, stablecoins and decentralised finance), and government responses. For example, in July 2024, the RBNZ closed a consultation on the possibility of the RBNZ issuing a Central Bank Digital Currency (CBDC), which is expected to influence the future of the sector and its impact on BNZ. The CBDC consultation is part of a multi-stage exploration being conducted by the RBNZ. The RBNZ has discussed introducing a CBDC in or around 2030. The introduction of a CBDC may increase competition for deposit funding or other products and services offered by BNZ which may have an adverse impact on BNZ's financial performance and position. In addition, regulation of digital assets is nascent, but emerging, across all markets in which BNZ conducts business, which may increase BNZ's costs, or require BNZ to invest in resources to adapt its products or systems to new technologies.

Risks may arise from pursuing acquisitions and divestments

BNZ regularly considers a range of corporate opportunities, including acquisitions, divestments, joint ventures and investments.

The pursuit of corporate opportunities inherently involves transaction risks, including the risk that BNZ over-values an acquisition or investment or under-values a divestment, as well as exposure to reputational damage or regulatory intervention. BNZ may encounter difficulties in integrating or separating businesses, including failure to realise expected synergies, disruption to operations, diversion of management resources or higher than expected costs. These risks and difficulties may ultimately have an adverse impact on BNZ's financial performance and position.

BNZ may incur unexpected financial losses following an acquisition, joint venture or investment if the business it invests in does not perform as planned or causes unanticipated changes to BNZ's risk profile. Additionally, there can be no assurance that customers, employees, suppliers, counterparties and other relevant stakeholders will remain with an acquired business following the transaction and any failure to retain such stakeholders may have an adverse impact on BNZ's overall financial performance and position.

BNZ may also have ongoing exposures to divested businesses, including through any residual shareholding, the provision of continued services and infrastructure, or an agreement to retain certain liabilities of the divested businesses through warranties and indemnities. These ongoing exposures may have an adverse impact on BNZ's business and financial performance and position.

On 30 April 2024, the NAB Group completed the FirstCape Transaction. The NAB Group, Jarden Wealth, and Funds advised by Pacific Equity Partners are the shareholders in FirstCape. As part of the FirstCape Transaction, BNZ has provided FirstCape with certain indemnities and warranties relating to certain pre-completion matters of the BNZ wealth business, which now forms part of FirstCape and certain contractual covenants. A breach or triggering of these contractual protections may result in BNZ being liable to FirstCape.

BNZ is part of a larger business group, and decisions by that larger business group, or any financial or reputational damage to that larger business group, may adversely impact BNZ's business, financial condition, liquidity, results of operations and prospects

As BNZ is part of the NAB Group, it may be impacted by the decisions made by, or events that affect, the NAB Group, as well as any financial or reputational damage by virtue of its association with the NAB Group. If financial resources are withdrawn by the NAB Group, or the NAB Group makes a business, governance, personnel or corporate decision or is subject to actions, such as regulatory actions, that are not in BNZ's interests, this may adversely affect BNZ's business, financial condition, liquidity, results of operations and prospects. In addition, the reputational consequences of the occurrence of a risk event within the NAB Group, for example, a major operational failure, may have a material impact on BNZ's business, financial condition, reputation, liquidity, results of operations and prospects. There is a risk that if a major operational failure occurred within the NAB Group, BNZ's existing business continuity plans, including those prepared under the RBNZ's Outsourcing Policy (BS11), may fail or be ineffective, which may, in turn, have a material impact on BNZ's financial performance and position.

Credit Risk

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

A protracted period of elevated interest rates may result in deterioration in BNZ's credit risk profile in the short term through accelerated increases in defaulted loans

Elevated interest rates to combat inflationary pressures have resulted in increases in arrears, primarily in the home loan and small and medium business portfolios. If interest rates remain elevated for a protracted period, this may continue to increase household and business financial stress across NZ, particularly for those customers who are highly geared and/or facing reduced income due to weaker economic activity. This may drive an increase in bankruptcies, business failures, job losses and higher unemployment. Sectors exposed to changes in household discretionary spending are particularly vulnerable to financial stress in the event of modifications to consumer spending behaviour.

The heightened credit risk in affected sectors and elevated levels of household and business financial stress may result in an increase in losses if customers default on their loan obligations.

Extreme weather events, and longer-term changes in climate conditions, coupled with transition risk may lead to rising customer defaults

The following risks relating to climate change, combined with changes to future insurance affordability and availability, may result in increased losses from customer defaults or decreased valuations, and may ultimately have an adverse impact on BNZ's financial performance and position:

- Increasing number of extreme weather events (including substantial rainfall or drought).
- Increasing weather volatility and longer-term changes in climatic conditions.
- Climate-related transition risks as the global economy transitions to low-carbon alternatives.

Some customers are facing significant challenges from extreme weather events which caused stock, crop, and plant and equipment loss and damage for customers across the home and business lending portfolios. The rising severity and prevalence of these events may pose a risk to the credit portfolio in the medium term.

A decline in property market valuations may give rise to higher losses on defaulting loans

Residential housing loans and commercial real estate (**CRE**) loans in NZ constitute a material component of BNZ's total gross loans and acceptances.

BNZ may have higher credit risk, or experience higher credit losses, to the extent its loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. For example, BNZ's credit risk and credit losses can increase if borrowers who engage in similar activities are uniquely or disproportionately affected by extreme weather events, economic or market conditions, or by regulation, such as regulation related to climate change. A deterioration in economic conditions or real estate values in NZ could result in higher credit losses and costs.

Residential and CRE prices in NZ increased for some years up until 2021 but experienced a decline in 2022 following the RBNZ's moves to increase interest rates. Residential real estate prices rebounded in 2023. In NZ, residential real estate prices have declined in 2024.

When the value of residential or CRE used as collateral (including in business lending) reduces below the value of the loan, BNZ is exposed to losses in the event of any customer default. This may, in turn, impact BNZ's financial performance and position. The most significant impact, in the event of default, is likely to come through residential mortgage customers in high loan-to-value-ratio brackets.

Adverse business conditions in NZ, in the agricultural sector, may give rise to increasing customer defaults

BNZ has a large market share among lenders to the NZ agricultural sectors. These sectors may be negatively impacted by several factors, including:

- Vulnerability to labour constraints.
- Trade restrictions and tariffs.
- Volatility in commodity prices (particularly agricultural product prices).
- Foreign exchange rate movements.
- Changes in consumer preference and market access.
- Disease and introduction of pathogens and pests (e.g., the threat of a local foot and mouth disease outbreak).
- Export and quarantine restrictions.
- Supply chain constraints and increasing supply chain producer responsibility, traceability and transparency requirements.
- Extreme weather events (including substantial rainfall or drought), increasing weather volatility and longer-term changes in climate conditions.

- Expectations related to management of other nature-related risks such as deforestation, including both the environmental impacts and potential exposure from any illegal deforestation.

Market declines and increased volatility may result in BNZ incurring losses

Some of BNZ's assets and liabilities comprise financial instruments that are carried at fair value, with changes in fair value recognised in BNZ's income statement. Movements in interest rates can affect prepayment assumptions and thus fair value. Market declines and increased volatility could negatively impact the value of those financial instruments and cause BNZ to incur losses.

Other macro-economic, geopolitical, climate, nature-related or social risks may adversely affect BNZ and pose a credit risk

As BNZ primarily conducts business in NZ, BNZ's performance is dependent principally on the performance of the economy in NZ. Levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates, and other economic and financial market conditions and forecasts.

Domestic and international economic conditions and forecasts are influenced by a number of macro-economic factors, such as: economic growth rates, environmental and social issues (including emerging issues such as modern slavery and nature-related risks), cost and availability of capital, central bank intervention, inflation and deflation rates, level of interest rates, yield curves, market volatility, and uncertainty.

Deterioration in any of these factors may lead to the following negative impacts on BNZ:

- Deterioration in the value and liquidity of assets (including collateral).
- The inability to price certain assets.

Environmental conditions and social and governance issues impacting the risk and return profile and/or value of customers' security or business operations.

- An increase in customer or counterparty default and credit losses.
- Higher provisions for credit impairment.
- Mark-to-market losses in equity and trading positions, including BNZ's HQLA portfolios.
- A lack of available or suitable derivative instruments for hedging purposes.
- Increased cost of insurance, lack of available or suitable insurance, customer reluctance to maintain adequate insurance or failure of the insurance underwriter.

Economic conditions may also be negatively impacted by climate change and major shock events, such as natural disasters, epidemics and pandemics, war and terrorism, cyber-attacks, political and social unrest, banking instability and sovereign debt restructuring and defaults.

The following macro-economic and financial market conditions are, as at the date of this Prospectus, of most relevance to the credit risk facing BNZ, and may affect revenue growth and/or customer balance sheets:

- Global economic growth has slowed in 2024 and is expected to remain below its long-term average in the near-term. Weaker economic conditions reflect the impact of tight monetary policy

and lending standards, particularly in advanced economies, along with weak domestic demand in China.

- Central banks in many major advanced economies have either commenced, or indicated that they are preparing to commence, reducing policy rates from prevailing restrictive levels. However, if economic conditions, including inflation, do not evolve as expected, this may lead to large, and possibly varied, changes to policy settings – including for interest rates – across central banks. This may impact asset valuations, credit conditions and financial market stability, as well as weaken economic activity, potentially exposing imbalances or weaknesses in balance sheets, including those of financial institutions. Risk of contagion due to financial system instability remains an ongoing concern for BNZ due to the interdependency of financial market participants. Where concerns over the viability of financial institutions arise, it can trigger contagion fears, potentially destabilising global markets and, in turn, negatively affecting economic activity.
- China is a major trading partner for NZ, with export incomes and business investment exposed to changes in China’s economic growth and trade policies. China’s economy continues to face substantial headwinds, with growth forecasted to slow going forward. In the short term this reflects subdued domestic consumption and weakness in the property sector in China, alongside an export sector challenged by protectionism in two major markets (the European Union and the United States). Demographic issues are also becoming an increasing factor reducing growth as the population ages out of the workforce. This could negatively impact the global economy generally, and the NZ economy in particular. Due to NZ’s export mix, NZ’s economy is exposed to any reduction in demand in exports in China, which could be affected by a number of factors including NZ’s relationship with China, and therefore could have a negative impact on BNZ’s customers with material exposure to China and its economy, and may give rise to increasing levels of customer defaults.
- As a commodity exporting economy, NZ is exposed to shifts in global commodity prices that can be sudden, sizeable, and difficult to predict. Fluctuations in commodity markets can affect key economic variables like national income tax receipts and exchange rates. Commodity price volatility remains substantial and, given BNZ’s sizeable exposures to commodity producing and trading businesses, this volatility poses a credit risk to BNZ.
- Elevated geopolitical instability, such as the Russia-Ukraine and the Middle Eastern conflicts, has negatively impacted, and could continue to negatively impact, the global and NZ economies, including by causing supply chain disruptions, rising prices for oil and other commodities, volatility in capital markets and foreign currency exchange rates, rising interest rates and heightened cyber security risks. Prices may remain elevated for an extended period, which would negatively impact most businesses and households, and may lead to increased credit losses for BNZ.
- Other geopolitical risks continue to present uncertainty to the global economic outlook, with negative impacts on consumption and business investment. Tensions between the United States and China (along with other countries), including in relation to Taiwan, the South China Sea, and Asia-Pacific which could increase as a result of the AUKUS pact or other similar agreements, as well as disruptions to trade through the Red Sea and the potential for widening conflict in Eastern Europe and the Middle East, could impact global economic growth and global supply chains.
- A slowdown in economic growth in Australia and NZ and any resulting increase in unemployment may negatively impact debt servicing levels, increase customer defaults and negatively impact BNZ’s financial performance and position and its profitability.

Market Risk

Market risk is the risk of loss from BNZ's trading activities. BNZ may suffer losses as a result of a change in the value of BNZ's positions in financial instruments, bank assets and liabilities, or their hedges due to adverse movements in market prices. Adverse price movements impacting BNZ may occur in credit spreads, interest rates, foreign exchange rates, and commodity and equity prices, particularly during periods of heightened market volatility or reduced liquidity. Market conditions remain volatile in response to an uncertain economic environment and elevated geopolitical risk.

The occurrence of any event giving rise to a material trading loss may have a negative impact on BNZ's financial performance and position.

BNZ is exposed to interest rate risk

BNZ's financial performance and capital position are impacted by changes in interest rates.

Interest rate risk is the risk of BNZ's trading activities being exposed to changes in the value of securities and derivatives as a result of changes in interest rates. BNZ's trading activities accumulate interest rate risk when BNZ provides interest rate hedging solutions for customers, holds interest rate risk in anticipation of customer requirements or undertakes market-making activity in fixed income securities or interest rate derivatives. The level of volatility in interest rate markets has increased in the post-pandemic period after a broadening of inflationary pressures saw major central banks unwind stimulus and rapidly tighten monetary policy. As a result of the uncertain economic outlook and elevated geopolitical risk, market conditions remain unstable.

Balance sheet and off-balance sheet items can create an interest rate risk exposure within BNZ. As interest rates and yield curves change over time, BNZ may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. Such exposure may arise from a mismatch between the maturity profile of BNZ's lending portfolio compared to its deposit portfolio (and other funding sources), as well as the extent to which lending and deposit products can be repriced should interest rates change, thereby impacting net interest margins. This may adversely impact BNZ's competitive position and financial performance and position.

When interest rates are increasing, BNZ can generally earn higher net interest income. However, higher interest rates can also lead to fewer originations of loans, less liquidity in the financial markets, and higher funding costs, each of which could adversely affect BNZ's revenues and its liquidity and capital levels. Higher interest rates can also negatively affect the payment performance on loans that are linked to variable interest rates. If borrowers of variable rate loans are unable to afford higher interest payments, those borrowers may reduce or stop making payments, thereby causing BNZ to incur losses and leading to increased operational costs related to servicing a higher volume of delinquent loans.

BNZ is exposed to credit spread risk

Credit spread risk is the risk that BNZ may suffer losses from adverse movements in credit spreads, including increases in credit spreads resulting from financial markets instability. This is a significant risk in BNZ's trading and banking books.

BNZ's market operations and trading activities are exposed to movements in the value of securities and derivatives as a result of changes in the perceived credit quality of the underlying company or issuer. Credit spread risk accumulates in BNZ's market operations and trading activities when it provides risk transfer services to customers seeking to buy or sell fixed income securities (such as corporate bonds). BNZ may also be exposed to credit spread risk when holding an inventory of fixed income securities in anticipation of customer demand or undertaking market-making activity (i.e. quoting buy and sell prices

to customers) in fixed income securities. BNZ's trading book is also exposed to credit spread risk through credit valuation adjustments. A widening of credit spreads could negatively impact the value of the credit valuation adjustment book.

Outside the trading book, BNZ's liquidity portfolio is also subject to credit spread risk through changes in spreads on securities held in its liquidity portfolio. BNZ hedges the interest rate risk from its liquidity portfolio. These positions form part of the required holdings of HQLAs used in managing BNZ's liquidity risk and during periods of adverse credit spread movements can give rise to material volatility within BNZ's portfolio, which is captured either in profit and loss or reserves during periods of adverse credit spread movements.

BNZ is exposed to foreign exchange risk

Foreign exchange risks are evident in BNZ's trading and banking books.

Foreign exchange and translation risks arise from the impact of currency movements on the value of BNZ's cash flows, profits and losses and assets and liabilities due to participation in global financial markets and international operations. As BNZ's business primarily operates in NZ, it is particularly exposed to fluctuations in the value of the New Zealand dollar.

BNZ's financial statements are prepared and presented in New Zealand dollars, and any fluctuations in the New Zealand dollar against other currencies in which BNZ invests or transacts and generates profits (or incurs losses) may adversely impact its financial performance and position.

BNZ may fail to, or be unable to, sell down its underwriting risk

As a financial intermediary, BNZ may underwrite or guarantee different types of transactions, risks and outcomes, including the placement of listed and unlisted securities. The underwriting obligation or guarantee may be over the pricing and placement of these securities, and BNZ may therefore be exposed to potential losses, which may be significant, if it fails to sell down some or all of this risk to other market participants.

Capital, Funding and Liquidity Risk

BNZ is exposed to funding and liquidity risk

Liquidity risk is the risk that BNZ is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operational expenses and taxes. BNZ must also comply with Australian Prudential Regulation Authority (APRA) prudential and regulatory liquidity obligations as part of the NAB Group. A significant deterioration in BNZ's liquidity position for any reason may lead to an increase in BNZ's funding costs, constrain the volume of new lending or cause BNZ to breach its prudential or regulatory liquidity obligations. Advances in payment technology may allow for faster customer withdrawals of funds deposited with BNZ which may accelerate the risks associated with on-demand liabilities such as transactional and savings deposits. This may adversely impact BNZ's reputation and financial performance and position.

Funding risk is the risk that BNZ is unable to raise short and long-term funding to support its ongoing operations, regulatory requirements, strategic plans and objectives. BNZ accesses domestic and global capital markets to help fund its business, along with using customer deposits. A significant deterioration in BNZ's ability to access these markets or of lenders to provide funding may adversely impact BNZ's financial reputation, financial performance and position. BNZ relies on offshore wholesale funding to support its funding and liquidity position. Periods of heightened market volatility may limit BNZ's access

to this funding source. Disruption in global capital markets, reduced investor interest in BNZ's securities and/or reduced customer deposits, may adversely affect BNZ's funding and liquidity position. This may increase the cost of obtaining funds, reduce the tenor of available funds or impose unfavourable terms on BNZ's access to funds, constrain the volume of new lending, or adversely affect BNZ's capital position.

BNZ's capital position may be constrained by prudential requirements

Capital risk is the risk that BNZ does not hold sufficient capital and reserves to cover exposures and to protect against unexpected losses. Capital is the cornerstone of BNZ's financial strength. It supports BNZ's operations by providing a buffer to absorb unanticipated losses from its activities.

BNZ is required by its prudential obligations to hold minimum levels of capital relative to the size of its balance sheet and its operational risk profile.

BNZ must comply with prudential requirements in relation to capital in NZ. Compliance with these requirements, and any further changes to these requirements may:

- Limit payment of dividends or distributions on shares and hybrid instruments.
- Require BNZ to raise more capital (in an absolute sense) or raise more capital of higher quality.
- Restrict balance sheet growth.

If the information or the assumptions upon which BNZ's capital requirements are assessed prove to be inaccurate, this may adversely impact BNZ's operations, financial performance and financial position.

A significant downgrade in BNZ's credit ratings or outlook may adversely impact its cost of funds and capital market access

Credit ratings are an assessment of a borrower's creditworthiness and may be used by market participants in evaluating BNZ and its products, services and securities. Credit rating agencies conduct ongoing review activities, which can result in changes to credit rating settings and outlooks for BNZ, or credit ratings of sovereign jurisdictions where BNZ conducts business. Credit ratings may be affected by operational and other market factors (e.g., ESG-related factors), or changes in a credit rating agency's rating methodologies.

A downgrade in the credit ratings or outlook of BNZ, BNZ's securities, any other member of the NAB Group or their securities, or the sovereign rating of one or more of the countries in which BNZ conducts business, particularly NZ, may increase BNZ's cost of funds or limit its access to capital markets. This may also cause a deterioration of BNZ's liquidity position and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A significant downgrade to BNZ's credit ratings relative to its peers may also adversely impact BNZ's competitive position and financial performance and position.

Operational Risk

Operational risk is the risk of loss resulting from inadequate, ineffective or failed internal processes, actions and systems or external events.

There are inherent risks within BNZ's operations due to the range of customers, products and services BNZ provides and the multiple markets and channels these products and services are delivered through.

Privacy, information security and data breaches may adversely impact BNZ's reputation and operations

BNZ collects, processes, stores and transmits large amounts of personal and confidential information through its people, technology systems and networks and the technology systems and networks of its external service providers. Threats to information security are constantly evolving, including through the use of emerging technologies, such as advanced forms of AI, with the likelihood of cyber-attacks, scams and fraud increasing in the changing geopolitical environment, and techniques used to perpetrate cyber-attacks, scams and fraud are increasingly sophisticated. In addition, the number, nature and resources of adverse actors that could pose a cyber threat to BNZ is growing, including individual cybercriminals, criminal or terrorist syndicate networks and large sophisticated foreign governments with significant resources and capabilities.

There is a risk that BNZ's efforts to improve its technology systems and networks and its information security policies, procedures and controls may not be adequate to address these threats. While BNZ participates in internal and external reviews and testing and is subject to regulatory oversight, which collectively help to identify weaknesses and areas for improvement, remediation of weaknesses is sometimes difficult to complete in a timely manner due to the complex technology environment (including third party involvement) and the rapidly evolving nature of the threats, which leads to the continuing emergence of new vulnerabilities.

As cyber threats continue to evolve, BNZ may be required to expend significant additional resources to continue to modify or enhance its layers of defence or to investigate and remediate any information security vulnerabilities. BNZ may also not always be able to anticipate a security threat, or be able to implement effective information security policies, procedures, and controls to prevent or minimise the resulting damage. BNZ may also inadvertently retain information which is not specifically required or is not permitted by legislation, thus increasing the impact of a potential data breach or non-compliance.

A successful cyber-attack could persist for an extended period before being detected, and, following detection, it could take considerable time for BNZ to obtain full and reliable information about the cyber security incident and the extent, amount and type of information compromised. During an investigation, BNZ may not necessarily know the full effects of the incident or how to remediate it, and actions and decisions that are taken or made to mitigate risk may further increase the costs and other negative consequences of the incident. Moreover, BNZ may be required to disclose information about a cyber security event before it has been resolved or fully investigated. Additionally, BNZ uses select external providers (in NZ and overseas) to process and store confidential data and to develop and provide its technology services, including the increasing use of cloud infrastructure. BNZ is limited in its ability to monitor and control the security protocols that service providers implement on a day-to-day basis. Failures of controls by these providers may expose BNZ and the data it stores to loss of confidentiality, integrity or availability. BNZ may also submit confidential information to its key regulators under a legal obligation and as part of regulatory reporting.

A breach of security at any of these external providers, regulators or within BNZ may result in operational disruption, theft or loss of customer or employee data, a breach of privacy laws, regulatory enforcement actions, civil penalties, customer or employee redress, litigation, financial losses, or loss of market share, property or information. This may be wholly or partially beyond the control of BNZ and may adversely impact its financial performance and position. For example, some large NZ organisations have experienced significant cyber-attacks in recent years leading to intense public reactions and increased political and regulatory focus.

In addition, any such event may give rise to increased regulatory scrutiny or adversely affect the view of ratings agencies. Social media commentary and responses to the relevant event, may exacerbate the impact on BNZ's reputation.

Generative AI is an emerging area of operational risk. While AI has potential to support significant service advances for customers, it also has the potential to assist, enable and enhance existing methods for

criminals to perpetrate fraud, scams, and cyber threats against BNZ and its customers, and poses increased risks to cybersecurity such as denial of service, and more sophisticated social engineering attacks.

The use of AI and machine learning technologies, by the NAB Group generally and BNZ specifically, is subject to risks that algorithms and datasets are flawed or may be insufficient and could increase the risk of unintended deficiencies, result in inaccurate or ineffective decisions, predictions or analysis, and give rise to ethical and social risks associated with its use (e.g. unintended discrimination, bias and disinformation). If BNZ were found to have infringed or misappropriated a third-party patent or other intellectual property right (including where BNZ or a third party has used generative AI outputs based on data for which the generative model may not have had consent), BNZ could in some circumstances be prohibited from providing certain products or services to its customers or from utilising and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licences.

Disruption to technology and services may adversely impact BNZ's reputation and operations

Many of BNZ's operations depend on technology or third parties. Therefore, the financial strength, reliability, resilience, security, and performance of BNZ's and its third parties' information technology systems, processes and infrastructure are essential to the effective operation of its business and consequently to its financial performance and position. The reliability, security and resilience of BNZ's technology and services may be impacted by the complex technology environment, selection, concentration of and reliance on suppliers, failure to keep technology systems up-to-date, failure to correctly implement or maintain technology assets, an inability to restore or recover systems and data in acceptable timeframes, or a physical or cyber-attack against BNZ or its external providers, including suppliers of cloud services to BNZ.

The rapid evolution of technology in the financial services industry and the increased expectations of customers for internet and mobile services on demand expose BNZ to changing operational scenarios and may lead to increased costs as BNZ moves to a cloud-based infrastructure.

Any disruption to BNZ's technology and services (including disruption to the technology systems of BNZ's external providers) may be wholly or partially beyond BNZ's control and may result in operational disruption, regulatory enforcement actions, customer redress, litigation, financial losses, theft or loss of customer data, loss of market share, loss of property or information, or may adversely impact BNZ's speed and agility in the delivery of change and innovation.

In addition, any such disruption may adversely affect the trust that internal and external stakeholders have in BNZ's ability to protect key information (such as customer and employee records) and infrastructure. This may in turn affect BNZ's reputation, which may result in loss of customers, ratings downgrades and regulatory censure or penalties.

Complexity of infrastructure, processes and models, gives rise to a significant risk to BNZ's operations

BNZ is reliant on its policies, processes, controls and supporting infrastructure being designed effectively and functioning as designed, and on domestic and offshore third parties appropriately managing their own risks (including operational, economic, political and environmental risks) and delivering services to BNZ as required. A failure in the design or operation of these policies, processes, controls and infrastructure, failure of BNZ to manage external service providers, or the disablement of a supporting system all pose a significant risk to BNZ's operations and consequently its financial performance, reputation and the timeliness and accuracy of its statutory and prudential reporting.

Reputational damage may adversely impact BNZ, including, among other things, by impacting its ability to pursue new business opportunities, increasing the risk premium being applied to BNZ, and impacting the cost of funding BNZ's operations or its financial condition.

Models are used extensively in the conduct of BNZ's business, for example, in calculating capital requirements or customer compensation payments and in measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions, judgements, or inputs, this may adversely affect BNZ's customers and BNZ's financial performance and position.

BNZ is exposed to the risk of human error

BNZ's business, including the internal and supplier managed processes and systems that support business decisions, relies on appropriate actions and inputs from its customers, employees, agents and external providers. BNZ is exposed to operational risk due to process or human error, including incorrect or incomplete data capture and records maintenance, incorrect or incomplete documentation to support activities, inadequate design of processes or controls or incorrect reporting. BNZ uses select external providers (in NZ and overseas) to provide services to BNZ and is exposed to similar risks arising from such failures in the operating environment of its external providers. The materialisation of any of these risks could lead to direct financial loss, loss of customer, employee or commercially sensitive data, regulatory penalties and reputational damage.

BNZ may not be able to attract, remunerate and retain suitable talent

BNZ is dependent on its ability to attract and retain key executives, employees and Board members with a deep understanding of banking and technology, who are qualified to execute and govern BNZ's strategy, including the technology transformation BNZ is undertaking to meet the changing needs of its customers. Potential weaknesses in employment practices, including diversity, anti-discrimination, workplace flexibility, payroll, workplace health and safety and employee wellbeing, together with a competitive labour market for critical skills, are sources of operational risk that can impact BNZ's ability to attract and retain qualified personnel with the requisite knowledge, skills and capability. The effective management of psychosocial risk (including relating to workplace factors such as customer aggression, workload issues or poor change management) is an area of focus within BNZ to support employee wellbeing and retain talent. It is also an area of increasing regulatory scrutiny and reputational risk.

BNZ's capacity to attract and retain key talent, in addition to providing attractive career opportunities, also depends on its ability to adequately and appropriately respond to changes (internal or external) as well as design and implement effective remuneration and talent structures. This may be constrained by several factors, including by regulatory requirements (particularly in the highly regulated financial services sector), as well as community expectations. BNZ's ability to employ suitably trained people is also influenced by the NZ Government's immigration settings and strategy.

Competition from within the financial services industry and from businesses outside the financial services industry, including the technology industry, for qualified employees has often been intense. BNZ has experienced increased competition in hiring and retaining employees to address the demands of new regulatory requirements, expanding consumer-oriented businesses and its technology initiatives.

The unexpected loss of key resources or the inability to attract personnel with suitable experience may adversely impact BNZ's ability to operate effectively and efficiently, or to meet BNZ's strategic objectives. This risk may also impact third party vendors (including offshore vendors) engaged by BNZ, who may be experiencing similar personnel related challenges.

Events may adversely impact BNZ's operations

Operational risk can arise from external events such as biological hazards, climate change, natural disasters, widespread disease or pandemics, or acts of terrorism and geopolitical conflict.

BNZ has branches and office buildings in NZ that are prone to earthquakes and extreme weather events.

Geopolitical risks continue to present uncertainty to BNZ's operations. For example, tensions between the United States and China, including in relation to Taiwan, the Russia-Ukraine and Middle Eastern conflicts, and China's trade and technology policies, continue to persist, which could impact BNZ operations adversely, for example, through disruption to free trade, global supply chains and availability of talent.

External events such as extreme weather, natural disasters, biological hazards and acts of terrorism may also cause property damage and business disruption, which may adversely impact BNZ's financial performance. In addition, if BNZ is unable to manage the impacts of such external events, it may compromise BNZ's ability to provide a safe workplace for its personnel and/or lead to reputational damage.

The environment BNZ is operating in has become more complex and more uncertain and could create operational risks that are yet to be identified.

Sustainability Risk

Sustainability risk is the risk that ESG events or conditions negatively impact the risk and return profile, value or reputation of BNZ or its customers and suppliers or its ultimate parent company. Inadequate management of ESG risks by BNZ or its customers may expose BNZ to other potential risks across risk categories such as strategic, credit, market, compliance, conduct, operational, capital, funding and liquidity risk.

Physical and transition risks arising from climate change, other environmental impacts and nature-related risks may lead to increasing customer defaults and decrease the value of collateral

Extreme weather, increasing weather volatility, and longer-term changes in climatic conditions, as well as environmental impacts such as land contamination and other nature-related risks such as deforestation, biodiversity loss and ecosystem degradation, may affect water security, property and asset values or cause customer losses due to damage, crop losses, existing land use ceasing to be viable, and/or interruptions to, or impacts on, business operations, supply chains or market access.

Globally, an increasing number of countries are prone to, and have experienced, acute physical climate events. In NZ, these have included drought conditions, cyclones and flooding which highlight the risk of such physical climate events. Extreme weather events are expected to increase globally and locally in frequency and severity, which may have adverse macroeconomic impacts. The impact of extreme weather events can take time to be fully realised and be widespread, extending beyond residents, businesses, and primary producers in highly impacted areas, to supply chains in other cities and towns relying on agricultural and other products from within these areas. The impact of these losses on BNZ may be exacerbated by a decline in the value and liquidity of assets held as collateral and the extent to which these assets are insured or insurable, which may impact BNZ's ability to recover its funds when loans default.

Climate-related transition risks are increasing as economies, governments and companies seek to transition to low-carbon alternatives and adapt to climate change. Certain customer segments may be adversely impacted as the economy transitions to renewable and low-emissions technology. Decreasing investor appetite and customer demand for carbon intensive products and services, emerging requirements of sustainable finance taxonomies, increasing climate-related litigation, and changing regulations and government policies designed to mitigate climate change, may negatively impact revenue and access to capital for some businesses and/or BNZ's products or services that serve those customers. Furthermore, management of transition risk is more challenging given the presence of social risks such as modern slavery in relevant supply chains (e.g., input materials and equipment required to support the low carbon transition).

Biodiversity loss and ecosystem degradation can arise from environmental factors such as:

- Climate change.
- Deforestation and illegal land clearing.
- Air and water pollution or soil contamination.
- Invasive species (e.g. the varroa mite and fire ant).

These factors may disrupt business activities and supply chains, and may cause adverse impacts which include:

- Declines in agricultural and fishing yields.
- Decline in bee populations providing pollination services to agriculture.
- Raw material and/or commodity price volatility.
- Loss of market access.
- Stranded assets.
- Changes in customer demand.
- Changes in the regulatory environment.

These risks may increase expected and actual levels of customer defaults, thereby increasing the credit risk facing BNZ and adversely impacting BNZ's financial performance and position, profitability and returns to investors.

Physical and transition risks associated with climate change have led to regulatory change in NZ, such as the Climate Change Response (Zero Carbon) Amendment Act 2019, which commits NZ to a net zero carbon economy by 2050 or sooner. This regulatory change may disrupt the operations of BNZ's customers involved in a wide range of sectors and industries, and may impact the wider NZ economy. As NZ transitions to a net zero carbon economy, there is a risk that an increase in adoption of emission-reducing technology, changes to farming and manufacturing practices, changes to insurance practices, tax changes and revised land use regulation may impact collateral values. Changing physical conditions may also reduce the ability of businesses to service loans. Participants in the agricultural sector are particularly vulnerable including businesses in their supply chains. NZ could also see damage to its natural assets that may reduce tourism income. These risks may lead to changes to BNZ's operations, strategy and risk profile, which may adversely impact BNZ's financial performance and position.

In NZ, the climate-related disclosures regime under the Financial Markets Conduct Act 2013 requires mandatory climate-related reporting by large publicly listed companies, large licensed insurers, large investment managers, large banks, large building societies and large credit unions. It requires BNZ, as a "climate reporting entity", to annually prepare and make public climate statements with disclosures on how BNZ is considering the climate-related risks and opportunities that climate change presents for its activities over the short, medium and long term, in accordance with the Aotearoa New Zealand Climate Standards, issued by the External Reporting Board in December 2022. Climate statements are required to be published for accounting periods that start on or after 1 January 2023. BNZ's first mandatory reporting period commenced on 1 October 2023, with the first climate disclosure statement due no later than 31 January 2025.

BNZ, its customers, or its suppliers may fail to comply with legal, regulatory or voluntary standards or broader community and stakeholder expectations concerning ESG risk performance

ESG issues have been subject to increasing legal, regulatory, voluntary, and prudential standards and increasing (and sometimes differing) community and stakeholder expectations. These include:

- Environmental issues – such as climate change, deforestation and illegal land clearing, biodiversity loss, ecosystem degradation, spread of invasive species, and pollution. Supervisory and regulatory guidance and requirements for banks are increasingly focusing on ESG risks, as regulators have increased expectations of companies' ESG-related capabilities and seek to understand and manage system-wide impacts such as those arising from climate-related risks. This focus is quickly evolving to broader environmental issues, such as nature-related risks, as the links between nature and economic prosperity and societal wellbeing are becoming better understood. This has been a particular focus of the Task Force on Nature-related Financial Disclosures, whose recommendations were released in September 2023, and the development of which has been supported by the Australian, NZ and UK governments.
- Social issues – such as human rights (including modern slavery), compliance with recognised labour standards and fair working conditions (such as NZ's Recognised Seasonal Employer scheme and other immigration requirements), unfair and inequitable treatment of people including discrimination, product responsibility, appropriate remuneration, indigenous land rights and cultural heritage – including consideration of issues such as Free, Prior and Informed Consent, and animal welfare, including any such potential impacts on these matters from a customer's operations and/or projects.
- Governance issues – such as bribery and corruption, tax avoidance, greenwashing and greenhushing and other false or misleading environmental or sustainability claims, cross industry collaboration practices, poor governance, lack of transparency, supply chain traceability, and not fulfilling accountabilities.

Performance against corporate ESG commitments is being more closely monitored by external stakeholders as their understanding of issues (and their associated risks) such as climate change, human rights, responsible supply chain management and due diligence increases. Globally, and particularly in NZ, regulators have strengthened their policy guidance in relation to sustainability-related disclosures and governance practices, with particular emphasis on greenwashing.

ESG due diligence requirements may become mandatory in some jurisdictions in which BNZ conducts business, placing increasing demands on BNZ's processes and capability to manage, monitor and address ESG risks.

The impacts associated with climate change-related legislative and regulatory initiatives, customer requirements and the transition to a low carbon economy, including meeting new regulatory expectations, retrofitting of assets, energy efficient and low carbon investments, purchasing carbon credits or paying carbon taxes, may result in operational changes and additional expenditures that could adversely affect BNZ and/or its customers.

BNZ's reputation and business prospects may also be damaged if it does not, or is perceived not to, effectively prepare for the potential business and operational risks and opportunities associated with climate change, including through the development and marketing of effective and competitive products and services designed to address clients' climate risk-related needs. These impacts include negative market perception, reduced market share and regulatory and litigation consequences associated with greenwashing claims or driven by association with clients, industries or products that may be inconsistent with BNZ's stated positions on climate change issues.

Failure by BNZ to:

- comply with ESG-related legislation, regulatory requirements or standards, including emerging ESG-related disclosure requirements such as the recent introduction of climate-related disclosure requirements in NZ, and arising from the release of the International Sustainability Standards Board's sustainability and climate disclosure standards;
- meet ESG-related voluntary commitments, goals and targets set by BNZ, or its ESG-related policy requirements;
- meet community and stakeholder expectations in relation to ESG;
- apply appropriate ESG standards to its customers, or to entities in BNZ's supply chain; or
- appropriately make representations about its ESG-related products, performance and data quality,

may adversely impact BNZ's reputation, and customer and employee sentiment towards BNZ, may increase the risk of ESG-related litigation against BNZ, or may result in regulatory fines or penalties, including litigation or regulatory action related to greenwashing.

BNZ has published decarbonisation targets under the Net Zero Banking Alliance and, in order to achieve these targets, it may need to make commercial decisions that impact the profile of its lending portfolio.

Certain products, services or industries may become subject to heightened public scrutiny, either generally or following a specific adverse event, or because of activism by investors or special interest groups. This could result in a sudden and significant decrease in demand for these products or services and a negative impact on revenue and access to capital for some businesses, and increasing litigation risk. Reputational damage to impacted suppliers, customers or customer sectors may give rise to associated reputational damage to BNZ. In addition, levels of customer defaults in an impacted sector may increase, adversely impacting BNZ's financial performance and position and its profitability.

Conduct Risk

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

BNZ is reliant on its employees, contractors and external suppliers acting in an appropriate and ethical way

Organisational culture can greatly influence individual and group behaviours. Poor culture can expose an organisation and lead to customer harm, financial loss and detriment. The behaviours that could expose BNZ to conduct risk include:

- Failure to design products and services that are transparent, accessible and easy for BNZ's customers to understand.
- Unmanaged conflicts of interest that could influence behaviour that is not in the customer's best interest.
- Ineffective or non-adherence to applicable learning and competency training requirements.
- Selling, providing or unduly influencing customers to purchase or receive, products or services that may not meet their existing needs or that place the customer at risk of future hardship.

- Use of AI that is inappropriate or inconsistent with community and customer expectations, or the overreliance on algorithmic outcomes without adequate human supervision.
- Making representations to customers about products or services of BNZ which are inaccurate, misleading or deceptive, including representations which may mislead customers on the extent to which BNZ's practices are environmentally friendly, sustainable or ethical.
- Being a party to fraud.
- Failure to identify and appropriately manage customer communications, hardship cases and debt collection.
- Failure to protect customers from fraud or scams when banking through digital channels or failure to respond adequately to customers impacted by external fraud or scams.
- Failure to anticipate and prevent malicious third-party actors from using product or service features in unintended ways that result in harm to BNZ's customers (e.g., financial abuse or perpetrators of domestic violence).
- Non-adherence to applicable requirements or providing financial advice which is not appropriate or in a customer's interests.
- Delays in appropriately escalating regulatory and compliance issues.
- Failure to resolve issues and remediate customers in a timely manner and in accordance with community expectations.
- Failure to deliver on product and service commitments.
- Failure to remediate ineffective business processes and stop re-occurrence of issues in a timely manner.
- Failure to act in accordance with its Code of Conduct.

If BNZ's conduct-related controls were to fail significantly, be designed inappropriately, or not meet legal or regulatory requirements or community expectations, then BNZ may be exposed to, among other things:

- Increased costs of compliance, fines, additional capital requirements, public censure, loss of customer confidence, representative actions and other litigation, settlements, and restitution to customers or communities.
- Increased supervision, oversight or enforcement by regulators or other stakeholders.
- Unenforceability of terms within contracts such as loans, guarantees and other security documents.
- Enforced suspension of operations, amendments to licence conditions or loss of licence to operate all or part of BNZ's businesses.
- Other enforcement or administrative action or agreements, including legal proceedings.

A failure of BNZ's conduct-related controls to accurately reflect relevant legal, regulatory or community expectations may adversely impact BNZ's reputation, financial performance and position, profitability, operations and returns to investors and can result in customer harm, financial loss and detriment.

Compliance Risk

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

BNZ may be involved in a breach or alleged breach of laws governing bribery, corruption and financial crime

Supervision and regulation of financial crime and enforcement of anti-bribery and corruption (ABC) and anti-money laundering and countering financing of terrorism laws (collectively referred to as AML/CFT) continue to increase in recent years.

As a bank engaged in global finance and trade, BNZ faces risks relating to compliance with AML/CFT, ABC and financial sanctions laws across multiple jurisdictions. Undetected failure of internal controls, or the ineffective remediation of compliance issues, could lead to breaches of AML/CFT and/or ABC obligations or sanctions violations, resulting in potentially significant monetary and regulatory penalties, which, in turn, may adversely impact BNZ's reputation, financial performance, and position.

The risks of sanctions violations are increased in the context of additional and wide-ranging economic sanctions and export controls imposed as a result of the Russia-Ukraine conflict. This includes rising expectations from regulators concerning export control due diligence by financial institutions, an unprecedented rate of new designations/listings by global regulators, as well as the continued attempts by those subject to sanctions to evade and circumvent their impact.

BNZ has reported a number of potential AML/CFT compliance issues to the RBNZ and has responded to a number of requests from the RBNZ requiring the production of documents and information. BNZ continues to investigate and remediate a number of potential AML/CFT compliance issues. As this work progresses, further compliance issues may be identified and reported to the RBNZ, and additional uplifting and strengthening of BNZ's systems and processes may be required. The potential outcome and total costs associated with the investigation and remediation process remain uncertain.

A negative outcome which may arise from any investigation or remediation process may adversely impact BNZ's reputation, business operations, financial position and results. Further, given the large volume of transactions that BNZ processes, the undetected failure of internal AML/CFT controls, or the ineffective remediation of compliance issues, could result in a significant number of breaches of AML/CFT obligations and significant civil penalties for BNZ.

Refer to 'Notes to and Forming Part of the Financial Statements—Note 30—Contingent Liabilities and Other Commitments' on page 51 of the annual report and disclosure statement of BNZ for the financial year ended 30 September 2024 (the **2024 Annual Report and Disclosure Statement**), which is incorporated by reference in this Prospectus, for more information.

BNZ may fail to comply with applicable laws and regulations which may expose BNZ to increased regulatory intervention, significant compliance and remediation costs, and regulatory enforcement action or litigation, including representative actions

BNZ is highly regulated and subject to various regulatory regimes which differ across the jurisdictions in which it conducts its own business or has some connection through being a member of the NAB Group.

Ensuring compliance with all applicable laws is complex. There is a risk BNZ will be unable to implement adequate compliance arrangements including processes and controls required by relevant laws and regulations in a timely manner, or that BNZ's compliance arrangements will prove to be inadequate or

ineffective in ensuring compliance. There is also a potential risk of misinterpreting new or existing regulations and non-compliance with detailed data requests from various regulators, specifically in respect of data collected from customers, which may be inaccurate or incomplete.

There is significant cost associated with the systems, processes, controls and personnel required to comply with applicable laws and regulations. Such costs may negatively impact BNZ's financial performance and position. Any failure to comply with relevant laws and regulations may have a negative impact on BNZ's reputation and financial performance and position, and may give rise to representative actions, litigation, or regulatory enforcement, which may in turn result in the imposition of civil or criminal penalties, or additional regulatory capital requirements, on BNZ.

Potential weaknesses in employment practices, including anti-discrimination, and workplace health and safety are areas of increasing regulatory scrutiny and reputational risk. In addition, there are also risks associated with BNZ's compliance with NZ workplace laws and its obligations to employees under those laws and contractual agreements with its employees. Any instances of non-compliance could result in remediation costs, reputational damage, enforcement or other legal action. Employment practices may become subject to heightened public scrutiny, either generally or following a specific adverse event, or because of activism by employees, unions, or special interest groups.

BNZ may be involved from time to time in regulatory enforcement and other legal proceedings arising from the conduct of its business. There is inherent uncertainty regarding the possible outcome of any legal or regulatory proceedings involving BNZ. It is also possible that representative actions, regulatory investigations, compliance reviews, civil or criminal proceedings, or the imposition of new licence conditions or regulatory capital requirements could arise in relation to known matters or other matters of which BNZ is not yet aware. The aggregate potential liability and costs associated with legal proceedings cannot be estimated with any certainty.

A negative outcome to regulatory investigations or litigation involving BNZ may impact BNZ's reputation, divert management time from operations and affect BNZ's financial performance and position. Refer to 'Notes to and Forming Part of the Financial Statements—Note 30—Contingent Liabilities and Other Commitments' on page 51 of the 2024 Annual Report and Disclosure Statement, which is incorporated by reference in this Prospectus, for details in relation to BNZ's contingent liabilities which may impact BNZ.

Extensive regulatory change poses a significant risk to BNZ

Globally, the financial services and banking industries are subject to significant and increasing levels of regulatory change, reviews and political scrutiny, including in NZ.

Regulatory change may result in significant capital and compliance costs, changes to BNZ's corporate structure, and increasing demands on management, employees and information technology systems. This may also impact the competitiveness of BNZ in certain areas of its businesses, the viability of BNZ's participation in certain markets or require the divestment of a part of BNZ's business. The pace, volume and complexity of change may also expose BNZ to the increased risk of failure to adequately identify or comply with all applicable regulatory changes. Changes to laws and regulations or their interpretation and application can be unpredictable, are beyond BNZ's control, and may not be harmonised across the jurisdictions in which BNZ conducts business or has some connection through being a member of the NAB Group.

Operationalising large volumes of regulatory change presents ongoing risks for BNZ. Extensive work is done to assess proposed design solutions and to test the design effectiveness of controls for each regulatory change before its effective date, however, the operating effectiveness of some controls cannot

be fully tested until the relevant effective date has occurred. There are also inherent risks associated with the dependency on third parties for the effectiveness of some controls.

Ongoing and proposed regulatory changes, reviews and inquiries relevant to BNZ include:

- prudential matters – including operational resilience (including cyber security), market risk capital reforms, liquidity reforms, governance and modification of legislation applicable to deposit takers in NZ;
- conduct matters - including vulnerability (including hardship, domestic violence, accessible and inclusive banking and regional branch closures), financial advice reforms, market abuse or conduct-related regulations, changes to financial benchmarks, derivatives reform, consumer credit responsible lending and disclosure laws; and
- a range of broader industry matters - including competition inquiries, development of a CDR, payments, data quality, data protection and privacy law reforms, financial crime legislation, accounting, disclosure and reporting requirements (financial, sustainability and climate risk, reportable situations, complaints and remuneration), bankruptcy and personal and corporate insolvency, tax reform and clearing systems.

The NZ Government and its agencies, including the RBNZ and the Financial Markets Authority have supervisory oversight of BNZ, as does APRA, indirectly through its supervisory oversight of the NAB Group. BNZ expects a continued increase in regulatory focus on capital and liquidity requirements, macro-prudential tools, customer outcomes and other aspects of its business that may impose increased regulatory burdens. BNZ's failure to comply with applicable laws, regulations or codes of practice could result in the imposition of sanctions by agencies or compensatory action by affected persons, and could damage BNZ's reputation and financial performance and position.

BNZ is a registered bank under the Banking (Prudential Supervision) Act 1989 (**BPS Act**), which was previously named the Reserve Bank of New Zealand Act 1989, and is supervised by the RBNZ. BNZ is subject to conditions of registration imposed by the RBNZ (**Conditions of Registration**). The Conditions of Registration may be changed at any time and any changes may be beyond BNZ's control. If the RBNZ concluded that BNZ did not satisfy the Conditions of Registration, sanctions could be imposed on BNZ. These sanctions could include disclosure of the breach, increases in required levels of capital, fines, additional limitations on the conduct of BNZ's business and, in the case of a material breach or breaches, cancellation of BNZ's registration as a bank or a recommendation that BNZ be placed under statutory management (see also risk factor entitled "*Covered Bondholders may be prevented from enforcing rights in connection with the Covered Bonds where BNZ and/or BNZ-IF have been placed into statutory management*"). In addition, the RBNZ could require BNZ to take additional steps and incur additional expense to comply with the Conditions of Registration.

Further inquiries and regulatory reviews impacting the financial services industry may be commissioned by the NZ Government, which, depending on its scope, findings and recommendations, may adversely impact BNZ.

Examples of specific reviews and regulatory reforms currently relevant to BNZ, and which present a potential material regulatory risk include those set out below:

- The NZ Government has undertaken a comprehensive review of the RBNZ's legislative framework. Changes that relate to the regulation of deposit takers are provided for in the Deposit Takers Act 2023 (the **DT Act**). The DT Act will create a single regulatory regime for all banks and non-bank deposit taking (**NBDT**) institutions (such as building societies and finance companies). It will also introduce a new depositor compensation scheme funded by industry levies that will protect up to NZ\$100,000 per depositor, per institution in the event of a failure

and make changes to the NZ bank crisis resolution framework. Until the DT Act comes into force, the current regulatory framework for banks will continue under the BPS Act. Measures to implement the depositor compensation scheme will be prioritised to have the scheme operational from mid-2025, before the rest of the DT Act comes into force. Customer deposit behaviour may change as a result of the DT Act, incentivising customers to fragment their deposits across multiple insured deposit takers.

- The Financial Markets (Conduct of Institutions) Amendment Act 2022 (**CoFI Act**) will create an oversight and licensing regime for regulating conduct in the banking, NBDT and insurance sectors. The CoFI Act is set to commence on 31 March 2025. In September 2024, the NZ Government released several policy decisions in connection with the CoFI Act. The decisions include altering the requirements for financial institutions' fair conduct programmes, providing the Financial Markets Authority with broader investigatory powers, and consolidating market service licences. Subsequent amendments to the CoFI Act are likely to commence in 2026. As at the date of this Prospectus, it is uncertain what impact these amendments will have on BNZ, however, they may result in increased compliance costs.
- In October 2024, the NZ Government closed a consultation on Open Banking, which will be implemented under the Customer and Product Data Bill when enacted. The NZ Government has committed to ensuring Open Banking is fully operational by June 2026. Depending on the final form of Open Banking, it may impose additional and significant regulatory and operational requirements on BNZ.
- In September 2024, the NZ Government released several policy decisions in connection with NZ's consumer credit, responsible lending and disclosure laws. Following further policy work, a Bill to bring these decisions into effect is expected to be introduced in early 2025.
- In July 2024, the RBNZ closed a consultation on the objectives, benefits and strategic design options for a CBDC as part of a multi-stage exploration until around 2030. Depending on the final form of this digital currency, it may impose additional and significant regulatory and operational requirements on BNZ, and it also has the potential to disintermediate existing payment services.
- In recent years, the financial services industry has come under increasing pressure from governments, regulators, media and consumer groups to do more to protect customers from scams. While recognising the potential for regulatory change to address the impact of scams, BNZ continues to proactively educate its customers about scams and further enhance its systems and processes to detect and protect customers and BNZ from scams and fraud. There are also a number of key industry initiatives underway in the NZ retail banking industry to support a co-ordinated, multi-sector approach to protecting New Zealanders from fraud and scams. In these ways, BNZ seeks to reduce the risk to customers from scam or fraud activity that may be difficult for BNZ to anticipate or control. The NZ Government's expectations for protection against scams were outlined in an open letter to the NZ banking sector in February 2024, which includes a voluntary reimbursement scheme for victims of authorized payment scams. Although the extent of government policy in relation to a contingent reimbursement scheme is not yet certain in NZ, it is possible that BNZ will need to meet increased standards with respect to the identification, prevention and remediation of scam activity that concerns its customers. This may include standards or expectations concerning when BNZ will be liable to reimburse or compensate customers for losses arising from scam activity. BNZ's strategic planning and enhancement of systems and processes will prepare it for potential regulatory change in this regard. Given the considerable growth in industry and customer losses from scams and fraud, the potential costs associated with actual or perceived control failures and the transferal of risk from the customer

may be significant and may have a material impact on BNZ's reputation which is heightened if BNZ fails to deliver on industry initiatives.

- Proposed and incoming ESG-related regulatory regimes, including increasing obligations relating to modern slavery, human rights, sustainable finance, climate, and other sustainability risk-related prudential guidance, and regulatory and disclosure requirements. These include:
 - The climate-related disclosures regime under the Financial Markets Conduct Act 2013, which requires mandatory climate-related reporting in NZ from 2024 and similar requirements under the Corporate Sustainability Reporting Directive in the European Union which is likely to impact BNZ as a member of the NAB Group. The potential for divergence in sustainability and climate-related disclosure requirements across jurisdictions as they nationalise international reporting standards may lead to complexity and give rise to risks associated with meeting compliance requirements. The emerging nature of these requirements, and the lack of robust and mature data, particularly in areas like nature and modern slavery-related disclosures, may also contribute to disclosure risks.
 - The final recommendations and guidance published by the Taskforce on Nature-related Financial Disclosures in September 2023.

The full scope, timeline and impact of current and potential inquiries and regulatory reforms such as those mentioned above, or how they will be implemented (if at all in some cases), is not known.

Depending on the specific nature of the regulatory change requirements and how and when they are implemented or enforced, they may have an adverse impact on BNZ's business, operations, structure, compliance costs or capital requirements, and ultimately its competitiveness, reputation, financial performance or financial position.

BNZ may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect

Preparation of BNZ's financial statements requires management to make estimates and assumptions and to exercise judgement in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. A higher degree of judgement is required for the recognition and estimates used in the measurement of provisions (including for customer-related remediation and other regulatory matters), the determination of income tax, the valuation of financial assets and liabilities (including fair value and credit impairment of loans and advances), and the valuation of intangible assets. If the judgements, estimates and assumptions used by BNZ in preparing the financial statements are subsequently found to be incorrect, there could be a significant loss to BNZ beyond that anticipated or provided for, which may adversely impact BNZ's reputation, financial performance and financial position.