



Bank of New Zealand

Perpetual Preference Shares (PPS 2) Offer Investor Presentation

Joint Lead Managers



FORSYTH BARR

2 August 2024

Important notice

This presentation has been prepared by Bank of New Zealand (BNZ) in relation to its offer (Offer) of perpetual preference shares (PPS 2).

A limited disclosure document (LDD) has been prepared in respect of the Offer. The LDD is available on the online Disclose Register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13773) or can be obtained from the Joint Lead Managers or your usual financial advice provider.

This presentation provides information in summary form only and is not intended to be complete. The information in this presentation has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness, reasonableness and completeness cannot be guaranteed.

This presentation includes non-GAAP financial information. This information includes "cash earnings", "net interest margin" and "cost-to-income ratio". These non-GAAP financial measures do not have a standardised meaning under generally accepted accounting practice in New Zealand and therefore may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with generally accepted accounting practice in New Zealand. Although BNZ believes these non-GAAP financial measures provide useful information to users in assessing the financial performance and condition of its business, you are cautioned not to place undue reliance on any non-GAAP financial measures included in this presentation.

The information in this presentation is general in nature and does not take account of your individual circumstances. It does not constitute financial, investment, legal, tax or other advice or a recommendation to purchase PPS 2. You must make your own independent assessment of the financial condition and affairs of BNZ before deciding whether or not to invest in the PPS 2.

You should carefully read and consider the LDD, consider the suitability of an investment in the PPS 2 in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues) and consult your financial, legal, tax and other professional advisers before deciding to invest in the PPS 2.

These PPS 2 do not have the same rights (including voting rights) or privileges, or the same opportunity to increase in value, as ordinary shares. Scheduled distributions may be cancelled and BNZ is under no obligation to pay cancelled distributions at a later date. The PPS 2 are perpetual and have no fixed term. You have no right to require repayment for any reason.

The LDD only constitutes an offer of PPS 2 to investors in New Zealand.

BNZ has not taken and will not take any action that would permit a public or regulated offering of the PPS 2, or possession or distribution of any offering material in respect of the PPS 2, including this presentation, in any country or jurisdiction other than New Zealand. The PPS 2 may only be offered for sale or sold in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

The LDD and any advertisement or other offering material for the PPS 2 may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).

To the maximum extent permitted by law, none of BNZ as Issuer, BNZ as Arranger, or BNZ, Craigs Investment Partners Limited and Forsyth Barr Limited as Joint Lead Managers, or their respective directors, officers, employees or agents, makes any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained in this presentation, or in any further information that may at any time be supplied in connection with the Offer, or accepts any responsibility or liability for any direct or indirect loss or damage howsoever occurring from the use of or reliance on this presentation by any person.

BNZ is a subsidiary of National Australia Bank Limited (NAB). The PPS 2 are not deposit liabilities or protected accounts of BNZ or NAB for the purposes of the Banking Act 1959 of Australia. The PPS 2 are not guaranteed by any person and NAB does not guarantee the obligations of BNZ. NAB is not a registered bank in New Zealand.

Capitalised terms used in this presentation have the same meaning as set out in the LDD, unless the context otherwise requires.

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Offer highlights

Feature	Description
Issuer	Bank of New Zealand (BNZ)
Description	Perpetual preference shares (PPS 2)
Legal form	Equity
Offer amount	Up to NZ\$100 million. BNZ reserves the right to accept oversubscriptions at its discretion.
Purpose	The Offer will raise Additional Tier 1 Capital to help BNZ meet its regulatory capital requirements and manage its capital position. The proceeds of the Offer will be used for BNZ's general banking purposes.
No fixed maturity date	The PPS 2 have no fixed maturity date and will remain on issue indefinitely if not redeemed by BNZ.
Optional Redemption Dates	21 August 2030 (First Optional Redemption Date) and each quarterly Scheduled Distribution Payment Date after that date. Any redemption of the PPS 2 is at the option of BNZ, subject to conditions and may not occur.
Distribution Rate and distributions	<p>The Distribution Rate will be a fixed rate for a period of 6 years, after which it will change to a floating rate that resets at quarterly intervals.</p> <p>The Distribution Rate until the First Optional Redemption Date will be the sum of the Swap Rate plus the Margin.</p> <p>The Distribution Rate after the First Optional Redemption Date will be reset quarterly to be the sum of the 3 Month Bank Bill Rate plus the Margin.</p> <p>Distributions are expected to comprise a cash amount and imputation credits.</p> <p>Distributions are discretionary, subject to conditions and non-cumulative.</p>
Conversion, exchange or non-viability triggers	The PPS 2 have no conversion or exchange options and no non-viability triggers.
Issue Rating	The PPS 2 have been rated BBB+ by S&P Global Ratings Australia Pty Limited.
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited.

About BNZ



BNZ is one of New Zealand's largest banking organisations and the largest business bank in the country.¹



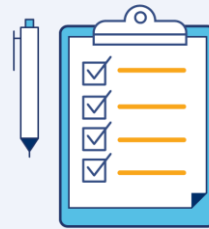
BNZ provides a broad range of banking and financial products and services to retail, business, private, corporate and institutional clients (including property and agribusiness).



BNZ is owned by National Australia Bank Limited (NAB). NAB does not guarantee the PPS 2 or the obligations of BNZ.



BNZ employs over 5,000 people in New Zealand and has around 130 branches and Partners Centres across New Zealand.



BNZ is subject to prudential supervision by the Reserve Bank of New Zealand (RBNZ).



BNZ has credit ratings from the major rating agencies AA-/A+/A1.² The PPS 2 have been rated BBB+ by S&P Global Ratings Australia Pty Limited.

¹Source: RBNZ Bank Financial Strength Dashboard, as at 31 March 2024.

²Credit ratings applicable to BNZ's long term senior unsecured obligations payable in New Zealand, in New Zealand dollars from S&P Global Ratings Australia Pty Limited/ Fitch Australia Pty Limited/ Moody's Investors Service Pty Limited.

BNZ 2024 half year results¹

As at 31 March 2024 compared to the six months ended 30 September 2023



Cash earnings²
(NAB NZ Banking Reporting Segment)

\$750m **↑ 7.1%**



Net profit after tax

\$762m **↑ 8.2%**



Other operating income

\$164m **↑ 0.6%**



Loans and advances to customers

\$104.2b **↑ 2.4%**



Deposits and other borrowings

\$81.8b **↑ 1.0%**



Impairment losses

\$71m **↓ 23.7%**



Net interest margin³

2.37% **↑ 1bp**



Operating expenses

\$641m **↓ 0.6%**



Cost-to-income ratio³

36.2% **↓ 130bps**

¹Source: BNZ Disclosure Statements.

²Cash earnings is a non-GAAP key financial performance measure used by BNZ for its internal management reporting as it better reflects what BNZ considers to be underlying performance. Cash earnings is calculated by excluding fair value movements, hedging gains/(losses), amortisation of acquired intangible assets and the net impact of acquisitions, disposals and business closures as they introduce volatility and/or distortion within the statutory net profit. Cash earnings is not a statutory financial measure, is not presented in accordance with NZ GAAP and is not audited or reviewed in accordance with International Standards on Auditing (New Zealand).

³Net interest margin (NIM) is the ratio of net interest income to total average interest-earning assets, where net income is the income received less interest paid. NIM is a standard indicator of how effectively a bank uses its funding to generate revenue. NIM has been annualised. Cost-to-income (CTI) ratio is the ratio of operating expenses to total operating income. NIM and CTI ratio do not have standardised meanings prescribed by GAAP. NIM and CTI ratio are not audited or reviewed in accordance with International Standards on Auditing (New Zealand).

Financial information¹

Financial Profile <i>For the six months ended</i>	Mar-24	Sep-23	Mar-23
Net profit after tax	\$762m	\$704m	\$805m
Loans and advances to customers	\$104.2b	\$101.8b	\$101.0b
Total assets	\$128.9b	\$130.1b	\$126.5b
Deposits and other borrowings ²	\$81.8b	\$81.0b	\$78.9b
Total liabilities	\$116.2b	\$118.2b	\$115.1b
Total equity	\$12.8b	\$11.9b	\$11.3b
Net interest margin ³	2.37%	2.36%	2.45%
Cost-to-income ratio ⁴	36.2%	37.5%	32.5%

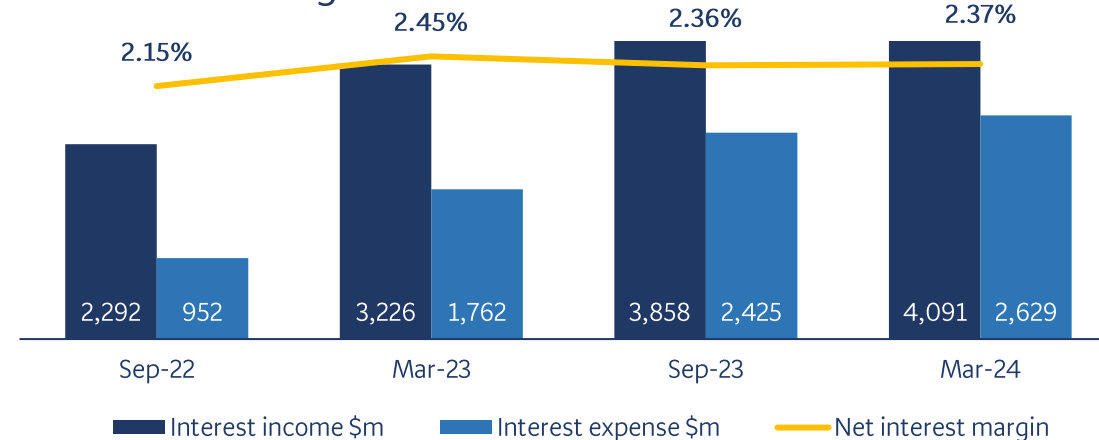
¹Source: BNZ Disclosure Statements.

²Other borrowings include short term debt securities.

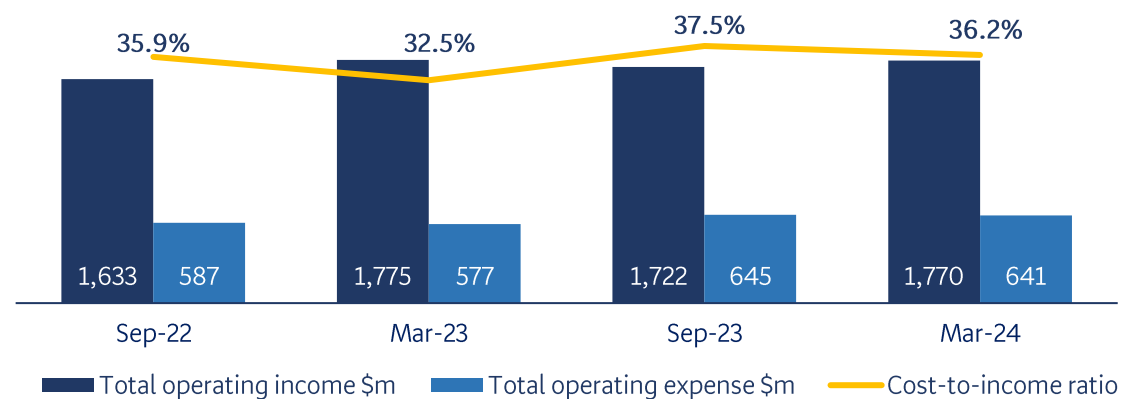
³Annualised net interest income to total average interest-earning assets.

⁴Operating expenses divided by total operating income.

Net interest margin³

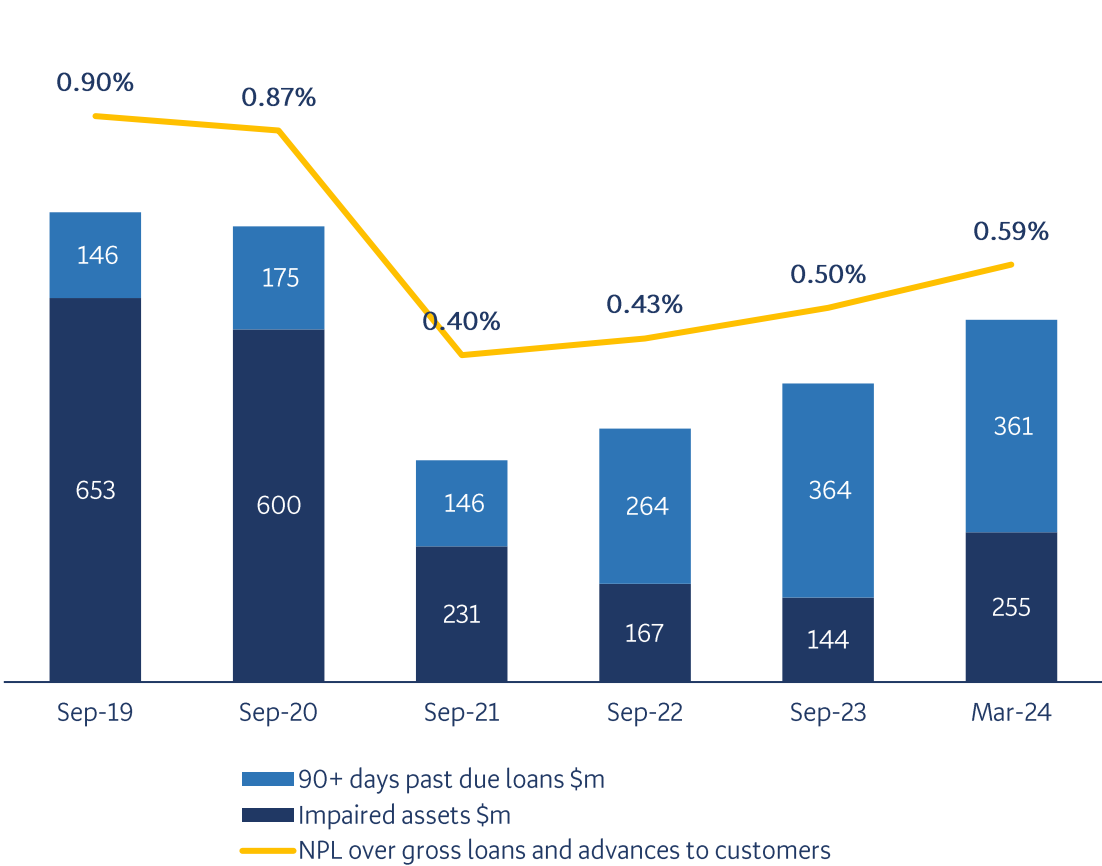


Cost-to-income ratio⁴

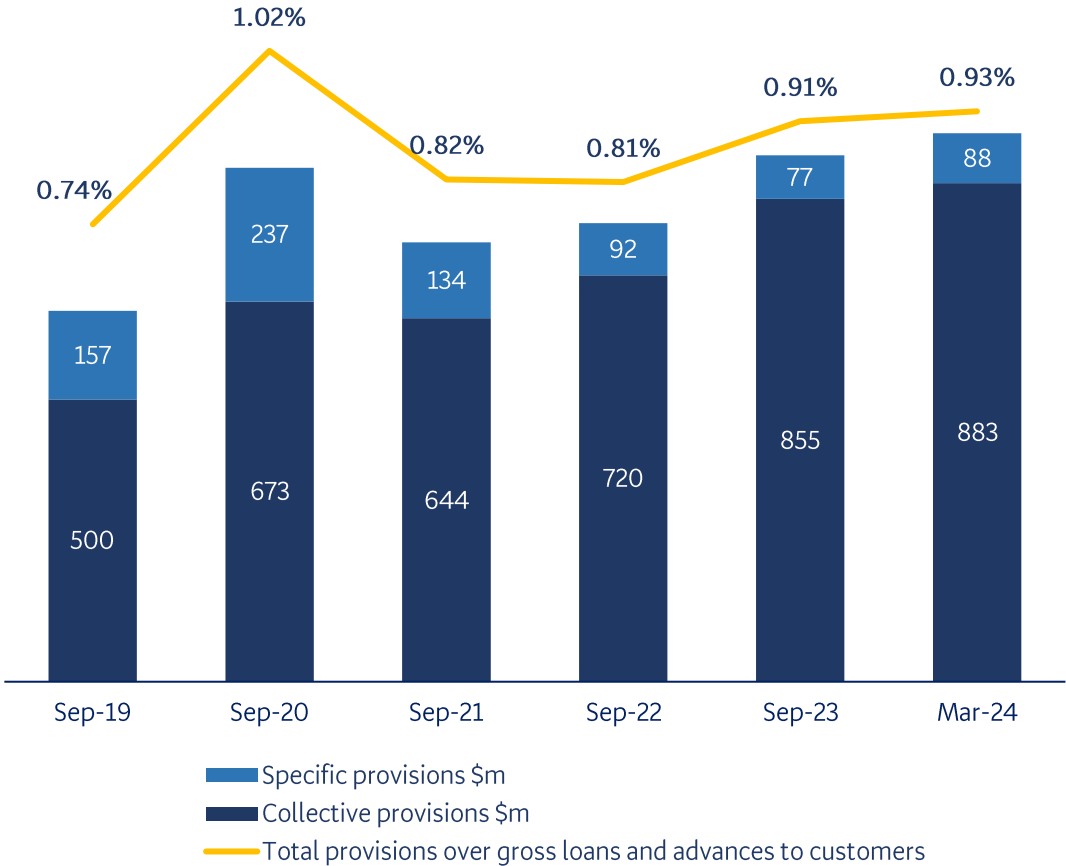


Asset quality¹

Non-performing loans²



Total provisions



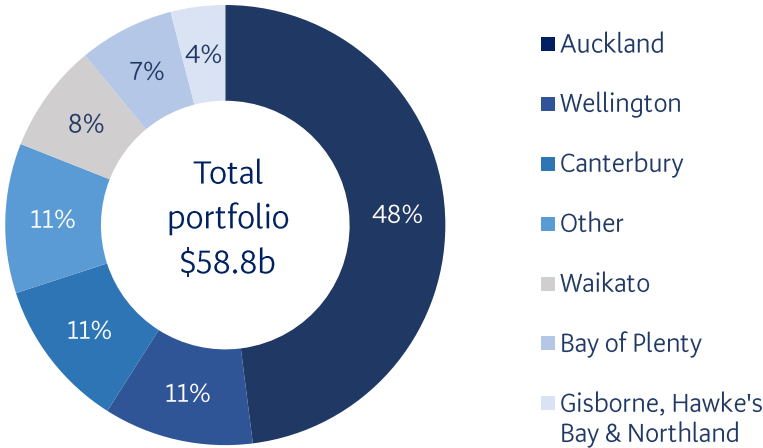
¹BNZ Disclosure Statements.

²Non-performing loans (NPL) are loans that are recognised as impaired or where payment is at least 90 days past due.

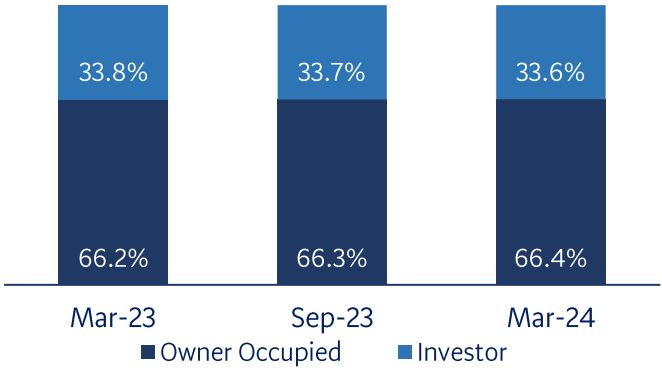
Residential mortgage portfolio¹

Key metrics	Mar-24	Sep-23	Mar-23
Total balances (spot) \$b	58.8	57.7	56.4
By product % of total residential mortgage lending			
Variable rate	8.9%	8.4%	8.9%
Fixed rate	89.5%	90.1%	89.6%
Line of credit	1.6%	1.5%	1.5%
Interest only	18.0%	17.7%	17.5%
90 + days past due	0.24%	0.17%	0.16%
Impaired loans	0.09%	0.02%	0.01%

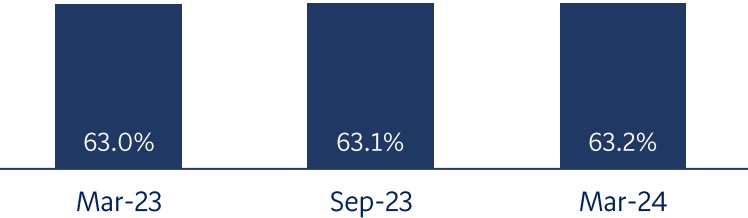
Residential mortgage portfolio
breakdown by geography²



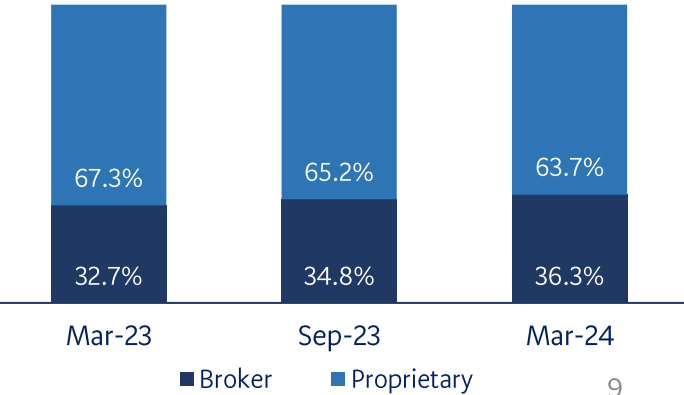
By borrower type % of total
balances



Average loan-to-value at
origination %



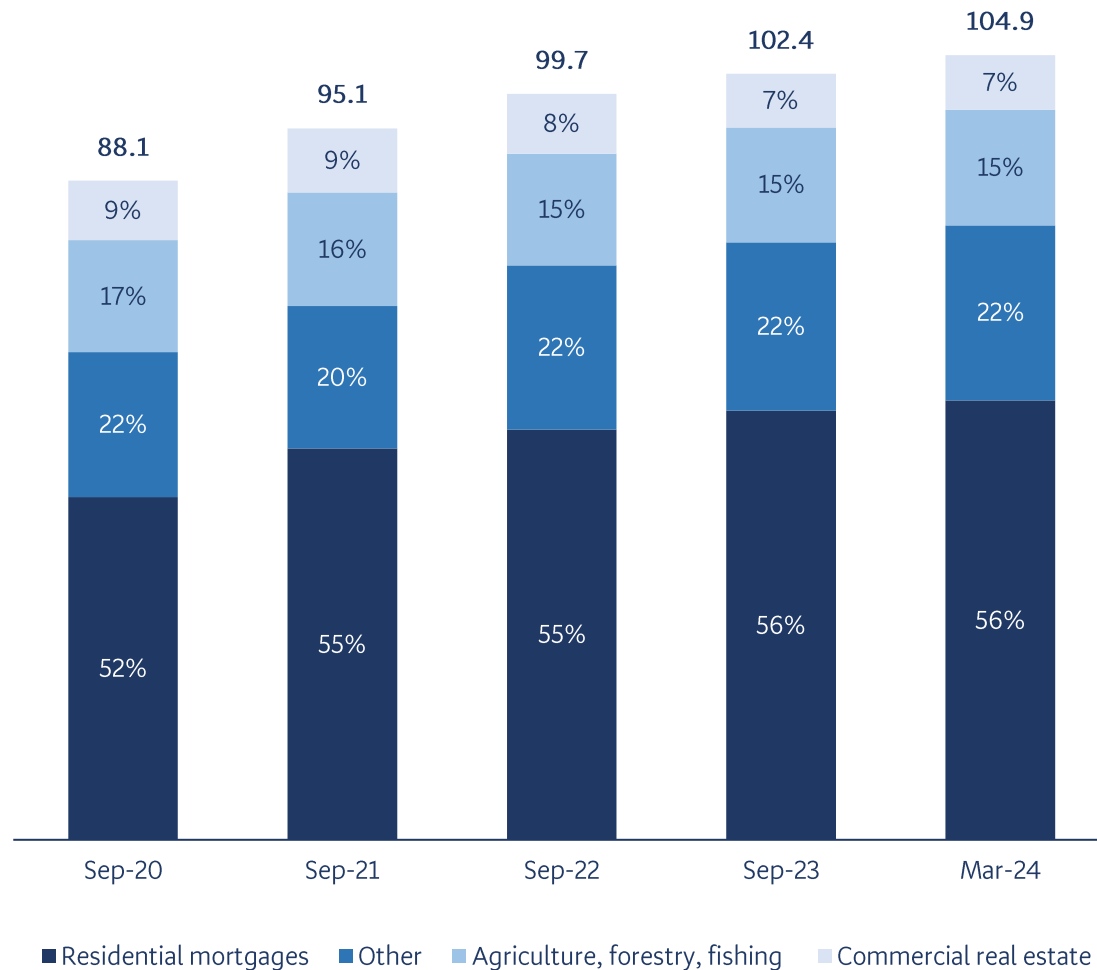
By channel % of total balances



¹Source: BNZ.
²As at 31 March 2024.

Lending mix¹

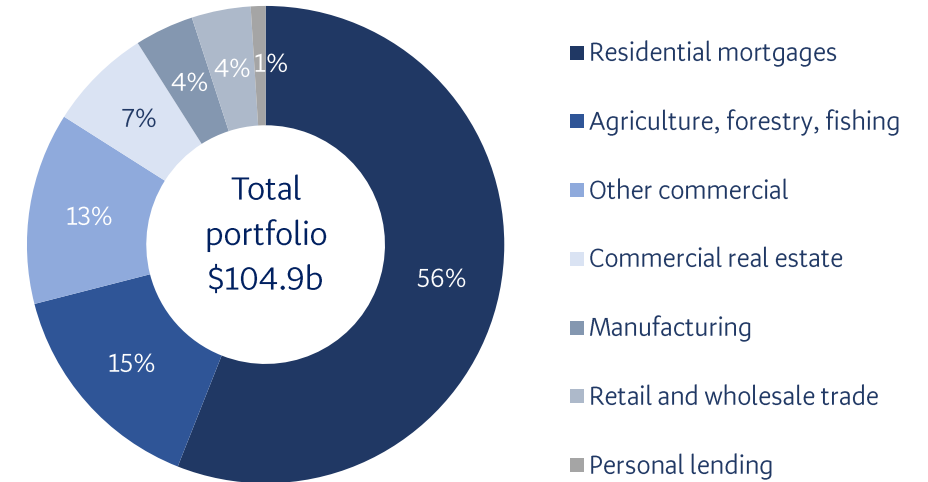
Lending portfolio mix \$b



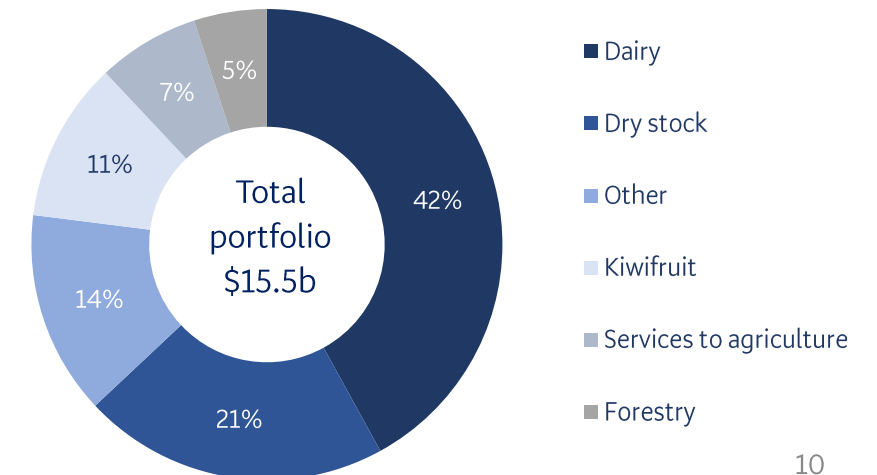
¹Source: BNZ.

²As at 31 March 2024.

Lending portfolio breakdown²

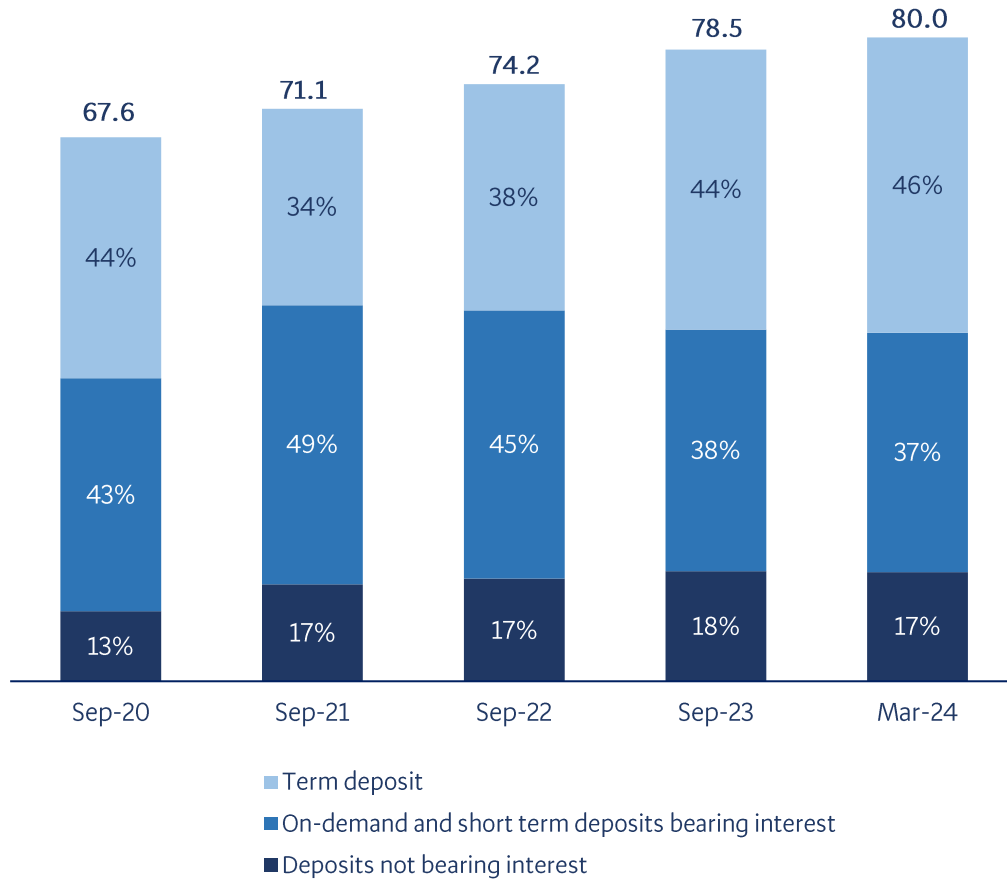


Agriculture, forestry and fishing portfolio breakdown²

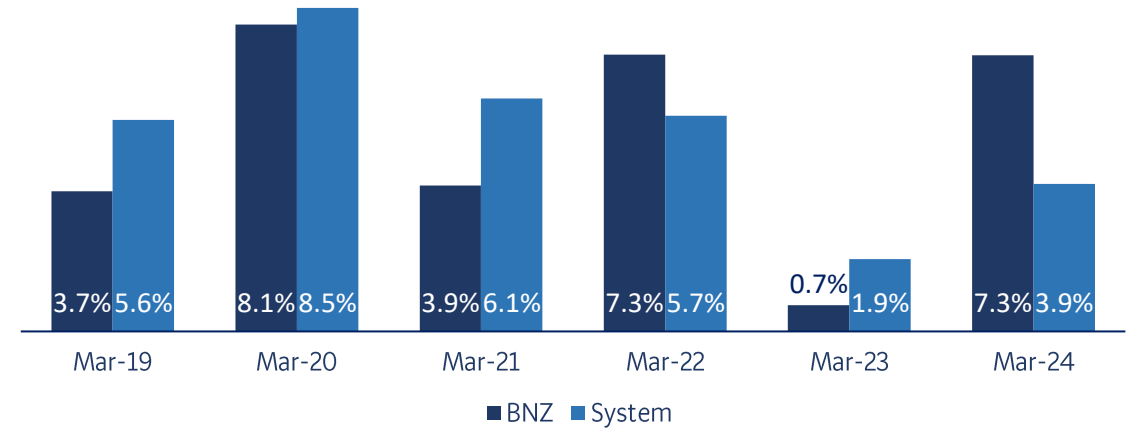


Deposit mix

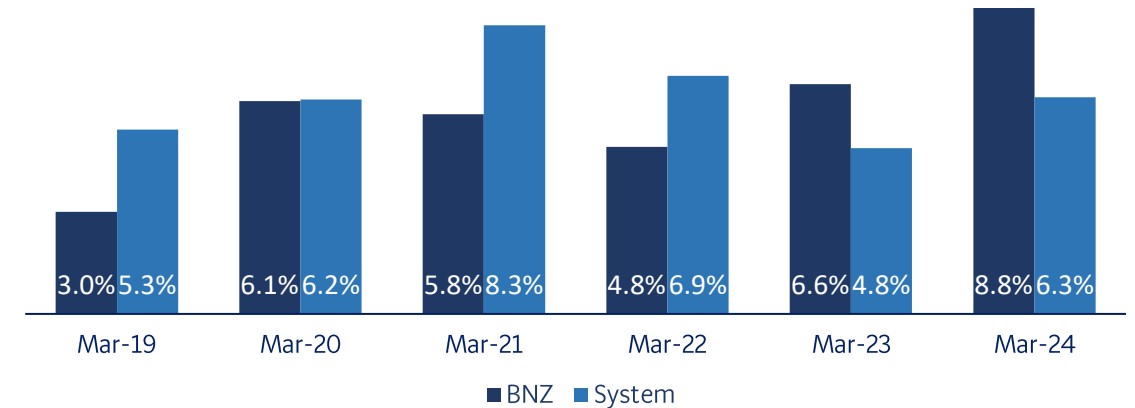
Customer deposits \$b by product type¹



Total customer deposit % annual growth²



Household deposit % annual growth²

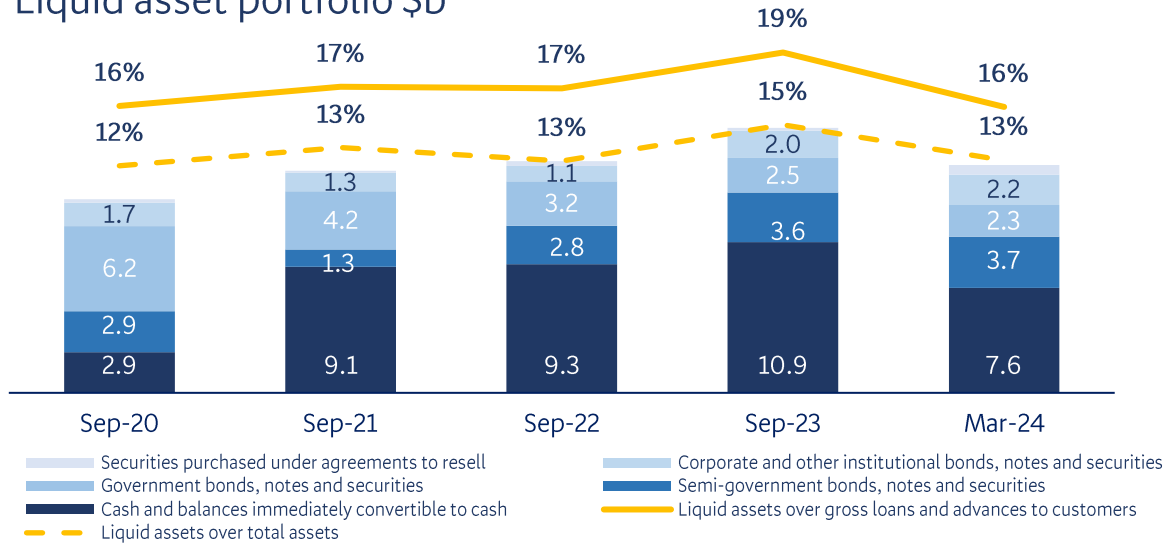


¹Source: BNZ Disclosure Statements.

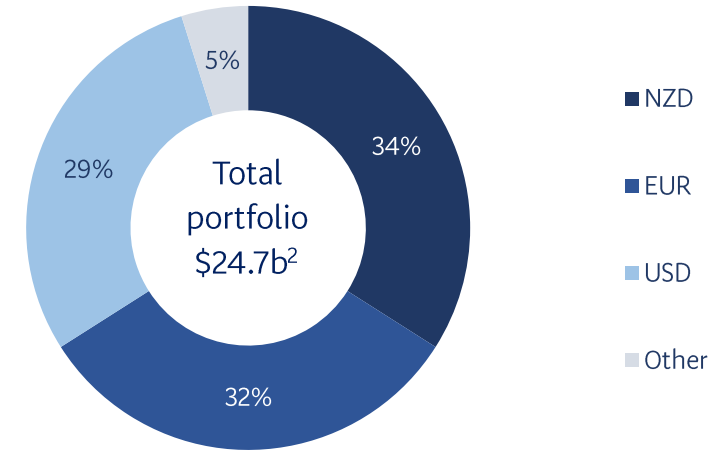
²Source: BNZ and RBNZ statistical series Banks: Liabilities – Deposits by Sector (\$40).

Funding and liquidity¹

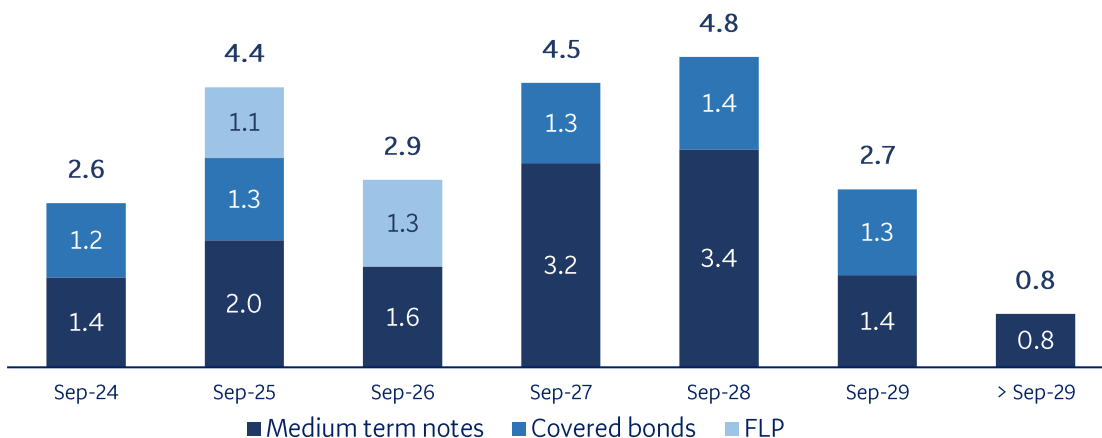
Liquid asset portfolio \$b



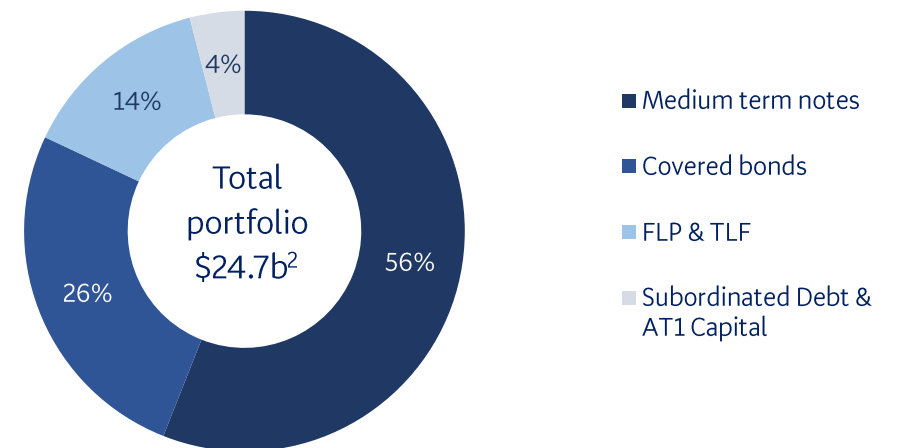
Funding mix by currency²



Term funding maturity profile \$b³



Funding mix by funding type²



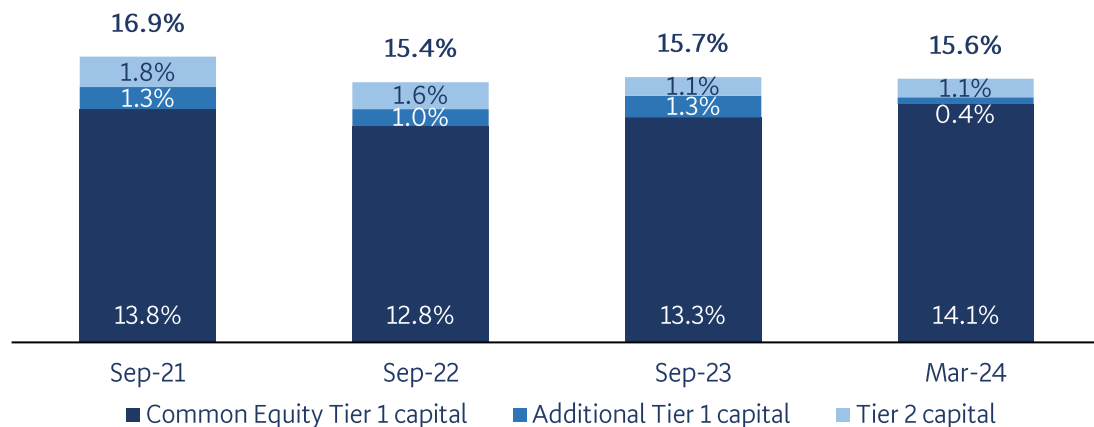
¹Source: BNZ.

²Includes wholesale term funding instruments, RBNZ Funding for Lending Programme (FLP) and Term Lending Facility (TLF) and Additional Tier 1 (AT1) capital instruments as at 31 March 2024.

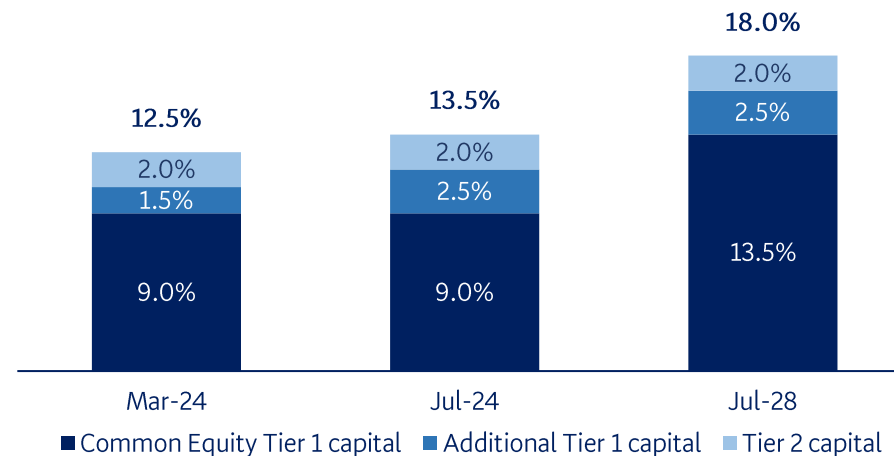
³Foreign currency values have been converted to NZD using the applicable cross-currency rate at the time of issuance.

Capital management¹

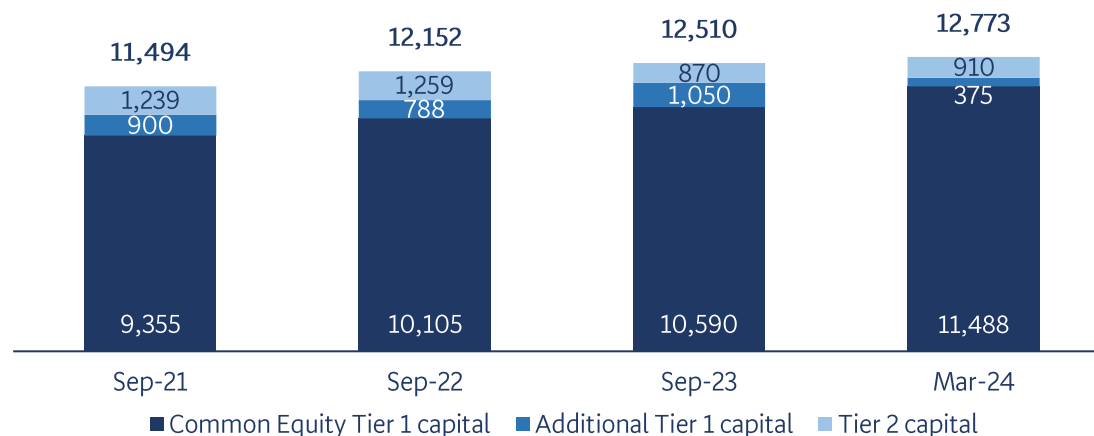
BNZ total capital ratios %



RBNZ total capital ratio requirements²



BNZ capital \$m



RBNZ capital requirements

- Registered banks must comply with the following minimum capital ratios: 4.5% Common Equity Tier 1 (CET1) capital, 7 % Tier 1 capital and 9% total capital.³
- Registered banks must have a prudential capital buffer (PCB) completely made up of CET1 capital, over and above the minimum capital ratios, to avoid restrictions on distributions (among other things).
- For Domestic Systemically Important Banks (D-SIBs) this PCB is currently 4.5% and will increase to 9% by the end of the transition period (1 July 2028).
- The total capital ratio can include up to the percentages shown above of Additional Tier 1 (AT1) capital and Tier 2 capital or can be completely made up of CET1 capital.

The PPS 2 will be treated as AT1 capital and will help BNZ meet its regulatory capital requirements.

¹Source: BNZ Disclosure Statements.

²CET1 capital ratio includes minimum capital ratio + PCB.

³Tier 1 capital = CET1 capital + AT1 capital, Total capital = Tier 1 capital + Tier 2 capital.

Summary terms

Feature	Description
Type of Instrument	Perpetual preference shares
Issue Price	NZ\$1.00 per PPS 2
Minimum subscription amount	NZ\$5,000 and in multiples of NZ\$1,000 after that
Regulatory treatment	Additional Tier 1 Capital
Ranking	<p>In a liquidation of BNZ, each PPS 2 gives its Holder the right to payment of a maximum amount equal to the Issue Price, which ranks:</p> <ul style="list-style-type: none"> • behind the claims of all depositors and other creditors of BNZ (including holders of Tier 2 Capital instruments of BNZ), except for the claims and rights described below; • equally with the rights of other Holders and the rights and claims of holders of any other preference shares, securities or other obligations of BNZ that rank equally with the PPS 2; and • ahead of the rights of BNZ's ordinary shareholders. <p>In a liquidation of BNZ, it is highly unlikely that there will be surplus assets available for the liquidator to pay any amount to Holders in respect of the PPS 2.</p>
Redemption	<p>BNZ may redeem all of the PPS 2:</p> <ul style="list-style-type: none"> • on an Optional Redemption Date; or • at any time following a Tax Event or Regulatory Event. <p>BNZ may only redeem the PPS 2 if certain conditions are met, including:</p> <ol style="list-style-type: none"> 1. the RBNZ having given its approval to the redemption. Approval is at the absolute discretion of the RBNZ; and 2. BNZ satisfying the Solvency Condition. <p>Any redemption of the PPS 2 is at the option of BNZ, subject to conditions and may not occur. Holders should not expect that the PPS 2 will be redeemed and have no right to require that the PPS 2 be redeemed for any reason.</p>
Solvency Condition	<p>The payment of distributions and any redemption of the PPS 2 is conditional on BNZ satisfying the Solvency Condition. The Solvency Condition will be satisfied if BNZ:</p> <ul style="list-style-type: none"> • is Solvent on the applicable payment date; and • is able to pay the amount and remain Solvent immediately after paying the amount. <p>“Solvent” means satisfying the solvency test contained in section 4 of the Companies Act 1993, as modified by section 52 of that Act.</p>
No fixed maturity date	The PPS 2 have no fixed maturity date and will remain on issue indefinitely if not redeemed by BNZ.

Summary terms (continued)

Feature	Description	
Limited Enforcement Rights	The terms of the PPS 2 do not include events of default or any other provisions entitling Holders to require that the PPS 2 be redeemed.	
Distribution payments	Distributions on the PPS 2 are scheduled to be paid quarterly in arrear on each Scheduled Distribution Payment Date and, if the PPS 2 are redeemed, on the date on which the PPS 2 are redeemed.	
Distributions	Distributions on the PPS 2 are expected to comprise a cash amount and imputation credits. The cash amount and imputation credits together will be equal to the Distribution Rate.	
Distribution Rate	<p>The Distribution Rate until the First Optional Redemption Date will be a fixed rate calculated as the sum of the Swap Rate plus the Margin.</p> <p>Announced via NZX on or about the Rate Set Date.</p>	<p>The Distribution Rate after the First Optional Redemption Date will be a floating rate calculated as the sum of the applicable 3 Month Bank Bill Rate plus the Margin.</p> <p>If the sum of the 3 Month Bank Bill Rate plus the Margin is less than 0% per annum, the floating rate will be deemed to be 0% per annum.</p> <p>Announced via NZX on or about the date it is reset.</p>
Margin	The Margin will be announced by BNZ via NZX on or about the Rate Set Date. The Margin for the PPS 2 will not change.	
Distributions are discretionary and subject to conditions	There is no guarantee that distributions will be paid on the PPS 2. BNZ has full discretion at all times to cancel distributions on the PPS 2. In addition, the payment of any distribution on any Distribution Payment Date is subject to conditions.	
Distributions are non-cumulative	Distributions are non-cumulative. If a distribution is not paid when scheduled, BNZ is under no obligation to pay that distribution at a later date.	
Restrictions on BNZ	<p>If a distribution is not paid in full on the PPS 2 within 3 Business Days of a Distribution Payment Date, BNZ must not pay a dividend on its ordinary shares, acquire its ordinary shares or otherwise undertake a capital reduction in respect of its ordinary shares, until:</p> <ul style="list-style-type: none"> • BNZ pays a distribution on the PPS 2 in full on a subsequent Scheduled Distribution Payment Date; or • there are no PPS 2 outstanding. 	
NZX quotation	BNZ intends to quote the PPS 2 on the NZX Debt Market. NZX ticker code BNZHB has been reserved for the PPS 2. NZX takes no responsibility for the content of this presentation. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013. The market price of the PPS 2 on the NZX Debt Market may fluctuate up and down and the PPS 2 may trade below their Issue Price. The market for the PPS 2 may not be liquid and you may not be able to sell your PPS 2 at an acceptable price or at all.	

Key dates

Key dates for the Offer	
LDD lodgement	Friday, 2 August 2024
Opening Date	Monday, 5 August 2024
Closing Time	11:00am on Friday, 9 August 2024
Rate Set Date	Friday, 9 August 2024
Issue Date	Wednesday, 21 August 2024
Expected NZX quotation date	Thursday, 22 August 2024

Feature	Description
Optional Redemption Dates	21 August 2030 (First Optional Redemption Date) and each quarterly Scheduled Distribution Payment Date after that date. Any redemption of the PPS 2 is at the option of BNZ, subject to conditions and may not occur.
First Scheduled Distribution Payment Date	21 November 2024
Distribution Payment Dates	<ul style="list-style-type: none"> Quarterly on 21 February, 21 May, 21 August and 21 November in each year (Scheduled Distribution Payment Dates); and If the PPS 2 are redeemed, on the date on which the PPS 2 are redeemed. Distributions are discretionary and subject to conditions.
No fixed maturity date	The PPS 2 have no fixed maturity date and will remain on issue indefinitely if not redeemed by BNZ.

Dates may change

The Opening Date and the Closing Time may change. BNZ has the right in its absolute discretion to change the Opening Date and/or Closing Time to be earlier or later. If BNZ changes the Opening Date and/or the Closing Time, the changes will be announced as soon as reasonably practicable by BNZ via NZX. If the Closing Time is changed, other key dates may be changed accordingly. BNZ reserves the right to cancel the Offer and the issue of the PPS 2.



Thank you

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