ALLOCATION POLICY

Capital Markets

1. Introduction

Bank of New Zealand (BNZ) Capital Markets Allocation Policy (Policy) and related procedures form part of BNZ's Conflicts of Interest Framework and describe our approach on executing or participating in Capital Markets Transactions (CMTs).

The allocation of securities issued pursuant to a CMT may give rise to actual, potential and/or perceived conflicts between BNZ's obligations to the Issuer who has mandated us and BNZ's other interests (including our obligations to, or desire to assist, other clients and our own interests as a principal investor or trader of securities). There is also a risk that conduct by a Manager or the Issuer in relation to allocations of securities pursuant to a CMT (including statements made prior to, during or after the book build process) may mislead or deceive market participants.

The purpose of this Policy is to:

- articulate our approach to the management of allocations in CMTs;
- support compliance with our obligations;,
- align to industry recommended conventions and standards to the extent adopted by BNZ.

2. Scope

This Policy applies to all CMTs involving BNZ where we are appointed Manager and required to provide an allocation recommendation to the Issuer.

This Policy does not apply to:

- Issuances in Australian markets managed by National Australia Bank (NAB);
- Issuances in US markets managed by nabSecurities LLC; and
- Issuances in European markets managed by NAB Europe Ltd; and
- Where we are part of a syndicate, and another Manager is responsible for preparing and agreeing the final allocation recommendations to the Issuer.

3. Where BNZ is Manager – allocation recommendations

BNZ will agree allocation objectives and preferences with the Issuer prior to bookbuild.

Where we are part of a syndicate, we will agree the allocation recommendation approach with other syndicate members.

BNZ (directly or via the syndicate) will provide Issuers with bookbuild information, including Investor interest and any conditional interest, price updates, time of bids, Investor identities, proposed deal updates and market communications.

Our allocation recommendations will be based on the considerations set out in the table below:

Permitted Allocation Considerations	Prohibited Allocation Considerations

• Issuer allocation preferences and objectives, such as:
  ○ the category of Investor
  ○ whether the Issuer wants to target one geographic region over another for investor diversity
• Investor participation, engagement and support in past dealings or other securities of the Issuer
• The size of the bid appears consistent with the Investor's investment profile
• The Investor's anticipated holding period of any allocation
• The nature and level of interest shown by the Investor, for example, involvement in market sounding, 'reverse inquiry', roadshow meetings and market colour to support the deal
• The credit worthiness of the Investor, including the ability to settle in accordance with the process and timetable
• The timeliness of the bid and size of order (i.e., price leadership)
• Other factors such as price and timing – to establish the price BNZ may consider the known Investor demand, internal views on fair value and market conditions or the pricing of similar offerings
• Any indication or evidence or belief that the Investor has exaggerated the true extent of its interest in the expectation of being scaled back
• Any applicable selling restrictions in jurisdictions with which the Investor is connected
	Any preferential treatment for an Investor based on consideration of BNZ's own interests, including but not limited to:
	• Preferential treatment of BNZ House and Treasury bids
	• "quid pro quo" arrangements with an Investor or affiliate (e.g., an investor agrees to buy other products or services, or engage in future business with BNZ or one of our affiliates)
	• BNZ and an Investor sharing the profits accrued in connection with the trading of new issue securities
	• BNZ making allocations to the senior management or directors of an Investor in consideration for future or past award of corporate business ('Spinning')
	• Soliciting an "aftermarket order" from an Investor, prior to completion of the distribution of the offering of the relevant securities
	• Requiring an Investor to purchase an allocation of a parcel of securities in an offering that is not a "hot issue" (such as an issue which is not fully subscribed) in exchange for that Investor being considered by BNZ as eligible for an allocation in an offering that is a "hot issue" (such as an issue which is oversubscribed)
	• An allocation made to incentivise the payment of disproportionately high fees for unrelated services provided by the investment firm (so called "laddering")
	• An allocation that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from BNZ by the Investor, or any entity of which the Investor is a corporate officer

BNZ will obtain the Issuer's approval of final allocations, including any issuer required changes.

4. Allocation to internal clients

BNZ House is any Division or desk of BNZ or NAB that is permitted to take a principal or proprietary position and includes BNZ's Debt Market Portfolio and Underwriting (DMPU) business and BNZ's Markets trading desks but excludes BNZ's Treasury function.

The following principles apply in relation to BNZ House bids (excluding pre-agreed cornerstone investment commitments and underwriting commitments):

- Where we are part of a syndicate group of Managers making allocation recommendations to the Issuer, BNZ House allocations must be determined by the Issuer in consultation with the other syndicate members without our involvement, unless it is part of a general discussion around the amount allocated to trading book(s) overall.
- The Issuer should determine BNZ House allocations.
- If the Issuer defers to BNZ to make allocation decisions, the following applies:
    - BNZ House must not be treated any better than any bona fide third-party Investor's bid, regardless of volume or price leadership.

5. Communications

When publicising book size, we will (in agreement with other syndicate banks) disclose the amount of Joint Lead Manager interest characterised as ‘JLM trading interest’. Where there is JLM interest in a transaction and the Issuer refuses to disclose the JLM interest in a book update, then any update should specify ‘excluding JLM interest’.

Our public communications on final allocations are restricted to Investor categories. We will not identify individual Investors, nor disclose allocations in a way that would enable others to identify them.

6. Management Assurance review

Our Management Assurance team provides independent review and challenge of BNZ’s Capital Markets business, including communications surveillance and periodic reviews.