



Limited Disclosure Document

For an offer of perpetual preference shares (PPS 2) by
Bank of New Zealand

Date: 2 August 2024

This document gives you important information about this investment to help you decide whether you want to invest.

There is other useful information about this offer on www.disclose-register.companiesoffice.govt.nz.

Bank of New Zealand has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you to make an investment decision.

Joint Lead Managers



1. KEY INFORMATION SUMMARY

What is this?

This is an offer of perpetual preference shares ("**PPS 2**"). PPS 2 are equity securities issued by Bank of New Zealand ("**BNZ**"). You give BNZ money, and in return you may receive scheduled distributions. If BNZ runs into financial trouble, you might lose some or all of the money you invested.

Warning

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 the issuer 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.

About BNZ

BNZ is a registered bank under the Banking (Prudential Supervision) Act 1989 ("**BPS Act**"). BNZ carries on the business of providing a comprehensive range of banking and financial services in New Zealand.

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.

Information about BNZ and BNZ's financial statements are published half-yearly in disclosure statements required under the BPS Act. BNZ's disclosure statements can be viewed and downloaded from BNZ's website at www.bnz.co.nz/about-us/governance/financials.

Purpose of this Offer

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.

Key terms of the Offer

Capitalised terms are defined in the glossary in section 14 of this LDD (Glossary).

Description of the equity securities	Perpetual preference shares
No fixed maturity date	The PPS 2 have no fixed maturity date and will remain on issue indefinitely if not redeemed by BNZ.
Redemption	You have no right to redeem your PPS 2 for any reason. BNZ can redeem your PPS 2 in certain circumstances. See "How you can get your money out" below.
Offer amount	Up to NZ\$100 million. BNZ reserves the right to accept oversubscriptions at its discretion.
Issue Price	NZ\$1.00 per PPS 2
Minimum subscription amount	NZ\$5,000, and in multiples of NZ\$1,000 after that
Opening Date	Monday, 5 August 2024
Closing Time	11:00am on Friday, 9 August 2024
Distributions	Distributions on the PPS 2 are expected to be fully imputed. This means the return you receive when a distribution is paid is expected to comprise a cash amount and imputation credits. See Section 5.2 of this LDD (Distributions).

Distribution Rate	<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 (21 August 2030) will be a fixed rate equal to the sum of the Swap Rate (a reference rate for a 6-year period) on the Rate Set Date (9 August 2024) plus the Margin.</p> <p>The Distribution Rate after the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate (a benchmark interest rate for a 3-month period) plus the same Margin.</p> <p>See Section 5.2 of this LDD (Distributions).</p>
Distribution Payment Dates	<p>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.</p>
Distributions are discretionary and subject to conditions	<p>BNZ has full discretion at all times to cancel distributions on the PPS 2 and the payment of a distribution on a Distribution Payment Date is subject to conditions.</p> <p>See Section 4 of this LDD (Terms of the Offer).</p>
Distributions are non-cumulative	<p>If a distribution is not paid when scheduled, BNZ is under no obligation to pay that distribution to you at a later date.</p> <p>See Section 5.2 of this LDD (Distributions).</p>
Fees and charges	<p>BNZ as issuer will not charge you brokerage or any other fees to apply or subscribe for the PPS 2. However, you may have to pay brokerage or other fees to the Primary Market Participant or approved financial intermediary that you purchase your PPS 2 from.</p>

How you can get your money out

Redemption of your PPS 2

The PPS 2 have no fixed maturity date and will remain on issue indefinitely if not redeemed by BNZ. BNZ may redeem all of the PPS 2 on an Optional Redemption Date or at any time if a Tax Event or Regulatory Event occurs. Redemption is subject to certain conditions being met, including BNZ satisfying the Solvency Condition and obtaining the Reserve Bank's approval.

Optional Redemption Dates will be on the First Optional Redemption Date (21 August 2030) and each quarterly Scheduled Distribution Payment Date after that date.

You will receive the Issue Price if your PPS 2 are redeemed for any reason.

See Section 5.3 of this LDD (Optional redemption of your PPS 2).

Any redemption of your PPS 2 is at the option of BNZ, subject to conditions and may not occur. You should not expect that the PPS 2 will be redeemed, and you have no right to require that the PPS 2 be redeemed for any reason.

Sale on NZX Debt Market

BNZ intends to quote these PPS 2 on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market if there are interested buyers. If you sell your PPS 2, the price you get will vary depending on factors such as the financial condition of BNZ, demand for the PPS 2, and movements in the market interest rates. You may get less than the full amount that you paid for them.

How the PPS 2 rank for repayment

In a liquidation of BNZ, each of your PPS 2 gives you the right to payment of a maximum amount equal to the Issue Price. However, in a liquidation of BNZ, it is highly unlikely that there will be surplus assets available for the liquidator to pay any amount to you in respect of your PPS 2.

Your right to payment will rank:

- 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.

Section 5.7 of this LDD (Ranking) explains how the PPS 2 rank in a liquidation of BNZ.

Key risks affecting this investment

Investments in equity securities of this nature have risks. A key risk is that you will not be paid a distribution on your investment or that your investment will not be repaid (credit risk). The issuer is under no obligation to pay cancelled distributions at a later date.

Section 6 of this document (Risks of investing) discusses the main factors that give rise to the risk. You should consider whether the credit risk of these shares is suitable for you.

The distribution rate for these PPS 2 should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair.

BNZ considers that the most significant risk factors are:

- BNZ is exposed to credit risk, which is the risk that its customers or counterparties fail to meet their payment obligations to BNZ in accordance with agreed terms. BNZ may suffer losses if customers or counterparties default on their payment obligations (such as borrowers defaulting on their loans). This risk is heightened by increasing interest rates and persistent inflation, which may reduce disposable income for borrowers and increase household and business financial stress.
- BNZ is exposed to market risk, which is the risk of loss from adverse movements in market prices. BNZ is exposed to market risk from its financial markets activities and also from its wholesale funding, deposit-taking and lending activities. Movements in market prices may be caused by a range of factors, including volatility in interest rates, foreign exchange rates, commodity and equity prices, or the perceived credit quality of an underlying company or issuer.
- BNZ is exposed to funding, liquidity and capital risk, which is the risk that it is unable to raise funding to support its ongoing operations, regulatory requirements, strategic plans and objectives; that it is unable to meet its financial obligations as they fall due; and that it does not hold sufficient capital and reserves to cover significant withdrawals of deposits and to protect against unexpected losses.
- BNZ is exposed to operational risk, which is the risk of loss resulting from inadequate, ineffective or failed internal processes, actions and systems or external events. Some of the risks inherent within BNZ's operations include disruption to services arising from technology failures (which may be triggered by cyber attacks, physical attacks or failure to correctly implement or maintain technology assets), privacy, information security and data breaches, fraud, new technologies (such as artificial intelligence), material delays in implementing required changes and process or human error.
- BNZ is exposed to sustainability risk, which is the risk of loss from events or conditions that arise (such as climate change, other environmental impacts, nature-related risks and potential government policy responses) that negatively impact the sustainability, resilience, risk and return profile, value or reputation of BNZ or its suppliers and customers.
- BNZ is exposed to compliance risk, which is the risk of loss from failing to identify, 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.

These risks may adversely affect BNZ's financial performance, position and creditworthiness. They reflect the nature of BNZ's business as a financial institution and the financial services industry in which it operates.

A failure to manage these risks adequately may:

- adversely affect the market price and liquidity of the PPS 2; and/or
- result in BNZ not paying distributions on the PPS 2 or not being able to choose to redeem the PPS 2.

BNZ can also redeem the PPS 2 in certain circumstances. See the "How you can get your money out" section for a brief description of those circumstances and the intended redemption price. You have no right to redeem the PPS 2.

This summary does not cover all of the risks of investing in the PPS 2. You should also read Section 5 (Key features of the PPS 2) and Section 6 (Risks of investing) of this LDD.

What is the PPS 2's credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

The PPS 2 have been rated by S&P Global Ratings Australia Pty Limited ("**S&P**"). S&P gives ratings from AAA through to C, excluding ratings attached to entities in default, as set out in the table below. S&P ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

As at the date of this LDD, the PPS 2 have a credit rating of BBB+ from S&P.

S&P's issue credit ratings	AAA	AA	A	BBB Credit rating for the PPS 2 BBB+	BB	B	CCC	CC	C
Summary description of S&P's issue credit ratings	Capacity of the issuer to meet its financial commitments on the obligation				Vulnerability of the obligation to non-payment				
	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Highly vulnerable	Currently highly vulnerable

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2. PURPOSE OF THE OFFER

As a registered bank, BNZ is required by the Reserve Bank to maintain an adequate level of regulatory capital to provide a buffer to absorb losses from its activities. 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.

There is no minimum amount that must be raised before the PPS 2 will be issued. The use of the money raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

See Section 9 of this LDD (Information about BNZ) for more information about BNZ's regulatory capital requirements and capital management.

3. KEY DATES AND OFFER PROCESS

Opening Date	Monday, 5 August 2024
Closing Time	11:00am on Friday, 9 August 2024
Rate Set Date	Friday, 9 August 2024
Issue Date/allotment date	Wednesday, 21 August 2024
Expected date of initial quotation and trading of the PPS 2 on the NZX Debt Market	Thursday, 22 August 2024
First Scheduled Distribution Payment Date	21 November 2024
Scheduled Distribution Payment Dates	21 February, 21 May, 21 August and 21 November in each year
First Optional Redemption Date	21 August 2030

The Opening Date and the Closing Time may change. BNZ has the right in its absolute discretion to change the Opening Date and/or the 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. The Scheduled Distribution Payment Dates are subject to the Business Day convention described in Section 5.4 of this LDD (Payments). Other dates may also be adjusted if they do not fall on a Business Day.

BNZ reserves the right to cancel the Offer and the issue of the PPS 2.

Before making an investment decision, you should carefully 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 advice provider.

4. TERMS OF THE OFFER

4.1 Description of the PPS 2

The PPS 2	
Issuer	Bank of New Zealand
Description	Perpetual preference shares
No fixed maturity date	The PPS 2 have no fixed maturity date and will remain on issue indefinitely if not redeemed by BNZ.
Distributions	Distributions on the PPS 2 are expected to be fully imputed. See Section 5.2 of this LDD (Distributions).
Distribution Rate	<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 (21 August 2030) will be a fixed rate equal to the sum of the Swap Rate (a reference rate for a 6-year period) on the Rate Set Date (9 August 2024) plus the Margin.</p> <p>The Distribution Rate after the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate (a benchmark interest rate for a 3-month period) plus the same Margin.</p> <p>See Section 5.2 of this LDD (Distributions).</p>
Distribution Payment Dates	<p>Distributions on the PPS 2 are scheduled to be paid:</p> <ul style="list-style-type: none"> quarterly in arrear on each Scheduled Distribution Payment Date, being 21 February, 21 May, 21 August and 21 November in each year, commencing on 21 November 2024; and if the PPS 2 are redeemed, on the date on which the PPS 2 are redeemed.
Distributions are discretionary and subject to conditions	BNZ has full discretion at all times to cancel distributions on the PPS 2 and the payment of a distribution on a Distribution Payment Date is subject to BNZ satisfying the Solvency Condition and the payment being permitted by BNZ's Conditions of Registration. See Section 5.2 of this LDD (Distributions).
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. See Section 5.2 of this LDD (Distributions).
Redemption	<p>BNZ may redeem all of the PPS 2 on an Optional Redemption Date or at any time if a Tax Event or Regulatory Event occurs.</p> <p>Redemption is subject to certain conditions being met, including BNZ satisfying the Solvency Condition and obtaining the Reserve Bank's approval.</p> <p>See Section 5.3 of this LDD (Optional redemption of your PPS 2).</p> <p>Any redemption of your PPS 2 is at the option of BNZ, subject to conditions and may not occur. You should not expect that the PPS 2 will be redeemed, and you have no right to require that the PPS 2 be redeemed for any reason.</p>
Ranking of the PPS 2	In a liquidation of BNZ, the PPS 2 rank as preference shares of BNZ, and your right to payment of a maximum amount equal to the Issue Price will rank behind the claims of depositors and other creditors of BNZ (except for holders of equal ranking preference shares, securities and other obligations of BNZ) but ahead of the rights of BNZ's ordinary shareholders. See Section 5.7 of this LDD (Ranking).

4.2 Description of the Offer

The Offer	
Offer amount	Up to NZ\$100 million. BNZ reserves the right to accept oversubscriptions at its discretion.
Opening Date, Closing Time and Issue Date	See Section 3 of this LDD (Key dates and Offer process).
Issue Price	Each PPS 2 is issued for NZ\$1.00.
Minimum subscription amount	NZ\$5,000 and in multiples of NZ\$1,000 after that.
How to apply	You can only apply for the PPS 2 if you are a client of a Joint Lead Manager or other Primary Market Participant or approved financial intermediary invited to join the Bookbuild. Application instructions are set out in Section 12 of this LDD (How to apply).
Fees and charges	BNZ as issuer will not charge you brokerage or any other fees to apply or subscribe for the PPS 2. However, you may have to pay brokerage or other fees to the Primary Market Participant or approved financial intermediary that you purchase your PPS 2 from.
Allocation of PPS 2	Following the Bookbuild, BNZ as issuer will allocate the PPS 2 to the successful Bookbuild participants. Those participants will in turn be solely responsible for allocating the PPS 2 to individual investors. This means that BNZ as issuer has no direct role in determining the allocation that you receive from your financial advice provider.
Offer in New Zealand	<p>This LDD only constitutes an offer of PPS 2 to investors in New Zealand in accordance with the selling restrictions contained in Section 10.1 of this LDD (Selling restrictions and indemnity).</p> <p>By subscribing for PPS 2, you agree to comply with the selling restrictions and to indemnify BNZ, the Registrar, the Arranger and each Joint Lead Manager (and their respective directors, officers, employees and agents) in respect of any loss, cost, claim, fine, damages, liability or expense sustained or incurred as a result of you breaching the selling restrictions contained in Section 10.1 of this LDD (Selling restrictions and indemnity).</p>
Governing law	The PPS 2, the Terms and the Offer are governed by New Zealand law.

4.3 Trading your PPS 2 on the NZX Debt Market

BNZ intends to have the PPS 2 quoted 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 LDD. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.

To be eligible to trade your PPS 2 on the NZX Debt Market, you must have an account with a Primary Market Participant, a common shareholder number (or "**CSN**") and an authorisation code. If you do not have an account with a Primary Market Participant, you should be aware that opening an account can take a number of days depending on the Primary Market Participant's new client procedures. You can find a Primary Market Participant by visiting www.nzx.com/investing/find-a-participant.

If you do not have a CSN, you will be automatically assigned one if you invest in the PPS 2. If you do not have an authorisation code, it is expected that you will be sent one by the Registrar. If you have an account with a Primary Market Participant and have not received an authorisation code by the date you want to trade your PPS 2, your Primary Market Participant can arrange to obtain your authorisation code from the Registrar. Your Primary Market Participant will be charged a fee for requesting your authorisation code from the Registrar and may pass this cost on to you.

You may only transfer your PPS 2 in aggregate Issue Price multiples of NZ\$1,000, and after any transfer you and the transferee must each hold PPS 2 with an aggregate Issue Price of no less than NZ\$5,000, or have no remaining PPS 2.

The market price of the PPS 2 may fluctuate up or 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.

You will likely have to pay brokerage or other fees on any transfer of PPS 2 you make through a Primary Market Participant.

4.4 Terms and Constitution

The terms of the PPS 2 are set out in the Terms and the Constitution. Holders are bound by, and are taken to have notice of, the Terms and the Constitution. You can obtain a copy of the Terms and the Constitution from the Disclose Register at www.disclose-register.companiesoffice.govt.nz (offer number OFR13773).

5. KEY FEATURES OF THE PPS 2

5.1 General

A number of the key features of the PPS 2 are described in Section 4 of this LDD (Terms of the Offer). Other key features of the PPS 2 and more information about some of the key features described in Section 4 of this LDD (Terms of the Offer) are described below.

5.2 Distributions

This Section 5.2 explains when distributions are payable, how distribution payments are calculated and how the Distribution Rate is determined.

<p>Distribution Payment Dates</p>	<p>Distributions on the PPS 2 are scheduled to be paid quarterly in arrears on each Scheduled Distribution Payment Date and, if the PPS 2 are redeemed, on the date on which the PPS are redeemed. See Section 5.3 of this LDD (Optional redemption of your PPS 2). The Distribution Payment Dates are subject to the Business Day convention described in Section 5.4 of this LDD (Payments).</p>
<p>Distributions are discretionary and subject to conditions</p>	<p>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 a distribution on a Distribution Payment Date is subject to:</p> <ul style="list-style-type: none"> • BNZ satisfying the Solvency Condition; and • the payment of the distribution being permitted by BNZ's Conditions of Registration as at the time of the payment. <p>The Solvency Condition will be satisfied if BNZ is Solvent on the applicable Distribution Payment Date and is able to pay the distribution and remain Solvent immediately after paying the distribution.</p> <p>BNZ's Conditions of Registration limit the amount of distributions BNZ can pay in certain circumstances. For instance, the amount of earnings able to be distributed by BNZ (by way of dividends, share buy-backs or, eventually, payments on Additional Tier 1 Capital instruments) will become restricted if BNZ's prudential capital buffer falls below a certain level. See Section 9.2 of this LDD (BNZ's regulatory capital requirements) for a description of the prudential capital buffer and regulatory capital requirements generally.</p>
<p>Distributions</p>	<p>Distributions on the PPS 2 are expected to be fully imputed. This means the return you receive when a distribution is paid is expected to comprise:</p> <ul style="list-style-type: none"> • a cash amount; and • imputation credits. <p>Based on the current corporate income tax rate of 28%, if a distribution is fully imputed you will receive 28 cents of imputation credits for every 72 cents of the cash amount. If a distribution is not fully imputed, the cash amount will be increased by an amount corresponding to the shortfall in imputation credits.</p>

How the cash amount of fully imputed distributions is determined

Distributions made on or before the First Optional Redemption Date

- The cash distribution payable on each PPS 2 on each Scheduled Distribution Payment Date that is on or before the First Optional Redemption Date (21 August 2030) and on the date the PPS 2 are redeemed (if they are redeemed on a date on or before the First Optional Redemption Date that is a Scheduled Distribution Payment Date) is calculated according to the following formula:

$$\text{Cash distribution payable} = \frac{\text{Distribution Rate} \times (1 - \text{Tax Rate}) \times \text{Issue Price}}{4}$$

- The cash distribution payable on each PPS 2 on the date the PPS 2 are redeemed (if they are redeemed on a date before the First Optional Redemption Date that is not a Scheduled Distribution Payment Date) is calculated according to the following formula:

$$\text{Cash distribution payable} = \left(\frac{\text{Distribution Rate} \times (1 - \text{Tax Rate}) \times \text{Issue Price}}{4} \right) \times \frac{A}{B}$$

Distributions made after the First Optional Redemption Date

- The cash distribution payable on each PPS 2 on each Distribution Payment Date after the First Optional Redemption Date and on the date the PPS 2 are redeemed (if they are redeemed on a date after the First Optional Redemption Date) is calculated in accordance with the following formula:

$$\text{Cash distribution payable} = \frac{\text{Distribution Rate} \times (1 - \text{Tax Rate}) \times \text{Issue Price} \times A}{365}$$

Determining the cash amount

For the purposes of determining the cash amount, the Distribution Rate will be expressed as a decimal. In addition:

"**A**" means, for a Distribution Payment Date, the number of days from (and including) the preceding Scheduled Distribution Payment Date (or the Issue Date in the case of the first Distribution Payment Date) to (but excluding) the Distribution Payment Date.

"**B**" means, for a Distribution Payment Date, the number of days from (and including) the preceding Scheduled Distribution Payment Date (or the Issue Date in the case of the first Distribution Payment Date) to (but excluding) the date that would have been the next Scheduled Distribution Payment Date had the PPS 2 not been redeemed.

"**Tax Rate**" means the New Zealand corporate tax rate on the relevant Distribution Payment Date (expressed as a decimal). As at the date of this LDD, the New Zealand corporate income tax rate is 28% (or 0.28 expressed as a decimal).

Example of a distribution payment

Set out below is an example that shows the return on your PPS 2 on a Scheduled Distribution Payment Date if the distribution is paid and is fully imputed. The example below is based on the following assumptions:

- you hold 10,000 PPS 2;
- the Distribution Rate on the Scheduled Distribution Payment Date is 7.00% per annum;
- the corporate income tax rate on the Scheduled Distribution Payment Date is 28%; and
- the Scheduled Distribution Payment Date is on or before the First Optional Redemption Date (21 August 2030).

Gross value of return

To receive a return on the quarterly Scheduled Distribution Payment Date equal to the Distribution Rate, the gross value of the cash amount and imputation credits together needs to equal NZ\$175.00. Your return is calculated as follows:

$$\begin{aligned}\text{Gross value of quarterly return} &= \frac{0.07 \times \$1.00}{4} \\ &= \text{NZ\$}0.0175 \text{ per PPS 2} \\ &= \text{NZ\$}175.00 \text{ for your holding of 10,000 PPS 2.}\end{aligned}$$

The split between the cash amount and imputation credits is shown below.

Cash amount

The cash amount is calculated as follows:

$$\begin{aligned}\text{Cash amount per PPS 2} &= \frac{0.07 \times (1-0.28) \times \$1.00}{4} \\ &= \text{NZ\$}0.0126 \text{ per PPS 2} \\ &= \text{NZ\$}126.00 \text{ for your holding of 10,000 PPS 2.}\end{aligned}$$

Imputation credits

You will also receive imputation credits of NZ\$49.00, being NZ\$175.00 less the NZ\$126.00 cash amount.

Effective return received

You need to note that:

- the actual amount you receive on the Scheduled Distribution Payment Date will be the cash amount less any withholding tax that is required to be deducted; and
- the effective return on your PPS 2 will be impacted by your ability to use imputation credits, which will depend on your particular circumstances.

See Sections 7 (Tax) and 8 (Tax consequences for overseas Holders) of this LDD.

If the distribution is not fully imputed, then the cash amount will be increased by an amount corresponding to the shortfall in imputation credits. In the example above, if only NZ\$30.00 of imputation credits were attached to the distribution, the cash amount of NZ\$126.00 would be increased by the shortfall of NZ\$19.00, to result in a total cash amount of NZ\$145.00 (before the deduction of any withholding tax), so that the gross value of your return would still be NZ\$175.00.

Use of imputation credits	<p>The value of imputation credits to you will depend on your ability to use them, which is determined by your tax circumstances. If you:</p> <ul style="list-style-type: none"> cannot use imputation credits, the effective return on your PPS 2 will be less than the Distribution Rate; or can use imputation credits, the effective return on your PPS 2 will depend on your tax circumstances and will be no more than the Distribution Rate. <p>You should be aware that you may not be able to use your imputation credits at the same time as you receive a cash distribution.</p>
Distributions are non-cumulative	<p>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. Non-payment of a distribution on a Distribution Payment Date will not constitute a default by BNZ, and you will have no right to take action against BNZ or any other member of the BNZ Group in respect of that non-payment.</p> <p>No interest accrues on any unpaid distributions and you will have no claim or entitlement in respect of interest on any unpaid distribution.</p>
Restrictions on BNZ if distributions are not paid	<p>If for any reason a distribution is not paid in full on the PPS 2 within 3 Business Days of a Distribution Payment Date, BNZ must not authorise or pay a dividend on its ordinary shares, acquire its ordinary shares or otherwise undertake a capital reduction in respect of its ordinary shares.</p> <p>These restrictions will apply 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 longer any PPS 2 outstanding. <p>These restrictions do not apply to other instruments issued by BNZ, such as debt securities or other Additional Tier 1 Capital instruments. This means BNZ could pay a distribution or interest on other preference shares or debt securities issued by BNZ, even though a distribution was not paid on the PPS 2.</p>
Distribution Rate	<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 (21 August 2030) will be a fixed rate equal to the sum of the Swap Rate (a reference rate for a 6-year period) on the Rate Set Date (9 August 2024) plus the Margin.</p> <p>The Distribution Rate after the First Optional Redemption Date will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate (a benchmark interest rate for a 3-month period) plus the same Margin.</p> <p>If the sum of the 3 Month Bank Bill Rate plus the Margin is less than 0% per annum, the Distribution Rate will be deemed to be 0% per annum.</p> <p>Depending on market conditions, the floating rate could be less than the fixed rate and is likely to vary over time.</p> <p>The initial Distribution Rate and the Margin will be determined by BNZ following the Bookbuild on the Rate Set Date, and will be announced by BNZ via NZX on or about that date.</p> <p>When the Distribution Rate is reset, the new Distribution Rate will be announced by BNZ via NZX on or about the date it is reset.</p>
Swap Rate	<p>A swap rate is a reference rate commonly used in New Zealand by major financial institutions. The Swap Rate is a reference rate for a 6-year period.</p> <p>The Swap Rate will be determined on the Rate Set Date (9 August 2024).</p>

3 Month Bank Bill Rate	<p>A bank bill rate is a benchmark interest rate commonly used in New Zealand by major financial institutions. The 3 Month Bank Bill Rate is a benchmark interest rate for a 3-month period. Bank bill rates change to reflect market conditions over time, so the 3 Month Bank Bill Rate will likely vary for each Scheduled Distribution Payment Date after the First Optional Redemption Date (21 August 2030).</p> <p>The 3 Month Bank Bill Rate that is applicable for a Distribution Payment Date will be the 3 Month Bank Bill Rate as at the previous Scheduled Distribution Payment Date.</p> <p>BNZ is able to replace the 3 Month Bank Bill Rate with an alternative reference rate if the 3 Month Bank Bill Rate becomes unavailable.</p>
Margin	<p>The Margin is the rate (expressed as a percentage per annum) determined by BNZ as issuer in consultation with the Joint Lead Managers through the Bookbuild. The Margin will be announced by BNZ via NZX on or about the Rate Set Date (9 August 2024).</p> <p>The Margin for the PPS 2 will not change.</p>

5.3 Optional redemption of your PPS 2

The PPS 2 are perpetual instruments with no fixed redemption date. However, BNZ may redeem the PPS 2 in certain circumstances. This Section 5.3 explains when BNZ may redeem the PPS 2.

When BNZ may choose to redeem your PPS 2	<p>BNZ may, subject to the conditions described below, choose to redeem all of the PPS 2:</p> <ul style="list-style-type: none"> • on an Optional Redemption Date; or • on any Business Day following a Tax Event or Regulatory Event. <p>BNZ must give at least 30 days' notice of any redemption of the PPS 2.</p>
Optional Redemption Dates	<p>Optional Redemption Dates will be on the First Optional Redemption Date (21 August 2030) and each quarterly Scheduled Distribution Payment Date after that date.</p>
Tax Event	<p>A Tax Event occurs if BNZ determines that:</p> <ul style="list-style-type: none"> • there has been, or there will be, a change in any New Zealand law, regulation, ruling or directive (including by way of the imposition of, or any change to, any New Zealand law, regulation, ruling or directive); • there has been, or there will be, a change in the application, interpretation or administration of any New Zealand law, regulation, ruling or directive by any authority (including the New Zealand Inland Revenue); or • BNZ is or will be required to comply with a change in any New Zealand law, regulation, ruling or directive or changed application, interpretation or administration, <p>in each case that applies, or is to apply, after the Issue Date and which directly or indirectly affects the taxation treatment in relation to the PPS 2 with the effect that any member of the BNZ Group would be exposed to a more than minor increase to its costs in relation to the PPS 2, provided that BNZ could not reasonably have anticipated such event when the PPS 2 were issued.</p>

<p>Regulatory Event</p>	<p>A Regulatory Event occurs if:</p> <ul style="list-style-type: none"> the directors of BNZ receive an opinion from a reputable legal counsel that, as a result of a Regulatory Change (described below), additional requirements would be imposed on BNZ in relation to or in connection with the regulatory treatment of the PPS 2 which the directors determine, in their absolute discretion, have, or would have, an unacceptable adverse effect; or the directors of BNZ determine that, as a result of a Regulatory Change, BNZ is not or will not be entitled to treat some or all PPS 2 as Additional Tier 1 Capital. <p>A Regulatory Change means any amendment to, clarification of or change (including any announcement of a change that will be introduced) in or to:</p> <ul style="list-style-type: none"> any law or regulation in New Zealand; any official administrative pronouncement or action or judicial decision interpreting or applying any law or regulation in New Zealand; or any order, direction, standard, requirement, guideline or statement of the Reserve Bank (whether or not having the force of law), <p>in each case provided that such event is not minor and could not reasonably have been anticipated by BNZ at the Issue Date.</p>
<p>Conditions to BNZ redeeming your PPS 2</p>	<p>BNZ may only redeem the PPS 2 if certain conditions are met, including:</p> <ul style="list-style-type: none"> BNZ satisfying the Solvency Condition; and the Reserve Bank having given its approval to the redemption of the PPS 2.
<p>Amount that is payable to you if your PPS 2 are redeemed</p>	<p>You will receive the Issue Price if your PPS 2 are redeemed for any reason. See also Section 5.7 of this LDD (Ranking) which explains your entitlement in a liquidation of BNZ.</p>
<p>No certainty that BNZ will choose to redeem your PPS 2</p>	<p>BNZ is under no obligation to redeem the PPS 2. There is no certainty that:</p> <ul style="list-style-type: none"> BNZ will choose to redeem the PPS 2 on an Optional Redemption Date or at any time if a Tax Event or Regulatory Event has occurred; if requested by BNZ, the Reserve Bank would give its approval to redemption of the PPS 2; or BNZ will be able to satisfy the other conditions that apply to redemption.
<p> Holders cannot choose to have the PPS 2 redeemed</p>	<p>You have no right to require that your PPS 2 be redeemed for any reason.</p>

5.4 Payments

This Section 5.4 describes certain provisions that apply to payments on the PPS 2.

Business Day convention	<p>If a Distribution Payment Date on or before the First Optional Redemption Date is not a Business Day, BNZ will make payment on the next Business Day, but no adjustment will be made to the amount of the distribution payable.</p> <p>If a Distribution Payment Date after the First Optional Redemption Date is not a Business Day, the Distribution Payment Date will be the next Business Day unless that day falls in the next calendar month, in which case it will be the preceding Business Day, and the amount of the distribution paid will be adjusted to reflect the actual payment date.</p>
Entitlement to payments	<p>Distributions on the PPS 2 will be made to the persons who are the Holders as at the close of business on the 10th day before the applicable Distribution Payment Date (whether or not the relevant Distribution Payment Date is a Business Day) or, if that day is not a Business Day, the immediately preceding Business Day or such other date as may be required by NZX ("Record Date").</p> <p>Any payment on redemption of the PPS 2 will be made to the persons who are the Holders as at the close of business on the date determined by BNZ and notified to Holders or as may be required by NZX.</p>
No set-off	<p>Except to the extent required by law, you have no right to set-off any amounts that may be payable to you by BNZ in connection with the PPS 2 against any amounts that you owe to BNZ (whether in connection with the PPS 2 or otherwise).</p>
Tax indemnity	<p>If tax is not correctly deducted from a payment to you or if BNZ is required to pay an amount of tax on your behalf (for example, because you did not correctly notify details about your tax residence), then you indemnify BNZ in respect of that tax liability, which may be recovered from you or withheld from and set-off against future payments to you.</p>

5.5 Amendments to the Terms

This Section 5.5 explains how the Terms may be amended.

Amendments without Holders' consent	<p>The Terms may be amended without Holders' consent if, in BNZ's reasonable opinion, the amendment:</p> <ul style="list-style-type: none"> • is made to cure an ambiguity or correct a manifest error; • is of a formal, minor or technical nature; • is necessary or expedient for the purpose of complying with any law, the requirements of any statutory authority, the NZX Listing Rules or the listing or quotation requirements of any securities exchange on which BNZ may propose to seek a listing or quotation of the PPS 2; • is necessary or expedient for the purpose of enabling the PPS 2 to be quoted or to remain quoted on a securities exchange or to be lodged or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place; • is reasonably necessary if the 3 Month Bank Bill Rate is replaced by an alternative reference rate; or • will not materially adversely affect the rights of Holders as a whole.
Amendments with approval of special resolution	<p>The Terms may also be amended with the approval of a special resolution of Holders. A special resolution is a resolution approved by a majority of 75% of the votes of Holders entitled to vote and voting on the question.</p>

Requirement to notify the Reserve Bank	No amendment can be made to the Terms unless the required notification of the amendment has been made to the Reserve Bank by BNZ.
Amendments are binding on all Holders	Amendments made in accordance with the Terms are binding on you even if you did not agree to them.

5.6 Other features of the PPS 2

This Section 5.6 describes other features of the PPS 2.

Limited enforcement rights	<p>The Terms do not include events of default or any other provisions entitling you to require that the PPS 2 be redeemed.</p> <p>You have no right to apply for the liquidation or administration of BNZ or any other member of the BNZ Group or to cause a receiver or receiver and manager to be appointed in respect of BNZ or any other member of the BNZ Group on the grounds of BNZ's failure or potential failure to pay distributions on the PPS 2 or for any other reason in connection with BNZ's compliance with the terms of the PPS 2.</p>
No other rights	<p>The PPS 2 confer no rights on a Holder to:</p> <ul style="list-style-type: none"> • vote at any general meeting of BNZ or participate in any other decision or resolution of BNZ's ordinary shareholders; • participate in the issue of any other securities of BNZ or any other member of the BNZ Group or to participate in any bonus issues of securities of BNZ or any other member of the BNZ Group; or • otherwise participate in the profits or property of BNZ, except by receiving payments as described in this LDD. <p>The features of the PPS 2, as described in this LDD, mean that the PPS 2 do not have the same rights (including voting rights) or privileges, or the same opportunity to increase in value, as ordinary shares.</p>

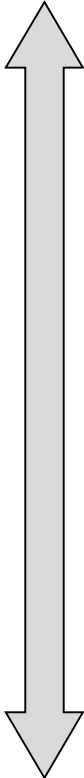
5.7 Ranking

The PPS 2 are preference shares issued by BNZ. In a liquidation of BNZ, each of your PPS 2 gives you the right to payment of a maximum amount equal to the Issue Price. However, in a liquidation of BNZ, it is highly unlikely that there will be surplus assets available for the liquidator to pay any amount to you in respect of your PPS 2.

Your right to payment of a maximum amount equal to the Issue Price will rank:

- 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.

The following diagram shows how BNZ's liabilities and equity (including the PPS 2) rank in a liquidation of BNZ. The diagram does not describe every type of liability or equity that BNZ may have while the PPS 2 are outstanding.

	Ranking in a liquidation of BNZ	Description	Examples	Liabilities and equity of BNZ as at 31 March 2024 (NZ\$m)	
Higher ranking  Lower ranking	Liabilities and equity that rank in priority to the PPS 2	Secured debt and creditors preferred by law	BNZ covered bonds	6,712	
			Liabilities given preference by law including employee entitlements and certain taxes	129	
	Liabilities and equity that rank equally with the PPS 2	Unsubordinated unsecured debt	Depositors and other general creditors	94,896	
			Unsecured unsubordinated notes and bonds	14,272	
		Term subordinated debt (including Tier 2 Capital instruments)	Subordinated notes issued to NAB in June 2021	550	
		The PPS 2	Preference shares, perpetual subordinated debt and other equally ranked securities and obligations (including Additional Tier 1 Capital instruments)		100
				Perpetual preference shares issued in June 2023	375
Equity that ranks below the PPS 2	Equity (other than preferred equity)	Ordinary shares, reserves and retained earnings	12,359		

Basis of preparation of table

Amounts in the table above (except for the estimated amount of the PPS 2) are indicative amounts derived from BNZ's unaudited financial statements for the 6 months ended 31 March 2024. The actual amounts of liabilities and equity of BNZ if it was liquidated would be different to the indicative amounts set out in the diagram above.

The table has been adjusted to include the issue of the PPS 2, based on an estimated issue size of NZ\$100 million. This adjustment does not affect the other amounts listed in the table. The total value of the PPS 2 to be issued will be announced by BNZ on or about the Rate Set Date (9 August 2024) via NZX.

Covered bonds are debt securities under which the bondholder has both an unsecured claim on BNZ and a secured claim over certain assets which have been sold by BNZ to the BNZ Covered Bond Trust. Despite those assets having been sold by BNZ, they still appear in BNZ's financial statements but would not be available to creditors of BNZ or Holders in a liquidation of BNZ.

Amounts in the table are presented in millions of New Zealand dollars and may be subject to rounding adjustments.

No restrictions on issuing further securities or incurring further liabilities

There are no restrictions on BNZ issuing further securities or incurring further liabilities after the date of this LDD that rank equally with, or in priority to, the PPS 2 in a liquidation of BNZ.

BNZ could therefore, at any time after the date of this LDD, issue further securities or incur further liabilities that rank equally with, or in priority to, the PPS 2 in a liquidation of BNZ.

6. RISKS OF INVESTING

6.1 Introduction

This Section 6 describes the following potential risks associated with an investment in the PPS 2:

- general risks of investing in the PPS 2;
- significant specific risks relating to BNZ's creditworthiness; and
- other specific risks associated with the PPS 2.

The selection of risks relating to BNZ's creditworthiness has been based on an assessment of a combination of the probability of a risk occurring and the impact of the risk if it did occur. That assessment is based on BNZ's business as at the date of this LDD.

You should carefully consider these risk factors (together with the other information in this LDD) before deciding to invest in the PPS 2.

This Section 6 does not cover all of the risks of investing in the PPS 2. Additional risks that BNZ is not aware of, or that it currently considers are not material, may also become important risk factors over time.

The statement of risks in this Section 6 does not take account of your personal circumstances, financial position or investment requirements. Before making any investment decision, you should 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 advice provider.

6.2 General risks

An investment in the PPS 2 is subject to the following general risks:

The risk that BNZ encounters financial difficulty which has an adverse effect on your investment

If BNZ encounters financial difficulty, this may in turn:

- adversely affect the market price and liquidity of the PPS 2; and/or
- result in BNZ not paying distributions on the PPS 2 or not being able to choose to redeem the PPS 2.

If BNZ becomes insolvent and is placed in liquidation, it is highly likely that you will lose all of your investment.

Market risks associated with the PPS 2

The market price of the PPS 2 may fluctuate up or down and the PPS 2 may trade below their Issue Price

The market price of the PPS 2 on the NZX Debt Market may fluctuate due to various factors, including changes in liquidity, interest rates, BNZ's financial position, BNZ's credit rating or the credit rating of the PPS 2. The PPS 2 may trade at a market price below their Issue Price, and the market price of the PPS 2 may be more sensitive to changes in factors such as economic conditions, liquidity and risk tolerances than the market price of debt securities issued by BNZ or other issuers. If you were to sell your PPS 2 at a time when the market price of the PPS 2 was lower than the Issue Price, you would lose some of the money you invested.

The liquidity of the PPS 2 may be low

The market for the PPS 2 may not be liquid and may be less liquid than that of other securities issued by BNZ or other issuers. If liquidity is low, you may not be able to sell your PPS 2 at an acceptable price, or at all.

6.3 Specific risks relating to BNZ's creditworthiness

BNZ is exposed to a number of risks that may affect its business and therefore its financial performance, position and creditworthiness. Set out below are the most significant risks relating to BNZ's creditworthiness.

Credit risk

Credit risk is the risk that a customer or counterparty will fail to meet their payment obligations to BNZ in accordance with agreed terms. Credit risk arises from BNZ's lending activities and from its markets and trading activities (such as the buying and selling of bonds and other financial instruments). BNZ may suffer losses if customers or counterparties default on their payment obligations (such as borrowers defaulting on their loans).

Defaults may increase for a number of reasons. For example:

- Increasing interest rates and persistent inflation may reduce disposable income for borrowers and increase household and business financial stress. Sectors exposed to changes in household discretionary spending may experience financial stress in the event of changes to consumer spending behaviour. Financial stress in the economy heightens the risk of bankruptcies, job losses and higher unemployment, and may result in an increase in defaults.
- Adverse business conditions in one or more sectors (including supply chain disruptions, labour constraints, constrained public sector spending or the outbreak of disease or introduction of pests) may increase defaults directly and also indirectly by leading to stress in other sectors. In particular, BNZ has a large market share among lenders to the NZ agricultural sector, which means it may be more affected by adverse business conditions in the agricultural sector than other lenders.
- Volatile commodity and energy prices, economic slowdown (particularly in New Zealand, Australia and China), climate change and major shock events (such as natural disasters, pandemics and war) may negatively impact businesses and households and increase defaults.

In addition, a decline in property values may cause BNZ to suffer higher losses if defaults occur. Lending activities account for most of BNZ's credit risk exposure, and residential housing loans and commercial real estate loans constitute a material component of BNZ's total lending. If the value of residential or commercial property provided by borrowers as security for their lending reduces below the value of the loan, the value of the security may not be enough to repay their borrowing if they default.

Market risk

Market risk is the risk of loss from adverse movements in market prices. BNZ is exposed to market risk from its financial markets activities (such as the buying and selling of bonds and other financial instruments) and also from its wholesale funding, deposit-taking and lending activities. Movements in market prices may be caused by a range of factors, including volatility in interest rates, foreign exchange rates, commodity and equity prices, or the perceived credit quality of the issuer of the bonds or other financial instruments.

For example, a change in market interest rates may result in a misalignment between the interest rates that apply to the different areas of BNZ's business, which may adversely impact BNZ's financial performance, position and creditworthiness.

Funding, liquidity and capital risk

Funding risk is the risk that BNZ is unable to raise funding to support its ongoing operations, regulatory requirements, strategic plans and objectives. Any significant volatility or disruption in capital markets, reduced demand for BNZ's securities, or reduced customer deposits may increase BNZ's funding costs, reduce the availability of long-term funding, impose unfavourable terms on BNZ's funding or limit BNZ's new lending, which may adversely affect BNZ's capital, funding and liquidity position.

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 as they mature, the repayment of wholesale borrowings and loan capital as they mature, the payment of interest on funding and the payment of operational expenses and taxes. Any significant deterioration in BNZ's liquidity position may lead to an increase in BNZ's funding costs, limit BNZ's new lending or cause BNZ to breach its prudential or regulatory liquidity obligations, which may adversely affect BNZ's reputation and financial performance. 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.

Capital risk is the risk that BNZ does not hold sufficient capital and reserves to cover significant withdrawals of deposits and to protect against unexpected losses. BNZ is required to hold minimum levels of capital under its Conditions of Registration. If BNZ does not hold enough capital, it may not be able to pay distributions on the PPS 2.

A downgrade in the credit ratings or outlook of BNZ, BNZ's securities, NAB, NAB's securities, or the sovereign rating of New Zealand may increase BNZ's funding costs or limit BNZ's access to capital markets. A significant downgrade to BNZ's credit ratings relative to its peers may also adversely impact BNZ's competitive 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 BNZ has and the products and services it provides and the multiple markets and channels these products and services are delivered through. These risks include:

- Disruption to services arising from technology failures which may be triggered by factors including cyber attacks, physical attacks or failure to correctly implement or maintain technology assets. Most of BNZ's operations depend on technology, and therefore the reliability, resilience and security of BNZ's (and its third-party vendors') information technology systems and infrastructure are essential to the effective operation of its business and consequently to its financial performance, position and creditworthiness.
- Cyber security risks, which are varied and continually evolving, with increasingly sophisticated attacks. For example, BNZ's personnel and customers are regularly being targeted by scammers or fraudsters to try to gain access to accounts or confidential information or obtain payments. Technology systems need to be protected from denial-of-service and ransomware attacks. Successful attacks may erode confidence in BNZ, and such reputational damage would cause longer-term economic loss.
- Privacy, information security and data breaches. 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. The risk of these breaches occurring may increase with the introduction of open banking, which allows for the sharing of customer information between banks and third party service providers.

- The use of artificial intelligence and machine learning technologies by BNZ is subject to risks that algorithms and datasets are flawed or may be insufficient and could increase the risk of unintended consequences, 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).
- The complexity of infrastructure, processes and models. 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.
- Material delays in implementing changes to enable BNZ to compete with established financial services providers and other parties, including foreign banks and new market entrants. This includes changes relating to customer interaction, technology, digital and data assets, infrastructure, business improvement, cultural transformation and changes to associated controls.
- Process or human error. BNZ's business, including the internal processes and systems that support business decisions, relies on appropriate actions and inputs from its customers, employees, agents and external providers.
- Not being able to attract and retain suitable talent.
- The impact of decisions made by, or events that affect, NAB, as well as any financial or reputational damage by virtue of BNZ's association with NAB.
- External events, such as biological hazards, climate change, natural disasters, widespread disease or pandemics, acts of terrorism or geopolitical conflict.

Operational risk events may adversely impact BNZ's reputation and operations and result in a range of other consequences, including disruption, fines, customer compensation, financial loss, litigation, theft or loss of property or information and loss of market share.

Sustainability risk

Sustainability risk is the risk that events or conditions arise that could negatively impact the sustainability, resilience, risk and return profile, value or reputation of BNZ or its customers and suppliers.

Climate change, other environmental impacts, nature-related risks and potential government policy responses may affect property and asset values, result in a decline in the value and liquidity of assets held as security, result in price volatility or stranded assets, decrease investor appetite and customer demand for carbon intensive products and services, increase climate-related regulation and litigation, and disrupt business activities and supply chains. As a result, these factors may cause customer losses, negatively impact revenue and access to capital for some businesses, disrupt the operations of a wide range of sectors and industries, and impact the wider economy. BNZ may also be unable to adequately adapt its business (including but not limited to the collection and reporting of data) rapidly enough to respond effectively to these factors. This may increase customer defaults and adversely impact BNZ's financial performance and position and its profitability.

Compliance risk

Compliance risk is the risk of failing to identify, 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. For example:

- BNZ may fail to comply with applicable laws and regulations, which may expose BNZ to significant compliance and remediation costs, regulatory enforcement action or litigation (including representative actions). BNZ is highly regulated and subject to various regulatory regimes which differ across jurisdictions, including sanctions and global tax compliance, and regimes governing bribery, corruption, money laundering, financing of terrorism and other financial crime. 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 internal controls will prove to be inadequate or ineffective in ensuring compliance. There is also a potential risk of non-compliance with detailed data requests from various regulators and misinterpreting new or existing regulations.
- BNZ, its employees, or others who act on its behalf may engage in conduct that leads to inappropriate outcomes for BNZ's customers or other stakeholders. For example, BNZ may fail to design products and services that are easy for its customers to understand, fail to manage conflicts appropriately, fail to provide appropriate financial advice to its customers or fail to remediate issues in a timely manner.
- Extensive regulatory change poses a significant risk to BNZ. The financial services and banking industries are subject to significant and increasing levels of regulatory change and reviews (such as the Commerce Commission's review into competition for personal banking services) and political scrutiny. 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, strategy, operations, structure, compliance costs or capital requirements.

Compliance risk events may adversely impact BNZ's reputation, financial performance and position.

Possible impact of risks

BNZ expects some of the risks described in this Section 6.3 of the LDD to arise in the normal course of its business. When they do, this can lead to a loss, an increase in costs, a reduction in revenues and/or a requirement to hold more capital. BNZ uses its risk management framework to manage and escalate the reporting of these risks and in the normal course of business these risks are not expected to have a material adverse impact on BNZ.

However, circumstances outside of the normal course of business can arise, such as international capital markets abruptly ceasing to function properly, widespread and sudden borrower defaults in a particular sector or sectors of the economy, a prolonged cyber attack that significantly disrupts business, or a combination of those circumstances at the same time.

The occurrence of these types of circumstances may make the risks more difficult to manage and the impact on BNZ more severe. A failure to manage these risks adequately could mean that BNZ does not pay distributions on the PPS 2 when scheduled or is not able to choose to redeem the PPS 2, which means you could lose some or all of the money you invest in the PPS 2.

In addition, a deterioration in the financial performance, position or creditworthiness of BNZ may adversely affect its credit ratings and/or the market price and liquidity of the PPS 2, which means you may not be able to sell your PPS 2 at an acceptable price or at all.

6.4 Risks related to investing in bank perpetual preference shares

An investment in the PPS 2 is subject to the following risks associated with the PPS 2 specifically:

It is highly unlikely that you will be paid any amount in respect of your PPS 2 if BNZ is in liquidation

In a liquidation of BNZ, your right to payment of a maximum amount equal to the Issue Price for each PPS 2 will rank behind:

- all liabilities of BNZ (except for any liabilities that may be issued by BNZ in the future that rank equally with the PPS 2); and
- any equity securities that may be issued by BNZ in the future that rank ahead of the PPS 2.

This means it is highly unlikely that there will be surplus assets for the liquidator to pay you any amount in respect of your PPS 2. See Section 5.7 of this LDD (Ranking).

You have no rights against BNZ if distributions are not paid on a Distribution Payment Date

BNZ has full discretion at all times to cancel distributions on the PPS 2. In addition, the payment of a distribution on a Distribution Payment Date is subject to BNZ satisfying the Solvency Condition and the payment being permitted by BNZ's Conditions of Registration.

If BNZ does not pay a distribution on a Distribution Payment Date, it will not constitute a default by BNZ and you will have no right to take action against BNZ or any other member of the BNZ Group in respect of that non-payment. There are no restrictions on BNZ paying a distribution or interest on other preference shares or debt securities just because a distribution is not paid on the PPS 2 when scheduled. See Sections 5.2 (Distributions) and 5.6 (Other features of the PPS 2) of this LDD.

Distribution payments are non-cumulative

Distribution payments on the PPS 2 are non-cumulative. If a distribution is not paid on a Distribution Payment Date, BNZ is under no obligation to pay that distribution at a later date. See Section 5.2 of this LDD (Distributions).

The Distribution Rate may fall and could go down to 0% per annum

The Distribution Rate will be a fixed rate for a 6-year period, after which it will be a floating rate which will be reset quarterly to be equal to the sum of the applicable 3 Month Bank Bill Rate plus the Margin. The 3 Month Bank Bill Rate changes to reflect market conditions over time, so it will likely vary for each Distribution Payment Date.

Depending on market conditions, the floating rate could be less than the fixed rate.

The 3 Month Bank Bill Rate may go down, including below 0% per annum. 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.

See Section 5.2 of this LDD (Distributions).

You have no right to redeem your PPS 2 and BNZ is not required to redeem your PPS 2

The PPS 2 have no fixed redemption date and will remain on issue indefinitely if not redeemed by BNZ. **You have no right to require that your PPS 2 be redeemed.** BNZ is under no obligation to redeem the PPS 2. There is no certainty that:

- BNZ will choose to redeem the PPS 2 on an Optional Redemption Date or at any time if a Tax Event or Regulatory Event has occurred;
- if requested by BNZ, the Reserve Bank would give its approval to redemption of the PPS 2; or
- BNZ will be able to satisfy the other conditions that apply to redemption.

Unless your PPS 2 are redeemed by BNZ, to realise your investment you will need to sell your PPS 2 on the NZX Debt Market at the prevailing market price. You may not be able to sell your PPS 2, and even if you can, you may receive less than the full amount you paid for them. See Section 5.3 of this LDD (Optional redemption of your PPS 2).

BNZ may redeem your PPS 2 in certain circumstances

In certain circumstances, BNZ can redeem your PPS 2. You may be disadvantaged if your PPS 2 are redeemed. For instance, if your PPS 2 are redeemed, you may not be able to reinvest the proceeds at a comparable return. See Section 5.3 of this LDD (Optional redemption of your PPS 2).

BNZ's regulatory requirements may change

As a New Zealand registered bank, BNZ is subject to regulatory requirements, including conditions of registration that are imposed by the Reserve Bank. The regulatory requirements that apply to BNZ may change from time to time and you may be disadvantaged by the changes. For instance, the Reserve Bank restricted banks from redeeming any capital instruments (such as the PPS 2) for a period during the COVID-19 pandemic.

7. TAX

The returns on the PPS 2 will be affected by taxes. The information set out in this Section 7 of this LDD is based on New Zealand law in force at the date of this LDD, does not constitute tax advice to any Holder, is general in nature and is limited to New Zealand taxation only.

Holders that are New Zealand tax residents ("**New Zealand Holders**") will have resident withholding tax ("**RWT**") deducted from the distributions that are paid under the PPS 2, unless the Holder has notified the Registrar that the Holder has RWT-exempt status (as defined in section YA 1 of the Income Tax Act 2007) prior to the applicable Record Date, or, in the case of a distribution that is fully imputed, the Holder is a New Zealand Holder that is a company and BNZ elects not to pay RWT. Holders must notify the Registrar of any change in their circumstances prior to any Record Date.

If a distribution made to a Holder is subject to the deduction of RWT, RWT will be deducted at the applicable rate (currently 33%), reduced by the amount of imputation credits attached to the distribution.

There may be other tax consequences from acquiring or disposing of the PPS 2, and from the redemption of the PPS 2 if the PPS 2 are redeemed.

Tax can have significant consequences for investments. If you have any questions regarding the tax consequences of investing in the PPS 2 you should seek advice from a tax adviser.

8. TAX CONSEQUENCES FOR OVERSEAS HOLDERS

The information set out in this Section 8 of this LDD is based on New Zealand law in force at the date of this LDD, does not constitute tax advice to any Holder, is general in nature and is limited to New Zealand taxation only.

If a Holder is not a New Zealand Holder, non-resident withholding tax ("**NRWT**") will be deducted from the cash component of distributions that are paid under the PPS 2. Holders must notify the Registrar of any change in their circumstances prior to any Record Date.

Holders that are not New Zealand Holders cannot benefit from imputation credits. This means that the amount of NRWT that will be deducted from a distribution will not be reduced by any imputation credits that are attached to the distribution.

If NRWT is deducted, BNZ will not pay the Holder any additional amount.

In addition to New Zealand tax obligations, Holders that are not New Zealand Holders may also be subject to tax in their own jurisdiction and should seek advice from a tax adviser.

9. INFORMATION ABOUT BNZ

9.1 BNZ's business

Information about BNZ's business is contained in half-yearly disclosure statements BNZ prepares under the BPS Act. BNZ's disclosure statements are available at www.bnz.co.nz/about-us/governance/financials. Further information about BNZ's business is contained in the investor presentation for the Offer, which is available on the Disclose Register at www.disclose-register.companiesoffice.govt.nz (offer number OFR13773).

9.2 BNZ's regulatory capital requirements

The PPS 2 will be treated as Additional Tier 1 Capital for BNZ under the Reserve Bank's prudential regulatory requirements. Those requirements include capital adequacy requirements that banks must comply with under their conditions of registration. These requirements are intended to ensure that an adequate level of capital is maintained, providing a buffer to absorb losses from a bank's activities before depositors and other senior creditors are affected. The Reserve Bank's approach to assessing capital adequacy focuses on the credit risk associated with a bank's exposures, market and operational risks and the quality and quantity of a bank's capital.

9.2.1 *Types of regulatory capital*

The Reserve Bank classifies a bank's regulatory capital into different categories. These are referred to as Tier 1 Capital (consisting of Common Equity Tier 1 Capital and Additional Tier 1 Capital) and Tier 2 Capital.

The Reserve Bank released new capital adequacy requirements in 2021 that significantly increase the regulatory capital requirements applying to New Zealand banks.

The following table sets out the different categories of regulatory capital, the minimum capital ratios that BNZ must maintain, and the prudential capital buffer above the minimum capital ratios that BNZ must maintain to avoid restrictions on distributions (among other things), in each case as at the date of this LDD and once the Reserve Bank's capital reforms are fully implemented in July 2028. The regulatory capital ratios will increase progressively over this period.

		Reserve Bank's required ratio of capital to risk weighted assets to avoid restrictions on distributions	
Capital type	Description	As at the date of this LDD¹	July 2028²
Common Equity Tier 1 ("CET1") Capital	CET1 Capital is the highest quality form of capital and is freely available to absorb losses. CET1 Capital includes ordinary share capital, retained earnings, and certain accounting reserves. Some amounts (e.g. the value of goodwill) must be deducted to determine the final value of CET1 Capital.	More than 9%, including a prudential capital buffer of 4.5%	More than 13.5%, including a prudential capital buffer of 9%
Additional Tier 1 Capital	Additional Tier 1 Capital is a lower quality form of capital than CET1 Capital, but is still freely available to absorb losses. Additional Tier 1 Capital includes perpetual preference shares like the PPS 2.	Up to 2.5%	Up to 2.5%
Tier 1 Capital	The sum of CET1 Capital and Additional Tier 1 Capital	More than 11.5%, including a prudential capital buffer of 4.5%	More than 16%, including a prudential capital buffer of 9%
Tier 2 Capital	Tier 2 Capital is a lower quality form of capital than Tier 1 Capital, but is available to absorb losses in a liquidation. Tier 2 Capital includes subordinated instruments.	Up to 2%	Up to 2%
Total Capital	The sum of Tier 1 Capital and Tier 2 Capital	More than 13.5%, including a prudential capital buffer of 4.5%	More than 18%, including a prudential capital buffer of 9%

9.2.2 Failure to maintain prudential capital buffer

A failure to maintain the prudential capital buffer will not be a breach of a bank's conditions of registration but will result in a response from the Reserve Bank designed to encourage the bank to restore levels of capital.

If the prudential capital buffer is not maintained there is first a "useable band" where distributions are restricted to 100% of that year's earnings and no supervisory response is specified.

The supervisory response then escalates in 3 stages as the capital position deteriorates. At stages 1 and 2 there are further limits on distributions a bank may make on Common Equity Tier 1 Capital. At stage 3, no distributions are allowed on Common Equity Tier 1 Capital and, from 1 July 2028, on Additional Tier 1 Capital (including the PPS 2). From 1 July 2028, stage 3 will apply if BNZ's prudential capital buffer is 3% or less.

¹ These are the ratios that apply to systemically important New Zealand banks, including BNZ.

² These are the ratios that will apply to systemically important New Zealand banks, including BNZ.

9.2.3 Loss absorbing features of the PPS 2

In very general terms, a capital instrument is available to absorb losses if the holder of the instrument has no, or only a very limited, ability to require that payments are made on the instrument.

The PPS 2 will be treated as Additional Tier 1 Capital, and the Terms include loss absorbing features. For example:

- distribution payments on the PPS 2 are:
 - fully discretionary (that is, BNZ can choose to cancel a distribution without giving a reason);
 - subject to BNZ satisfying the Solvency Condition and the payment being permitted by BNZ's Conditions of Registration; and
 - non-cumulative (that is, if a distribution is not paid on a Distribution Payment Date, BNZ is under no obligation to pay that distribution at a later date – see Section 5.2 of this LDD (Distributions));
- you have no ability to require that your PPS 2 be redeemed;
- any redemption of the PPS 2 is at BNZ's option and is subject to conditions being met, including BNZ satisfying the Solvency Condition and obtaining the Reserve Bank's approval; and
- in a liquidation of BNZ, your right to payment is deeply subordinated, ranking ahead of the rights of BNZ's ordinary shareholders only (see Section 5.7 of this LDD (Ranking)).

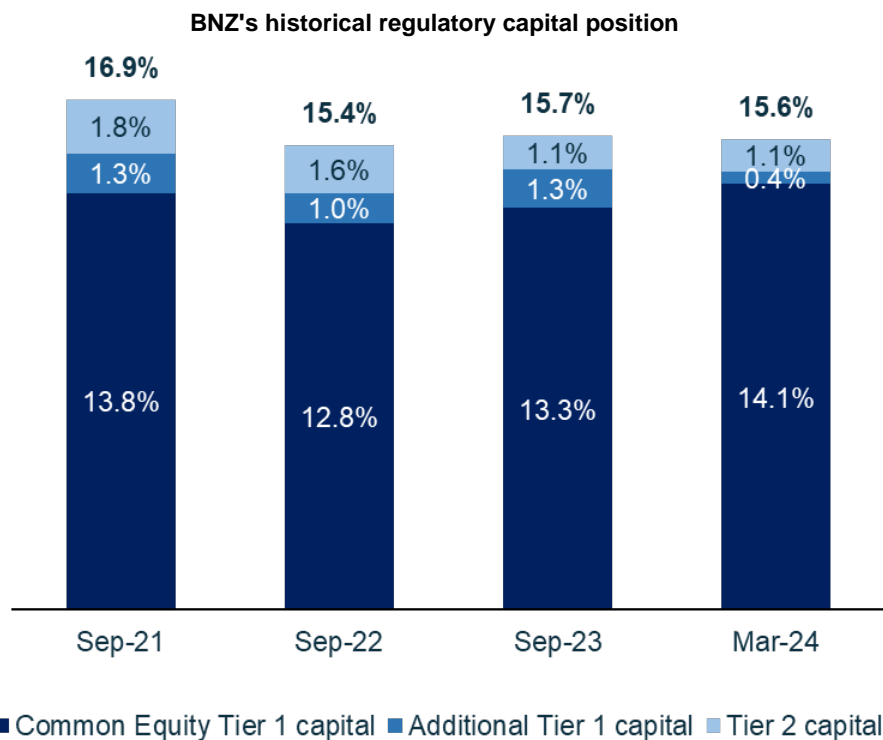
9.3 BNZ's capital management strategy

BNZ's primary objectives in relation to the management of capital adequacy are to comply with the requirements set out by the Reserve Bank, to provide a sufficient capital base to cover risks faced by the bank and to maintain a credit rating to support continuing access to funding markets.

Capital ratios are monitored against internal trigger levels that are set by BNZ's board of directors. The internal trigger levels are higher than the minimum capital requirements set by the Reserve Bank, to ensure BNZ continues to meet the Reserve Bank's requirements.

9.3.1 *BNZ's regulatory capital position*

The graph below shows BNZ's historical regulatory capital position under the applicable Reserve Bank rules since September 2021.



In January 2022, the Reserve Bank introduced a standardised floor on risk weighted assets which increased the value of BNZ's risk-weighted assets and reduced BNZ's regulatory capital ratios.

The information in the graph is based on information in BNZ's disclosure statement for each period. It is illustrative only and does not guarantee or forecast the future regulatory capital position for BNZ.

10. OTHER INFORMATION RELATING TO THE OFFER

10.1 Selling restrictions and indemnity

The PPS 2 may only be offered for sale or sold in accordance with the selling restrictions contained in this Section 10.1 ("**Selling Restrictions**"). By subscribing for PPS 2, you agree to comply with the Selling Restrictions and to indemnify BNZ, the Registrar, the Arranger and each Joint Lead Manager (and their respective directors, officers, employees and agents) in respect of any loss, cost, claim, fine, damages, liability or expense sustained or incurred as a result of you breaching the Selling Restrictions.

The Selling Restrictions may be modified by BNZ, including following a change in a relevant law, regulation or directive.

10.1.1 Initial selling restrictions

This LDD only constitutes an offer of PPS 2 to investors in New Zealand and does not constitute an offer of PPS 2 in any jurisdiction other than New Zealand.

10.1.2 General selling restrictions

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 for the PPS 2, 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.

This 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).

10.2 Role of the Arranger and Joint Lead Managers

This LDD does not constitute a recommendation by the Arranger, any Joint Lead Manager any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any PPS 2.

The role of the Arranger in relation to the Offer is to provide assistance with arranging the Offer and organising the Bookbuild. The Joint Lead Managers will assist with the Bookbuild and with the marketing and distribution of the PPS 2 but are not otherwise involved in the Offer.

Before making an investment decision, you should carefully 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 advice provider.

11. WHERE YOU CAN FIND MORE INFORMATION

11.1 Disclose Register

Further information relating to BNZ and the PPS 2 is available free of charge on the online Disclose Register maintained by the Companies Office. The Disclose Register can be accessed at www.disclose-register.companiesoffice.govt.nz (search offer number OFR13773). A copy of the information on the Disclose Register is also available on request to the Registrar of Financial Service Providers at www.fsp-register.companiesoffice.govt.nz. The information contained on the Disclose Register includes copies of BNZ's constitution, the Terms, the investor presentation for the Offer, a credit rating report from S&P in relation to the PPS 2, and other material information.

11.2 NZX

Notices to the Holders may be given by BNZ making an announcement via NZX and will be available free of charge at www.nzx.com/companies/BNZ.

11.3 Disclosure statements

BNZ's disclosure statements are available free of charge at www.bnz.co.nz/about-us/governance/financials.

12. HOW TO APPLY

12.1 How to apply

All of the PPS 2 offered under the Offer have been reserved for subscription by clients of the Joint Lead Managers and other Primary Market Participants and approved financial intermediaries invited to participate in the Bookbuild.

This means you can only apply for PPS 2 if you are a client of a Primary Market Participant or approved financial intermediary who has obtained an allocation. You can find a Primary Market Participant by visiting www.nzx.com/investing/find-a-participant.

The Primary Market Participant or approved financial intermediary will:

- provide you with a copy of this LDD (if you have not already received a copy);
- explain what you need to do to apply for the PPS 2; and
- explain what payments need to be made by you (and by when).

The Primary Market Participant or approved financial intermediary can also explain what arrangements will need to be put in place for you to trade the PPS 2 (including obtaining a CSN, an authorisation code and opening an account with a Primary Market Participant) as well as the costs and timeframes for putting such arrangements in place.

12.2 Personal information rights

Personal information provided by you will be held by BNZ and the Registrar and will be used in accordance with their privacy policies (as such policies may be amended or substituted from time to time). As at the date of this LDD, BNZ's Master Privacy Policy is available at www.bnz.co.nz/about-us/governance/privacy-policy. Under the Privacy Act 2020 you may request access to and correction of your personal information. You can also access your information on the Registrar's website: www.investorcentre.com/nz. You will be required to enter your holder number and authorisation code.

13. CONTACT INFORMATION

Issuer:

Bank of New Zealand
Level 4
80 Queen Street
Auckland 1010
New Zealand

Attention: Treasurer

Email: bnz_treasury@bnz.co.nz

Registrar:

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Auckland 0622
Private Bag 92119
Auckland 1142
New Zealand
Phone: +64 9 488 8700
Email: enquiry@computershare.co.nz

Arranger:

Bank of New Zealand
Level 4
80 Queen Street
Auckland 1010
New Zealand

Joint Lead Managers:

Bank of New Zealand
Level 4
80 Queen Street
Auckland 1010
New Zealand

Craigs Investment Partners Limited
Level 36, Vero Centre
48 Shortland Street
Auckland 1010
New Zealand

Forsyth Barr Limited
Level 9
Forsyth Barr House
The Octagon
Dunedin 9054
New Zealand

14. GLOSSARY

3 Month Bank Bill Rate	<p>in relation to a Distribution Payment Date after the First Optional Redemption Date:</p> <p>(a) the FRA rate administered by the New Zealand Financial Benchmark Facility ("NZFBF") (or any person that takes over the administration of that rate) for bank bills having a term of, or of about, 3 months as displayed at or about 10:45am or such later time as BNZ may determine on the previous Scheduled Distribution Payment Date on Bloomberg BKBM page 'GDCO 2805' (or any successor page); or</p> <p>(b) if that rate is not displayed by 10:45am or such later time as BNZ may determine on that date, the equivalent rate provided by the NZFBF (or any person that takes over the administration of that rate) at or around that time on that date,</p> <p>in each case expressed as a percentage per annum and rounded, if necessary, to the nearest 4 decimal places with 0.00005% being rounded up.</p> <p>BNZ is able to replace the 3 Month Bank Bill Rate with an alternative reference rate if the 3 Month Bank Bill Rate becomes unavailable.</p>
Additional Tier 1 Capital	is described in Section 9.2 of this LDD (BNZ's regulatory capital requirements).
Arranger	Bank of New Zealand
BNZ	Bank of New Zealand
BNZ Group	BNZ, its wholly owned entities and all other entities consolidated for financial reporting purposes, as specified in its latest financial statements, on a consolidated and not an individual basis.
Bookbuild	the process conducted after the closing of the Offer whereby certain investors lodge bids for PPS 2 and, on the basis of those bids, BNZ as issuer in consultation with the Joint Lead Managers determines the Margin and allocations of the PPS 2.
BPS Act	the Banking (Prudential Supervision) Act 1989.
Business Day	<ul style="list-style-type: none"> for the purposes of giving notices, a day which is a business day within the meaning of the NZX Listing Rules; or for all other purposes, a day that is not a Saturday or Sunday and on which banks are open for general business in Wellington and Auckland.
Closing Time	the "Closing Time" specified in Section 3 of this LDD (Key dates and Offer process).
Common Equity Tier 1 Capital	is described in Section 9.2 of this LDD (BNZ's regulatory capital requirements).
Conditions of Registration	<p>the conditions of registration imposed on BNZ by the Reserve Bank, as amended from time to time.</p> <p>BNZ's conditions of registration are contained in its full year disclosure statements. They are BNZ's conditions of registration as at the relevant balance date, and may have been amended since that date. BNZ's disclosure statements are available at www.bnz.co.nz/about-us/governance/financials.</p>
Constitution	BNZ's constitution, available on the Disclose Register.
CSN	common shareholder number

Disclose Register	the online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose", which can be accessed at www.disclose-register.companiesoffice.govt.nz/ .
Distribution Payment Date	each Scheduled Distribution Payment Date and, if the PPS 2 are redeemed, the date on which the PPS 2 are redeemed (see Section 5.2 of this LDD (Distributions)), subject to the Business Day convention described in Section 5.4 of this LDD (Payments).
Distribution Rate	is described in Section 5.2 of this LDD (Distributions).
First Optional Redemption Date	the "First Optional Redemption Date" specified in Section 3 of this LDD (Key dates and Offer process).
Holder	a person whose name is entered in the Register as a holder of PPS 2.
Issue Date	the "Issue Date" specified in Section 3 of this LDD (Key dates and Offer process).
Issue Price	NZ\$1.00 per PPS 2
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited.
LDD	this Limited Disclosure Document.
Margin	the rate (expressed as a percentage per annum) determined by BNZ as issuer in consultation with the Joint Lead Managers through the Bookbuild and announced by BNZ via NZX on or about the Rate Set Date.
NAB	National Australia Bank Limited (ABN 12 004 044 937)
New Zealand Holders	has the meaning given in Section 7 of this LDD (Tax)
NZX	NZX Limited, and includes any person or authority which may in the future assume and perform the functions of NZX Limited.
NZX Debt Market	the debt market operated by NZX.
NZX Listing Rules	the listing rules of NZX, as amended, varied or waived from time to time.
Offer	the offer of PPS 2 made in this LDD.
Opening Date	the "Opening Date" specified in Section 3 of this LDD (Key dates and Offer process).
Optional Redemption Date	<ul style="list-style-type: none"> • the First Optional Redemption Date; and • each Scheduled Distribution Payment Date after that date.
PPS 2	the perpetual preference shares offered by BNZ under this LDD.
Primary Market Participant	has the meaning given in the NZX Participant Rules, as amended from time to time.
Rate Set Date	the "Rate Set Date" specified in Section 3 of this LDD (Key dates and Offer process).
Record Date	has the meaning given in Section 5.4 of this LDD (Payments).
Register	the register of Holders of PPS 2 established and maintained by the Registrar on behalf of BNZ.

Registrar	Computershare Investor Services Limited
Regulatory Event	has the meaning given in Section 5.3 of this LDD (Optional redemption of your PPS 2).
Reserve Bank	the Reserve Bank of New Zealand.
S&P	S&P Global Ratings Australia Pty Limited
Scheduled Distribution Payment Dates	the "Scheduled Distribution Payment Dates" specified in Section 3 of this LDD (Key dates and Offer process).
Solvency Condition	a condition to the payment of distributions and the redemption of the PPS 2, requiring the following: <ul style="list-style-type: none"> • BNZ must be Solvent on the applicable payment date; and • BNZ must be able to pay the amount and remain Solvent immediately after paying the amount.
Solvent	satisfying the solvency test contained in section 4 of the Companies Act 1993, as modified by section 52 of that Act.
Swap Rate	the mid-market rate for an interest rate swap with a term of 6 years commencing on the Issue Date, as determined by BNZ, according to market convention, with reference to Bloomberg page 'ICNZ4' (or any successor page) on the Rate Set Date, expressed as a percentage per annum, adjusted for quarterly payments and rounded, if necessary, to the nearest 2 decimal places with 0.005% being rounded up.
Tax Event	has the meaning given in Section 5.3 of this LDD (Optional redemption of your PPS 2).
Terms	the terms and conditions of the PPS 2, available on the Disclose Register.
Tier 1 Capital	is described in Section 9.2 of this LDD (BNZ's regulatory capital requirements).
Tier 2 Capital	is described in Section 9.2 of this LDD (BNZ's regulatory capital requirements).



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