WESTPAC NEW ZEALAND LIMITED

Disclosure Statement.
For the six months ended 31 March 2024.

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Contents

Glossary of terms

Certain information contained in this Disclosure Statement is required by the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (**'Order'**).

In this Disclosure Statement, reference is made to:

- Westpac New Zealand Limited (otherwise referred to as the **'Bank'**);
- Westpac New Zealand Limited and its controlled entities (otherwise referred to as the **'Banking Group'**);
- Westpac Banking Corporation (otherwise referred to as the **'Ultimate Parent Bank'**);
- Ultimate Parent Bank and its controlled entities (otherwise referred to as the **'Ultimate Parent Bank Group'**); and
- New Zealand Branch of the Ultimate Parent Bank (otherwise referred to as the **'NZ Branch'**).

Words and phrases not defined in this Disclosure Statement, but defined by the Order, have the meaning given by the Order when used in this Disclosure Statement.

The Disclosure Statement also uses the following terms as defined below.

ANZSIC	Australia and New Zealand Standard Industrial classification
APRA	Australian Prudential Regulation Authority
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BPRs	Banking Prudential Requirements
CAP	Collectively assessed provisions
CB Programme	The Bank's Global Covered Bond Programme
CCCFA	Credit Contracts and Consumer Finance Act 2003
CEA	Credit equivalent amount
EAD	Exposure at default
ECL	Expected credit losses
Financial statements	Condensed consolidated interim financial statements
FVIS	Fair value through income statement
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
IAP	Individually assessed provisions
IRB	Internal ratings-based
LGD	Loss given default
LVR	Loan-to-value ratio
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
PD	Probability of default
PPS	Perpetual preference shares
Reserve Bank	Reserve Bank of New Zealand
RMBS	Residential mortgage-backed securities
RWA	Risk weighted assets/risk weighted exposures
SPV	Special purpose vehicle
WSNZL	Westpac Securities NZ Limited

Directors' statement

Each Director of the Bank believes, after due enquiry, that, as at the date on which this Disclosure Statement is signed, the Disclosure Statement:

(a) contains all the information that is required by the Order; and

(b) is not false or misleading.

Each Director of the Bank believes, after due enquiry, that over the six months ended 31 March 2024:

(a) except as noted on page 48, the Bank has complied in all material respects with each condition of registration that applied during that period;

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

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

This Disclosure Statement has been signed by all the Directors:

Philippa Greenwood

Debra Birch

Robert Hamilton

Ian Samuel Knowles

Christine Parker

Catherine McGrath

David Green

David Havercroft

Jonathan Mason

Michael Rowland

Dated this 5th day of May 2024

Income statement for the six months ended 31 March 2024

$ millions	Note	THE BANKING GROUP Six Months Ended 31 Mar 24 Unaudited	Six Months Ended 31 Mar 23 Unaudited
Interest income:			
Calculated using the effective interest method	2	**3,603**	2,805
Other	2	**73**	50
Total interest income	2	**3,676**	2,855
Interest expense	2	**(2,292)**	(1,546)
Net interest income		**1,384**	1,309
Non-interest income			
Net fees and commissions	3	**116**	111
Other	3	**(1)**	3
Total non-interest income		**115**	114
Net operating income		**1,499**	1,423
Operating expenses	4	**(694)**	(619)
Impairment (charges)/benefits	5	**(23)**	(154)
Profit before income tax		**782**	650
Income tax expense		**(220)**	(183)
Net profit attributable to the owner of the Bank		**562**	467

The above income statement should be read in conjunction with the accompanying notes.

Statement of comprehensive income for the six months ended 31 March 2024

$ millions	THE BANKING GROUP Six Months Ended 31 Mar 24 Unaudited	Six Months Ended 31 Mar 23 Unaudited
Net profit attributable to the owner of the Bank	**562**	467
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) recognised in equity on:		
Investment securities	**149**	45
Cash flow hedging instruments[1]	**(232)**	(125)
Transferred to income statement:		
Cash flow hedging instruments[1]	**(54)**	50
Income tax on items taken to or transferred from equity:		
Investment securities	**(42)**	(13)
Cash flow hedging instruments	**80**	21
Net other comprehensive income/(expense) for the period (net of tax)	**(99)**	(22)
Total comprehensive income attributable to the owner of the Bank	**463**	445

[1] Comparative amounts have been revised to align to the current period's basis of presentation. The restatement for 2023 comparatives results in a $122 million increase in transferred to income statement and a corresponding decrease in gains/(losses) recognised in equity in relation to cash flow hedging instruments.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Balance sheet as at 31 March 2024

		THE BANKING GROUP	
$ millions	Note	**31 Mar 24 Unaudited**	30 Sep 23 Audited
Assets			
Cash and balances with central banks		**9,257**	9,233
Collateral paid		**25**	33
Trading securities and financial assets measured at FVIS		**2,337**	2,661
Derivative financial instruments		**346**	312
Investment securities		**7,136**	6,651
Loans	6, 7	**100,858**	99,328
Other financial assets		**324**	314
Due from related entities		**1,933**	2,578
Property and equipment		**420**	396
Deferred tax assets		**154**	77
Intangible assets		**930**	934
Other assets		**126**	123
Total assets		**123,846**	122,640
Liabilities			
Collateral received		**329**	303
Deposits and other borrowings	8	**81,464**	82,196
Other financial liabilities		**6,336**	6,172
Derivative financial instruments		**33**	71
Due to related entities		**2,801**	2,733
Debt issues	9	**20,205**	18,597
Current tax liabilities		**132**	199
Provisions		**201**	229
Other liabilities		**374**	330
Loan capital		**1,695**	2,666
Total liabilities		**113,570**	113,496
Net assets		**10,276**	9,144
Shareholder's equity			
Ordinary share capital		**7,300**	7,300
Perpetual preference shares	10	**1,000**	-
Reserves		**(9)**	90
Retained profits		**1,985**	1,754
Total shareholder's equity		**10,276**	9,144

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity for the six months ended 31 March 2024

		THE BANKING GROUP					
				Reserves			
$ millions	Note	Ordinary Share Capital	Perpetual Preference Shares	Investment Securities Reserve	Cash Flow Hedge Reserve[1]	Retained Profits	Total Shareholder's Equity
As at 30 September 2022 (Audited)		7,300	-	(285)	422	1,343	8,780
Six months ended 31 March 2023 (Unaudited)							-
Net profit attributable to the owner of the Bank		-	-	-	-	467	467
Net gains/(losses) from changes in fair value		-	-	45	(125)	-	(80)
Income tax effect		-	-	(13)	35	-	22
Transferred to income statement		-	-	-	50	-	50
Income tax effect		-	-	-	(14)	-	(14)
Total comprehensive income for the six months ended 31 March 2023		-	-	32	(54)	467	445
Transactions with owner:							
Dividends paid on ordinary shares	10	-	-	-	-	(326)	(326)
As at 31 March 2023 (Unaudited)		7,300	-	(253)	368	1,484	8,899
As at 30 September 2023 (Audited)		**7,300**	**-**	**(287)**	**377**	**1,754**	**9,144**
Six months ended 31 March 2024 (Unaudited)							
Net profit attributable to the owner of the Bank		**-**	**-**	**-**	**-**	**562**	**562**
Net gains/(losses) from changes in fair value		**-**	**-**	**149**	**(232)**	**-**	**(83)**
Income tax effect		**-**	**-**	**(42)**	**65**	**-**	**23**
Transferred to income statement		**-**	**-**	**-**	**(54)**	**-**	**(54)**
Income tax effect		**-**	**-**	**-**	**15**	**-**	**15**
Total comprehensive income for the six months ended 31 March 2024		**-**	**-**	**107**	**(206)**	**562**	**463**
Transactions with owner:							
PPS issued	10	**-**	**1,000**	**-**	**-**	**-**	**1,000**
Dividends paid on ordinary shares	10	**-**	**-**	**-**	**-**	**(314)**	**(314)**
Dividends paid on PPS	10	**-**	**-**	**-**	**-**	**(17)**	**(17)**
Supplementary dividends paid on PPS	10	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Tax credit on supplementary dividends		**-**	**-**	**-**	**-**	**3**	**3**
As at 31 March 2024 (Unaudited)		**7,300**	**1,000**	**(180)**	**171**	**1,985**	**10,276**

[1] Comparative amounts have been revised to align to the current period's basis of presentation. The restatement for 2023 comparatives results in a $122 million increase in transferred to income statement and a corresponding decrease in net gains/(losses) from changes in fair value recognised in equity in relation to cash flow hedging instruments.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows for the six months ended 31 March 2024

$ millions	Note	THE BANKING GROUP Six Months Ended 31 Mar 24 Unaudited	Six Months Ended 31 Mar 23 Unaudited
Cash flows from operating activities			
Interest received		**3,664**	2,853
Interest paid		**(2,172)**	(1,321)
Non-interest income received		**132**	129
Operating expenses paid		**(633)**	(606)
Income tax paid		**(323)**	(195)
Cash flows from operating activities before changes in operating assets and liabilities		**668**	860
Net (increase)/decrease in:			
Collateral paid		**8**	(17)
Trading securities and financial assets measured at FVIS		**336**	(169)
Loans		**(1,384)**	(1,396)
Other financial assets		**7**	(1)
Due from related entities		**240**	36
Other assets		**1**	2
Net increase/(decrease) in:			
Collateral received		**26**	63
Deposits and other borrowings		**(732)**	1,718
Other financial liabilities		**39**	1,233
Due to related entities		**272**	(1,240)
Other liabilities		**16**	4
Net movement in external and related entity derivative financial instruments		**353**	453
Net cash provided by/(used in) operating activities		**(150)**	1,546
Cash flows from investing activities			
Purchase of investment securities		**(591)**	(1,119)
Proceeds from investment securities		**358**	35
Purchase of intangible assets		**(50)**	(118)
Purchase of property and equipment		**(21)**	(26)
Net cash provided by/(used in) investing activities		**(304)**	(1,228)
Cash flows from financing activities			
Net movement in due to related entities		**15**	124
Proceeds from debt issues		**3,901**	6,277
Repayments of debt issues		**(3,083)**	(6,002)
Payments for the principal portion of lease liabilities		**(21)**	(24)
Dividends paid to ordinary shareholder	10	**(314)**	(326)
Dividends paid to perpetual preference shareholder	10	**(20)**	-
Net cash provided by/(used in) financing activities		**478**	49
Net increase/(decrease) in cash and cash equivalents		**24**	367
Cash and cash equivalents at beginning of the period		**9,233**	10,820
Cash and cash equivalents at end of the period		**9,257**	11,187
Cash and cash equivalents at end of the period comprise:			
Cash on hand		**213**	274
Balances with central banks		**9,044**	10,913
Cash and cash equivalents at end of the period		**9,257**	11,187

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Note 1 Financial statements preparation

These financial statements have been prepared in accordance with the Order and Generally Accepted Accounting Practice, as appropriate for for-profit entities, and the New Zealand equivalent to International Accounting Standard 34 *Interim Financial Reporting*. These financial statements are also compliant with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board. These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements should be read in conjunction with the financial statements included in the Disclosure Statement for the year ended 30 September 2023.

Accounting policies

These financial statements have been prepared under the historical cost convention, as modified by applying fair value accounting to financial assets and financial liabilities (including derivative financial instruments) measured at FVIS or FVOCI. The going concern concept has been applied.

The financial statements were authorised for issue by the Board of Directors on 5 May 2024.

All amounts in the financial statements are presented in New Zealand dollars and have been rounded to the nearest million dollars unless otherwise stated.

Comparative information has been revised where appropriate to enhance comparability. Where there has been a material restatement of comparative information, the nature of, and the reason for, the restatement is disclosed in these financial statements.

The accounting policies adopted in the preparation of these financial statements are consistent with those in the financial statements for the year ended 30 September 2023.

Critical accounting assumptions and estimates

In preparing these financial statements, the application of the Banking Group's accounting policies requires the use of judgement, assumptions and estimates.

The areas of judgement, estimates and assumptions in these financial statements, including the key sources of estimation uncertainty, are consistent with those in the Disclosure Statement for the year ended 30 September 2023. Details on specific judgements in relation to the calculation of the provision for ECL, including overlays, are included in Note 7.

Amendments to Accounting Standards effective this period

No new accounting standards have been adopted by the Banking Group for the six months ended 31 March 2024 that have had a material impact to the Banking Group. There have been no amendments to existing accounting standards that have had a material impact on the Banking Group.

Notes to the financial statements

Note 2 Net interest income

	THE BANKING GROUP	
$ millions	**Six Months Ended 31 Mar 24 Unaudited**	Six Months Ended 31 Mar 23 Unaudited
Interest income		
Calculated using the effective interest method		
Cash and balances with central banks	**270**	244
Collateral paid	**1**	2
Investment securities	**99**	70
Loans	**3,230**	2,489
Due from related entities	**3**	-
Total interest income calculated using the effective interest method	**3,603**	2,805
Other		
Trading securities and financial assets measured at FVIS	**69**	46
Due from related entities	**4**	4
Total other	**73**	50
Total interest income	**3,676**	2,855
Interest expense		
Calculated using the effective interest method		
Collateral received	**9**	1
Deposits and other borrowings	**1,653**	1,039
Due to related entities	**23**	24
Debt issues	**185**	107
Loan capital	**86**	80
Other financial liabilities	**137**	102
Total interest expense calculated using the effective interest method	**2,093**	1,353
Other		
Deposits and other borrowings	**82**	66
Due to related entities	**10**	4
Debt issues	**43**	96
Other interest expense[1]	**64**	27
Total other	**199**	193
Total interest expense	**2,292**	1,546
Net interest income	**1,384**	1,309

[1] Includes the net impact of Treasury's interest rate and liquidity management activities.

Notes to the financial statements

Note 3 Non-interest income

	THE BANKING GROUP	
$ millions	**Six Months Ended 31 Mar 24 Unaudited**	Six Months Ended 31 Mar 23 Unaudited
Net fees and commissions		
Facility fees	**22**	22
Transaction fees and commissions	**122**	123
Other non-risk fee income	**8**	5
Fees and commissions income	**152**	150
Credit card loyalty programmes	**(17)**	(20)
Transaction fees and commissions related expenses	**(19)**	(19)
Fees and commissions expenses	**(36)**	(39)
Net fees and commissions	**116**	111
Other		
Net ineffectiveness on qualifying hedges	**(9)**	-
Other	**8**	3
Total other	**(1)**	3
Total non-interest income	**115**	114

Note 4 Operating expenses

	THE BANKING GROUP	
$ millions	**Six Months Ended 31 Mar 24 Unaudited**	Six Months Ended 31 Mar 23 Unaudited
Staff expenses	**370**	330
Lease expenses	**10**	13
Depreciation	**46**	42
Technology services and telecommunications	**130**	99
Purchased services	**24**	48
Software amortisation costs	**54**	18
Related entities - management fees	**2**	3
Other	**58**	66
Total operating expenses	**694**	619

Notes to the financial statements

Note 5 Impairment charges/(benefits)

	THE BANKING GROUP	
$ millions	**Six Months Ended 31 Mar 24 Unaudited**	Six Months Ended 31 Mar 23 Unaudited
Provisions raised/(released):		
Performing	**(24)**	121
Non-performing	**41**	30
Bad debts written-off/(recovered) directly to the income statement	**6**	3
Impairment charges/(benefits)	**23**	154
of which relates to:		
Loans and credit commitments	**23**	154
Impairment charges/(benefits)	**23**	154

Impairment charges/(benefits) on all other financial assets are not material to the Banking Group.

Note 6 Loans

	THE BANKING GROUP	
$ millions	**31 Mar 24 Unaudited**	30 Sep 23 Audited
Residential mortgages	**67,388**	65,766
Other retail	**2,634**	2,648
Corporate	**31,146**	31,222
Other	**210**	194
Total gross loans	**101,378**	99,830
Provision for ECL on loans (refer to Note 7)	**(520)**	(502)
Total net loans	**100,858**	99,328

As at 31 March 2024, $7,545 million of residential mortgages, accrued interest (representing accrued interest on the outstanding residential mortgages) and cash (representing collections of principal and interest from the underlying residential mortgages) were used by the Banking Group to secure the obligations of WSNZL under the CB Programme (30 September 2023: $7,540 million). In addition, $6,482 million of residential mortgages and accrued interest have been pledged as collateral as part of the repurchase agreements with the Reserve Bank, under the Funding for Lending Programme and Term Lending Facility (30 September 2023: $6,469 million). These pledged assets were not derecognised from the Banking Group's balance sheet in accordance with the accounting policies outlined in Note 1 Financial statements preparation included in the Disclosure Statement for the year ended 30 September 2023. As at 31 March 2024, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was $4,436 million (30 September 2023: $5,045 million) and the cash value of the repurchase agreements with the Reserve Bank was $5,106 million (30 September 2023: $5,094 million).

Note 7 Provision for expected credit losses

Loans and credit commitments

Movements in components of loss allowance

The reconciliation of the provision for ECL for loans and credit commitments has been determined by an aggregation of monthly movements over the period. The key line items in the reconciliation represent the following:

- "Transfers between stages" lines represent transfers between Stage 1, Stage 2 and Stage 3 prior to remeasurement of the provision for ECL.
- "New financial assets originated" line represents new accounts originated during the period.
- "Financial assets derecognised during the period" line represents loans derecognised due to final repayments during the period.
- "Other charges/(credits) to the income statement" line represents the impact on the provision for ECL due to changes in credit quality during the period (including transfers between stages), changes in portfolio overlays, changes due to forward-looking economic scenarios and partial repayments and additional drawdowns on existing facilities over the period.
- Amounts written off represent a reduction in the provision for ECL as a result of derecognition of exposures where there is no reasonable expectation of full recovery.

Notes to the financial statements

Note 7 Provision for expected credit losses (continued)

The following tables reconcile the provision for ECL on loans and credit commitments for the Banking Group.

	THE BANKING GROUP				
	31 Mar 24 Unaudited				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	CAP	CAP	CAP	IAP	Total
Provision for ECL on loans and credit commitments as at 30 September 2023	91	330	107	23	551
Transfers to Stage 1	108	(104)	(4)	-	-
Transfers to Stage 2	(5)	25	(20)	-	-
Transfers to Stage 3 CAP	-	(32)	33	(1)	-
Transfers to Stage 3 IAP	-	(5)	(10)	15	-
Reversals of previously recognised impairment charges	-	-	-	(6)	(6)
New financial assets originated	9	-	-	-	9
Financial assets derecognised during the period	(4)	(11)	(22)	-	(37)
Changes in CAP due to amounts written off	-	-	(13)	-	(13)
Other charges/(credits) to the income statement	(118)	113	50	19	64
Total charges/(credits) to the income statement for ECL	(10)	(14)	14	27	17
Amounts written off from IAP	-	-	-	-	-
Total provision for ECL on loans and credit commitments as at 31 March 2024	81	316	121	50	568
Presented as:					
Provision for ECL on loans (refer to Note 6)	67	285	120	48	520
Provision for ECL on credit commitments[1]	14	31	1	2	48
Total provision for ECL on loans and credit commitments as at 31 March 2024	81	316	121	50	568

[1] Includes provision for ECL on related entity credit commitments of $4 million classified as Due to Related Entities in the Balance Sheet.

Note 7 Provision for expected credit losses (continued)

	THE BANKING GROUP				
	30 Sep 23 Audited				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	CAP	CAP	CAP	IAP	Total
Provision for ECL on loans and credit commitments as at 30 September 2022	103	240	69	27	439
Transfers to Stage 1	228	(220)	(8)	-	-
Transfers to Stage 2	(17)	51	(33)	(1)	-
Transfers to Stage 3 CAP	-	(37)	41	(4)	-
Transfers to Stage 3 IAP	-	(2)	(14)	16	-
Reversals of previously recognised impairment charges	-	-	-	(9)	(9)
New financial assets originated	17	-	-	-	17
Financial assets derecognised during the year	(8)	(43)	(23)	-	(74)
Changes in CAP due to amounts written off	-	-	(24)	-	(24)
Other charges/(credits) to the income statement	(232)	341	99	6	214
Total charges/(credits) to the income statement for ECL	(12)	90	38	8	124
Amounts written off from IAP	-	-	-	(12)	(12)
Total provision for ECL on loans and credit commitments as at 30 September 2023	91	330	107	23	551
Presented as:					
Provision for ECL on loans (refer to Note 6)	76	296	107	23	502
Provision for ECL on credit commitments[1]	15	34	-	-	49
Total provision for ECL on loans and credit commitments as at 30 September 2023	91	330	107	23	551

[1] Includes provision for ECL on related entity credit commitments of $5 million classified as Due to Related Entities in the Balance Sheet.

Notes to the financial statements

Note 7 Provision for expected credit losses (continued)

The following table provides further details of the provision for ECL by types of exposure and stage:

	THE BANKING GROUP									
	31 Mar 24 Unaudited					30 Sep 23 Audited				
	Performing		Non-performing			Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3		Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	CAP	CAP	CAP	IAP	Total	CAP	CAP	CAP	IAP	Total
Provision for ECL on loans and credit commitments										
Residential mortgages	**38**	**144**	**76**	**14**	**272**	42	147	61	10	260
Other retail	**13**	**39**	**12**	**1**	**65**	15	42	12	1	70
Corporate	**30**	**133**	**33**	**35**	**231**	34	141	34	12	221
Total provision for ECL on loans and credit commitments	**81**	**316**	**121**	**50**	**568**	91	330	107	23	551

Impact of overlays on the provision for ECL on loans and credit commitments

The following table attributes the provision for ECL on loans and credit commitments between modelled ECL and portfolio overlays.

Portfolio overlays are used to capture risk of increased uncertainty relating to forward-looking economic conditions, or areas of potential risk and uncertainty in the portfolio, that are not captured in the underlying modelled ECL.

	THE BANKING GROUP	
	31 Mar 24	30 Sep 23
$ millions	Unaudited	Audited
Modelled provision for ECL on loans and credit commitments	**542**	505
Overlays	**26**	46
Total provision for ECL on loans and credit commitments	**568**	551

Details of changes related to forward-looking economic inputs and portfolio overlays, based on reasonable and supportable information up to the date of this disclosure statement, are provided below.

Note 7 Provision for expected credit losses (continued)

Modelled provision for ECL on loans and credit commitments

The modelled provision for ECL on loans and credit commitments is a probability weighted estimate based on three scenarios which together represent the Banking Group's view of the forward-looking distribution of potential loss outcomes. The changes in provisions as a result of changes in modelled ECL are reflected through the "Other charges/(credits) to the income statement" line in the "Movements in components of loss allowance" table. Portfolio overlays are used to capture potential risk and uncertainty in the portfolio that are not captured in the underlying modelled ECL.

The base case scenario uses the following Westpac Economic forecasts:

Key economic assumptions for base case scenario	31 Mar 24 Unaudited	30 Sep 23 Audited
Annual GDP	Forecast growth of 0.8% for calendar year 2024 and 2.4% for calendar year 2025.	Forecast growth of 0.8% for calendar year 2023 and 0.2% for calendar year 2024.
Residential property prices	Forecast annual price appreciation of +5.9% for calendar year 2024 and +6.7% for calendar year 2025.	Forecast annual price contraction of -1.0% for calendar year 2023 and price appreciation of +7.7% for calendar year 2024.
Cash rate	Forecast cash rate of 5.50% at December 2024 and 4.50% at December 2025.	Forecast cash rate of 5.75% at December 2023 and 5.25% at December 2024.
Unemployment rate	Forecast rate of 5.1% at December 2024 and 5.2% at December 2025.	Forecast rate of 4.3% at December 2023 and 5.2% at December 2024.

The downside scenario is a more severe scenario with ECL higher than the base case. This scenario assumes a recession with a combination of negative GDP growth, declines in residential property prices and an increase in the unemployment rate, which simultaneously impact ECL across all portfolios from the reporting date. The assumptions used in this scenario and relativities to the base case will be monitored having regard to the emerging economic conditions and updated where necessary. The upside scenario represents a modest improvement to the base case.

The following sensitivity table shows the reported provision for ECL on loans and credit commitments based on the probability weighted scenarios and what the provision for ECL on loans and credit commitments would be assuming a 100% weighting is applied to the base case scenario and to the downside scenario (with all other assumptions held constant).

	THE BANKING GROUP	
$ millions	**31 Mar 24 Unaudited**	30 Sep 23 Audited
Reported probability-weighted ECL	**568**	551
100% base case ECL	**429**	417
100% downside ECL	**760**	719

Note 7 Provision for expected credit losses (continued)

If 1% of the Stage 1 gross exposure from loans and credit commitments (calculated on a 12 month ECL) was reflected in Stage 2 (calculated on a lifetime ECL) the provision for ECL on loans and credit commitments would increase by $13 million (30 September 2023: $14 million) based on applying the average provision coverage ratios by stage to the movement in the gross exposure by stage.

The following table indicates the weightings applied by the Banking Group as at 31 March 2024 and 30 September 2023. In March 2024, the downside scenario weighting was reduced by 2.5%, with a corresponding increase in the base case weighting, reflecting a modest reduction in broader macroeconomic uncertainty.

	THE BANKING GROUP	
	31 Mar 24	30 Sep 23
Macroeconomic scenario weightings (%)	**Unaudited**	Audited
Upside	**5.0**	5.0
Base	**52.5**	50.0
Downside	**42.5**	45.0

Portfolio overlays

Portfolio overlays are used to address areas of risk, including significant uncertainties that are not captured in the underlying modelled ECL. Determination of portfolio overlays requires expert judgement and is thoroughly documented and subject to comprehensive internal governance and oversight. Overlays are continually reassessed and if the risk is judged to have changed (increased or decreased), or is subsequently captured in the modelled ECL, the overlay will be released or remeasured.

The Banking Group's total portfolio overlays as at 31 March 2024 were $26 million (30 September 2023: $46 million) and comprise:

- $19 million on the residential mortgages portfolio (30 September 2023: $29 million) to reflect the expected, lagged impact of increasing interest rates. The overlay was decreased due to loans moving onto higher interest rates where the credit outcomes are considered to be included in the modelled outcome; and
- $7 million on the corporate portfolio (30 September 2023: $14 million), established to reflect delayed emergence of credit stresses following COVID-19 disruptions. The quantum of the overlay reflects the estimate of the remaining delayed emergence.

Overlays reflecting other related risks (30 September 2023: $3 million) have been released on the basis that these are considered to be reflected in the modelled outcome.

Impact of changes in gross carrying amount on the provision for ECL

- Stage 1 gross carrying amount had a net increase of $2.2 billion (30 September 2023: decreased by $9.2 billion), primarily driven by new lending during the period and exposures transferred from Stage 2 for releases in overlays, partially offset by underlying portfolio movement from the residential mortgages and corporate portfolios, derecognitions and repayments. The Stage 1 ECL decrease is primarily driven by improvement in the economic outlook, decrease in downside scenario weightings and the release of management overlays.
- Stage 2 gross carrying amount decreased by $0.8 billion (30 September 2023: increased by $11.6 billion), primarily driven by exposures transferred to Stage 1 for releases in overlays and derecognitions, partially offset by underlying portfolio movement from the residential mortgages and corporate portfolios. The Stage 2 ECL decrease is primarily driven by improvement in the economic outlook, decrease in downside scenario weightings and the release of management overlays.
- Stage 3 gross carrying amount increased by $0.2 billion (30 September 2023: increased by $0.2 billion), driven by increases in 90 days past due exposures from the residential mortgages portfolio and customer downgrades from the corporate portfolio, partially offset by releases due to write-offs from the other retail portfolio. Stage 3 ECL increases are in line with the increase in Stage 3 exposures.

Refer to Note iii. Asset quality of the Registered bank disclosures for further details.

Notes to the financial statements

Note 8 Deposits and other borrowings

	THE BANKING GROUP	
$ millions	**31 Mar 24 Unaudited**	30 Sep 23 Audited
Certificates of deposit	**2,628**	2,413
Non-interest bearing, repayable at call	**11,511**	12,009
Other interest bearing:		
At call	**29,641**	29,302
Term	**37,684**	38,472
Total deposits and other borrowings	**81,464**	82,196
Deposits at fair value	**2,628**	2,413
Deposits at amortised cost	**78,836**	79,783
Total deposits and other borrowings	**81,464**	82,196

Note 9 Debt issues

	THE BANKING GROUP	
$ millions	**31 Mar 24 Unaudited**	30 Sep 23 Audited
Short-term debt		
Commercial paper	**1,566**	1,471
Total short-term debt	**1,566**	1,471
Long-term debt		
Non-domestic medium-term notes	**10,657**	8,564
Covered bonds	**4,377**	4,994
Domestic medium-term notes	**3,605**	3,568
Total long-term debt	**18,639**	17,126
Total debt issues	**20,205**	18,597
Debt issues at fair value	**1,566**	1,471
Debt issues at amortised cost	**18,639**	17,126
Total debt issues	**20,205**	18,597

Note 10 Related entities

Controlled entities of the Bank are set out in Note 23 to the financial statements included in the Disclosure Statement for the year ended 30 September 2023.

On 26 October 2023, the deregistration of Aotearoa Financial Services Limited ('**AFSL**') from the New Zealand companies register was completed, at which point AFSL ceased to be a subsidiary of the Bank and a controlled entity of the Banking Group.

On 23 February 2024, the Bank declared and paid a cash dividend of $314 million to its immediate parent company, Westpac New Zealand Group Limited, with total imputation credits of $122 million attached (31 March 2023: $326 million dividend with nil imputation credit attached).

AT1 Perpetual preference shares (AT1 PPS)

Accounting policy

Perpetual preference shares

Perpetual preference shares are recognised at the amount paid up per share, net of directly attributable issue costs.

Discretionary distributions made on PPS are recognised in equity when paid.

On 21 December 2023, the Bank issued $1,000 million of AT1 PPS (30 September 2023: nil). The transaction was settled through the redemption of $1,000 million of the $1,500 million AT1 notes on the same day. Neither transaction required settlement in cash. The AT1 PPS qualify as AT1 capital under the Reserve Bank's capital adequacy framework. The AT1 PPS are classified as equity instruments as there is no contractual obligation for the Banking Group to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis.

Note 10 Related entities (continued)

A summary of the key terms and features of the AT1 PPS is provided below:

$	Issue date	Counterparty	Distribution rate	Optional redemption date
NZ$500 million	21 December 2023	NZ Branch	NZ 3 month bank bill rate + 3.9723% p.a.	21 December 2028 and each quarterly scheduled distribution payment date after that date
NZ$500 million	21 December 2023	NZ Branch	NZ 3 month bank bill rate + 4.0219% p.a.	21 December 2029 and each quarterly scheduled distribution payment date after that date

Ranking and rights in liquidation

The AT1 PPS were issued by the Bank and rank equally amongst themselves and the Bank's AT1 notes and are subordinated to the claims of depositors and other creditors of the Bank (including holders of Tier 2 loan capital) but rank ahead of the Bank's ordinary shares. The AT1 PPS do not carry any voting rights.

Distributions payable

Quarterly distributions on the AT1 PPS are at the absolute discretion of the Bank. In addition, distributions will only be paid if the Bank is solvent on the payment date and remains solvent immediately after such payment is made and the payment of the distribution will not result in a breach of the Bank's conditions of registration as at the time of the payment.

Distributions are non-cumulative. If a distribution is not paid in full, the Bank may not determine or pay any dividends on its ordinary shares or undertake a discretionary buy-back or capital reduction of the Bank's ordinary shares (except in limited circumstances).

On 21 March 2024, the Bank paid quarterly distributions on the AT1 PPS to the NZ Branch, comprising aggregate cash payments of $20 million (including supplementary dividends of $3 million) and imputation credits attached of $4 million.

Redemption

The Bank may elect to redeem all or some of the AT1 PPS on an optional redemption date, or at any time for certain tax or regulatory reasons. Redemption is subject to certain conditions, including the Reserve Bank's prior written approval and the Bank remaining solvent immediately after the redemption. Holders have no right to require redemption.

Conversion

The AT1 PPS have no conversion or exchange options and no non-viability triggers.

Additional Tier 1 loan capital (AT1 notes)

On 21 December 2023, the Bank exercised its option to redeem $1,000 million of the AT1 notes for their face value together with accrued interest, as approved by the Reserve Bank. Refer to Section iv. Capital adequacy and regulatory liquidity ratios for more information on the Banking Group's AT1 notes.

Notes to the financial statements

Note 11 Fair values of financial assets and financial liabilities

Fair Valuation Control Framework

The Banking Group uses a Fair Valuation Control Framework where the fair value is either determined or validated by a function independent of the transaction. This framework formalises the policies and procedures used to achieve compliance with relevant accounting, industry and regulatory standards. The framework includes specific controls relating to:

- the revaluation of financial instruments;
- independent price verification;
- fair value adjustments; and
- financial reporting.

A key element of the framework is the Revaluation Committee, comprising senior valuation specialists from within the Ultimate Parent Bank Group. The Revaluation Committee reviews the application of the agreed policies and procedures to assess that a fair value measurement basis has been applied.

The method of determining fair value differs depending on the information available.

Fair value hierarchy

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level input that is significant to the fair value measurement.

The Banking Group categorises all fair value instruments according to the hierarchy described below.

Valuation techniques

The Banking Group applies market accepted valuation techniques in determining the fair valuation of over-the-counter derivatives. This includes credit valuation adjustments and funding valuation adjustments, which incorporate credit risk and funding costs and benefits that arise in relation to uncollateralised derivative positions, respectively.

The specific valuation techniques, the observability of the inputs used in valuation models and the subsequent classification for each significant product category are outlined as follows:

Financial instruments measured at fair value

Level 1 instruments

The fair value of financial instruments traded in active markets is based on recent unadjusted quoted prices. These prices are based on actual arm's length basis transactions.

The valuations of Level 1 instruments require little or no management judgement.

Instrument	Balance sheet category	Includes	Valuation
Debt instruments	Trading securities and financial assets measured at FVIS Investment securities	New Zealand Government bonds	These instruments are traded in liquid, active markets where prices are readily observable. No modelling or assumptions are used in the valuation.

Level 2 instruments

The fair value for financial instruments that are not actively traded is determined using valuation techniques which maximise the use of observable market prices. Valuation techniques include:

- the use of market standard discounting methodologies;
- option pricing models; and
- other valuation techniques widely used and accepted by market participants.

Note 11 Fair values of financial assets and financial liabilities (continued)

Instrument	Balance sheet category	Includes	Valuation
Interest rate products	Derivative financial instruments Due from related entities Due to related entities	Interest rate swaps, forwards and options – derivative financial instruments	Industry standard valuation models are used to calculate the expected future value of payments by product, which is discounted back to a present value. The model's interest rate inputs are benchmark interest rates and active broker quoted interest rates in the swap, bond and futures markets. Interest rate volatilities are sourced from brokers and consensus data providers. If consensus prices are not available, these are classified as Level 3 instruments.
FX products	Derivative financial instruments Due from related entities Due to related entities	FX swaps – derivative financial instruments	Derived from market observable inputs or consensus pricing providers using industry standard models. If consensus prices are not available, these are classified as Level 3 instruments.
Non-asset backed debt instruments	Trading securities and financial assets measured at FVIS Investment securities Due from related entities Due to related entities Other financial liabilities	Local authority and NZ public securities, other bank issued certificates of deposit, commercial paper, other government securities, off-shore securities and corporate bonds Repurchase agreements and reverse repurchase agreements over non-asset backed debt securities	Valued using observable market prices which are sourced from independent pricing services, broker quotes or inter-dealer prices. If prices are not available from these sources, these are classified as Level 3 instruments.
Deposits and other borrowings at fair value	Deposits and other borrowings	Certificates of deposit	Discounted cash flow using market rates offered for deposits of similar remaining maturities.
Debt issues at fair value	Debt issues	Commercial paper	Discounted cash flows, using a discount rate which reflects the terms of the instrument and the timing of cash flows adjusted for market observable changes in the Banking Group's implied creditworthiness.

Level 3 instruments

Financial instruments valued where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data due to illiquidity or complexity of the product. These inputs are generally derived and extrapolated from other relevant market data and calibrated against current market trends and historical transactions.

These valuations are calculated using a high degree of management judgement.

As at 31 March 2024, the Banking Group has no financial instruments valued under this category (30 September 2023: nil).

Notes to the financial statements

Note 11 Fair values of financial assets and financial liabilities (continued)

The following table summarises the attribution of financial instruments measured at fair value to the fair value hierarchy:

	THE BANKING GROUP							
	31 Mar 24 Unaudited				30 Sep 23 Audited			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value on a recurring basis								
Trading securities and financial assets measured at FVIS	**400**	**1,937**	**-**	**2,337**	79	2,582	-	2,661
Derivative financial instruments	**-**	**346**	**-**	**346**	-	312	-	312
Investment securities	**2,686**	**4,450**	**-**	**7,136**	2,287	4,364	-	6,651
Due from related entities	**-**	**1,081**	**-**	**1,081**	-	2,017	-	2,017
Total financial assets measured at fair value	**3,086**	**7,814**	**-**	**10,900**	2,366	9,275	-	11,641
Financial liabilities measured at fair value on a recurring basis								
Deposits and other borrowings at fair value	**-**	**2,628**	**-**	**2,628**	-	2,413	-	2,413
Other financial liabilities	**-**	**70**	**-**	**70**	-	44	-	44
Derivative financial instruments	**-**	**33**	**-**	**33**	-	71	-	71
Due to related entities	**-**	**1,193**	**-**	**1,193**	-	1,180	-	1,180
Debt issues at fair value	**-**	**1,566**	**-**	**1,566**	-	1,471	-	1,471
Total financial liabilities measured at fair value	**-**	**5,490**	**-**	**5,490**	-	5,179	-	5,179

Analysis of movements between fair value hierarchy levels

The Banking Group considers transfers between levels, if any, to have occurred at the end of the reporting period. During the period, there were no material transfers between levels of the fair value hierarchy (30 September 2023: no material transfers between levels).

Financial instruments not measured at fair value

The following table summarises the estimated fair value of the Banking Group's financial instruments not measured at fair value:

	THE BANKING GROUP			
	31 Mar 24 Unaudited		30 Sep 23 Audited	
$ millions	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets not measured at fair value				
Cash and balances with central banks	**9,257**	**9,257**	9,233	9,233
Collateral paid	**25**	**25**	33	33
Loans	**100,858**	**100,298**	99,328	98,254
Other financial assets	**324**	**324**	314	314
Due from related entities	**852**	**852**	561	561
Total financial assets not measured at fair value	**111,316**	**110,756**	109,469	108,395
Financial liabilities not measured at fair value				
Collateral received	**329**	**329**	303	303
Deposits and other borrowings	**78,836**	**78,890**	79,783	79,798
Other financial liabilities	**6,266**	**6,266**	6,128	6,128
Due to related entities	**1,608**	**1,608**	1,553	1,553
Debt issues[1]	**18,639**	**18,618**	17,126	16,962
Loan capital[1]	**1,695**	**1,744**	2,666	2,787
Total financial liabilities not measured at fair value	**107,373**	**107,455**	107,559	107,531

[1] The estimated fair value of debt issues and loan capital includes the impact of changes in the Banking Group's credit spreads since origination.

A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 25 of the financial statements included in the Disclosure Statement for the year ended 30 September 2023.

Notes to the financial statements

Note 12 Credit related commitments, contingent assets and contingent liabilities

	THE BANKING GROUP	
	31 Mar 24	30 Sep 23
$ millions	**Unaudited**	Audited
Letters of credit and guarantees	**1,544**	1,614
Commitments to extend credit	**27,338**	27,588
Total undrawn credit commitments	**28,882**	29,202

Contingent assets

The credit commitments shown in the table above constitute contingent assets. These commitments would be classified as loans on the balance sheet on the contingent event occurring.

Contingent liabilities

All potential claims and other liabilities are assessed on a case-by-case basis. A provision will be recognised where the Banking Group has conducted an assessment which determines the likelihood of loss as probable and where its potential loss can be reliably estimated. A contingent liability exists in respect of actual or potential claims where the likely loss is not assessed as probable, where the law is uncertain or, in rare circumstances, where the outflow of resources cannot be reliably estimated.

The Banking Group is exposed to contingent risks and liabilities arising from the conduct of its business, including: actual and potential disputes, claims and legal proceedings; investigations, inquiries and reviews (formal and informal) carried out by regulatory authorities (including into the Banking Group's processes for some products relating to the requirements of the CCCFA); and internal investigations and reviews.

The scope of reviews (internal and external), investigations and inquiries, including those relating to the requirements of the CCCFA, can be wide-ranging and can result in litigation (including class action proceedings and enforcement proceedings), fines and penalties, customer remediation and/or other sanctions and reputational damage.

Note 13 Segment reporting

The Banking Group's segment reporting incorporates Consumer Banking and Wealth and Institutional and Business Banking sectors within New Zealand. On this basis, no geographical segment reporting is provided.

The operating segment results have been presented on a management reporting basis and consequently internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Intersegment pricing is determined on a cost recovery basis.

The Banking Group does not rely on any single major customer for its revenue base.

The Banking Group's operating segments are defined by the customers they serve and the services they provide. The Banking Group has identified the following main operating segments:

- Consumer Banking and Wealth provides financial services predominantly for individuals; and
- Institutional and Business Banking provides a broad range of financial services for small to medium enterprise, corporate, property finance, agricultural, institutional and government customers.

Reconciling items primarily represent:

- business units that do not meet the definition of a reportable operating segment under NZ IFRS 8 *Operating Segments*;
- elimination entries on consolidation of the results, assets and liabilities of the Banking Group's controlled entities in the preparation of the consolidated financial statements of the Banking Group; and
- results of certain business units excluded for management reporting purposes, but included within the consolidated financial statements of the Banking Group for statutory financial reporting purposes.

Notes to the financial statements

Note 13 Segment reporting (continued)

$ millions	THE BANKING GROUP Consumer Banking and Wealth	Institutional and Business Banking	Reconciling Items	Total
Six months ended 31 March 2024 (Unaudited)				
Net interest income	**599**	**636**	**149**	**1,384**
Net fee and commissions				
Facility fees	**12**	**9**	**1**	**22**
Transaction fees and commissions	**82**	**39**	**1**	**122**
Other non-risk fee income	**2**	**7**	**(1)**	**8**
Fees and commissions income	**96**	**55**	**1**	**152**
Fees and commissions expenses	**(36)**	**-**	**-**	**(36)**
Net fee and commissions	**60**	**55**	**1**	**116**
Other non-interest income/(expense)	**-**	**-**	**(1)**	**(1)**
Total non-interest income	**60**	**55**	**-**	**115**
Net operating income	**659**	**691**	**149**	**1,499**
Operating expenses	**(406)**	**(260)**	**(28)**	**(694)**
Impairment (charges)/benefits	**(22)**	**(1)**	**-**	**(23)**
Profit before income tax	**231**	**430**	**121**	**782**
Six months ended 31 March 2023 (Unaudited)				
Net interest income	614	602	93	1,309
Net fees and commissions				
Facility fees	14	8	-	22
Transaction fees and commissions	79	43	1	123
Other non-risk fee income	2	6	(3)	5
Fees and commissions income	95	57	(2)	150
Fees and commissions expenses	(39)	-	-	(39)
Net fees and commissions	56	57	(2)	111
Other non-interest income/(expense)	-	-	3	3
Total non-interest income	56	57	1	114
Net operating income	670	659	94	1,423
Operating expenses	(341)	(247)	(31)	(619)
Impairment (charges)/benefits	(48)	(106)	-	(154)
Profit before income tax	281	306	63	650
As at 31 March 2024 (Unaudited)				
Total gross loans	**61,676**	**39,604**	**98**	**101,378**
Total deposits and other borrowings	**45,924**	**32,912**	**2,628**	**81,464**
As at 30 September 2023 (Audited)				
Total gross loans	60,004	39,911	(85)	99,830
Total deposits and other borrowings	44,980	34,803	2,413	82,196

Registered bank disclosures

Unaudited

This section contains the additional disclosures required by the Order.

i. General information

Guarantee arrangements

No material obligations of the Bank are guaranteed as at the date the Directors signed this Disclosure Statement.

Westpac New Zealand Group Limited does not guarantee any of the obligations of the Bank or any member of the Banking Group.

Changes to the Board of Directors

There has been one change in the composition of the Board of Directors of the Bank since 30 September 2023. On 18 April 2024, Debra Birch was appointed as an independent non-executive director.

Auditor

PricewaterhouseCoopers

PwC Tower, Level 27

15 Customs Street West

Auckland, New Zealand

Pending proceedings or arbitration

No pending legal proceedings or arbitration concerning any member of the Banking Group is expected to have a material adverse effect on the Bank or the Banking Group.

Credit ratings

The Bank has the following credit ratings with respect to its long-term senior unsecured obligations, including obligations payable in New Zealand in New Zealand dollars, as at the date the Directors signed this Disclosure Statement:

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

Other material matters

Technology programme

The Bank has committed to the Reserve Bank, APRA, and Financial Markets Authority to address various technology issues. Material progress has been made in addressing these technology issues including improving system resilience. Further work is progressing to meet the Bank's expectations and those of the regulators.

Reserve Bank review of overseas bank branches

On 7 November 2023, the Reserve Bank announced key decisions following the review of its policy for branches of overseas banks. The key decisions include restricting branches of overseas banks in New Zealand to engaging in wholesale business and restricting dual-registered branches (such as the NZ Branch) to only conducting business with "large" wholesale customers.

It is proposed that "large" be determined based on consolidated annual turnover or net assets greater than NZ$50 million and the implementation date is expected to be in 2028.

The NZ Branch currently provides financial markets, trade finance and international payments products and services to customers referred by the Bank. Based on the key decisions announced, we expect the Reserve Bank's revised policy on overseas bank branches will require changes to the activities the NZ Branch undertakes and, as a result, the Bank may also make changes to the scope of activities it undertakes.

External Auditor

The Bank has previously announced KPMG is the preferred firm to be appointed as its external auditor for the 2025 financial year, beginning 1 October 2024. Subject to KPMG becoming independent and any regulatory consent, the appointment will require approval by Westpac New Zealand Group Limited as the Bank's shareholder.

ii. Additional financial disclosures

Additional information on balance sheet

	THE BANKING GROUP	
$ millions	31 Mar 24 Unaudited	30 Sep 23 Audited
Interest earning and discount bearing assets	**120,831**	119,546
Interest and discount bearing liabilities	**100,058**	99,776
Total amounts due from related entities	**1,933**	2,578
Total amounts due to related entities	**3,299**	4,227

Financial assets pledged as collateral

The Banking Group is required to provide collateral to other financial institutions, as part of standard terms, to secure liabilities. In addition to assets supporting the CB Programme disclosed in Note 6, the carrying value of these financial assets pledged as collateral is:

	THE BANKING GROUP	
$ millions	31 Mar 24 Unaudited	30 Sep 23 Audited
Cash	**25**	33
Securities pledged as collateral for derivative contracts:		
Investment securities	**147**	77
Securities pledged under repurchase agreements:		
Trading securities and financial assets measured at FVIS[1]	**738**	14
Investment securities[2]	**-**	433
Residential mortgage-backed securities[3]	**6,482**	6,469
Total amount pledged to secure liabilities (excluding CB Programme)	**7,392**	7,026

[1] As at 31 March 2024, $667 million of trading securities were pledged as collateral to the NZ Branch, which is recorded within due to related entities on the balance sheet (30 September 2023: $14 million) and $71 million of trading securities were pledged to third parties which is recorded within other financial liabilities on the balance sheet (30 September 2023: nil).

[2] As at 31 March 2024, nil investment securities were pledged as collateral to the NZ Branch, which is recorded within due to related entities on the balance sheet (30 September 2023: $389 million).

[3] As at 31 March 2024, the Banking Group has undertaken repurchase agreements with the Reserve Bank, under the Funding for Lending Programme and Term Lending Facility, using residential mortgage-backed securities. For the Funding for Lending Programme, the repurchase cash amount at 31 March 2024 is $4,981 million (30 September 2023: $4,981 million), which is recorded in other financial liabilities on the balance sheet, with underlying securities to the value of $6,417 million provided under the arrangement (30 September 2023: $6,387 million). For the Term Lending Facility, the repurchase cash amount at 31 March 2024 is $55 million (30 September 2023: $69 million), which is recorded within other financial liabilities on the balance sheet, with underlying securities to the value of $65 million provided under the arrangement (30 September 2023: $82 million).

Additional information on concentrations of credit risk

The maximum exposure to credit risk (excluding collateral received) is represented by the carrying amount of on-balance sheet financial assets and undrawn credit commitments as set out in the following table.

	THE BANKING GROUP
$ millions	31 Mar 24
Financial assets	
Cash and balances with central banks	**9,257**
Collateral paid	**25**
Trading securities and financial assets measured at FVIS	**2,337**
Derivative financial instruments	**346**
Investment securities	**7,136**
Loans	**100,858**
Other financial assets	**324**
Due from related entities	**1,933**
Total financial assets	**122,216**
Undrawn credit commitments	
Letters of credit and guarantees	**1,544**
Commitments to extend credit	**27,338**
Total undrawn credit commitments	**28,882**
Total maximum credit risk exposure	**151,098**

Registered bank disclosures

Unaudited

ii. Additional financial disclosures (continued)

	THE BANKING GROUP
$ millions	**31 Mar 24**
Analysis of on-balance sheet credit exposures by geographical areas	
New Zealand	118,408
Overseas	4,328
Subtotal	122,736
Provision for ECL on loans	(520)
Total on-balance sheet credit exposures	122,216
Analysis of on-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	389
Agriculture	8,896
Construction	461
Finance and insurance	7,267
Forestry and fishing	380
Government, administration and defence	15,964
Manufacturing	2,111
Mining	167
Property	8,531
Property services and business services	1,060
Services	1,665
Trade	2,293
Transport and storage	836
Utilities	2,093
Retail lending	68,620
Subtotal	120,733
Provision for ECL on loans	(520)
Due from related entities	1,933
Other financial assets	70
Total on-balance sheet credit exposures	122,216
Analysis of off-balance sheet credit exposures by geographical areas	
New Zealand	28,351
Overseas	531
Total off-balance sheet credit exposures	28,882
Analysis of off-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	71
Agriculture	650
Construction	607
Finance and insurance	2,411
Forestry and fishing	163
Government, administration and defence	801
Manufacturing	1,486
Mining	129
Property	1,487
Property services and business services	514
Services	1,025
Trade	1,675
Transport and storage	415
Utilities	1,704
Retail lending	15,744
Total off-balance sheet credit exposures	28,882

ANZSIC has been used as the basis for disclosing industry sectors.

Registered bank disclosures

Unaudited

ii. Additional financial disclosures (continued)

Additional information on concentrations of funding

	THE BANKING GROUP
$ millions	**31 Mar 24**
Funding consists of	
Collateral received	**329**
Deposits and other borrowings	**81,464**
Other financial liabilities[1]	**5,107**
Due to related entities[2]	**2,168**
Debt issues[3]	**20,205**
Loan capital	**1,695**
Total funding	**110,968**
Analysis of funding by geographical areas[3]	
New Zealand	**90,044**
Australia	**770**
United Kingdom	**9,792**
United States of America	**5,600**
China	**2,773**
Other	**1,989**
Total funding	**110,968**
Analysis of funding by industry sector	
Accommodation, cafes and restaurants	**475**
Agriculture	**1,760**
Construction	**2,414**
Finance and insurance	**39,469**
Forestry and fishing	**180**
Government, administration and defence	**3,079**
Manufacturing	**1,790**
Mining	**45**
Property services and business services	**7,438**
Services	**6,449**
Trade	**2,107**
Transport and storage	**785**
Utilities	**805**
Households	**37,434**
Other[4]	**4,570**
Subtotal	**108,800**
Due to related entities[2]	**2,168**
Total funding	**110,968**

[1] Other financial liabilities, as presented above, are in respect of repurchase agreements and interbank placements.
[2] Amounts due to related entities, as presented above, are in respect of deposits and borrowings and exclude amounts which relate to derivative financial instruments and other liabilities.
[3] The geographic region used for debt issues is based on the nature of the debt programmes. The nature of the debt programmes is used as a proxy for the location of the original purchaser. Where the nature of the debt programmes does not necessarily represent an appropriate proxy, the debt issues are classified as 'Other'. These instruments may have subsequently been on-sold.
[4] Includes deposits from non-residents.

ANZSIC has been used as the basis for disclosing industry sectors.

Registered bank disclosures

Unaudited

ii. Additional financial disclosures (continued)

Additional information on interest rate sensitivity

The following table presents a breakdown of the earlier of the contractual repricing or maturity dates of the Banking Group's net asset position as at 31 March 2024. The Banking Group uses this contractual repricing information as a base, which is then altered to take account of customer behaviour, to manage its interest rate risk.

	THE BANKING GROUP						
	31 Mar 24						
$ millions	Up to 3 Months	Over 3 Months and Up to 6 Months	Over 6 Months and Up to 1 Year	Over 1 Year and Up to 2 Years	Over 2 Years	Non-interest Bearing	Total
Financial assets							
Cash and balances with central banks	9,044	-	-	-	-	213	9,257
Collateral paid	25	-	-	-	-	-	25
Trading securities and financial assets measured at FVIS	1,507	239	109	244	238	-	2,337
Derivative financial instruments	-	-	-	-	-	346	346
Investment securities	1,121	49	10	898	5,058	-	7,136
Loans	47,257	11,426	19,684	15,857	7,015	(381)	100,858
Other financial assets	-	-	-	-	-	324	324
Due from related entities	1,050	-	-	-	-	883	1,933
Total financial assets	60,004	11,714	19,803	16,999	12,311	1,385	122,216
Non-financial assets							1,630
Total assets							123,846
Financial liabilities							
Collateral received	329	-	-	-	-	-	329
Deposits and other borrowings	46,528	12,119	8,852	1,649	805	11,511	81,464
Other financial liabilities	5,052	55	-	-	-	1,229	6,336
Derivative financial instruments	-	-	-	-	-	33	33
Due to related entities	2,120	-	4	-	45	632	2,801
Debt issues	2,968	2,477	1,475	3,335	10,561	(611)	20,205
Loan capital	498	-	-	-	1,186	11	1,695
Total financial liabilities	57,495	14,651	10,331	4,984	12,597	12,805	112,863
Non-financial liabilities							707
Total liabilities							113,570
On-balance sheet interest rate repricing gap	2,509	(2,937)	9,472	12,015	(286)		
Net derivative notional principals							
Net interest rate contracts (notional):							
Receivable/(payable)	16,711	(4,273)	(8,771)	(7,124)	3,457		
Net interest rate repricing gap	19,220	(7,210)	701	4,891	3,171		

ii. Additional financial disclosures (continued)

Additional information on liquidity risk

Contractual maturity of financial liabilities

The following table presents cash flows associated with financial liabilities, payable at the balance sheet date, by remaining contractual maturity. The amounts disclosed in the table are the future contractual undiscounted cash flows, whereas the Banking Group manages inherent liquidity risk based on expected cash flows.

Cash flows associated with these financial liabilities include both principal payments, as well as fixed or variable interest payments incorporated into the relevant coupon period. Principal payments reflect the earliest contractual maturity date. Derivative financial instruments designated for hedging purposes are expected to be held for their remaining contractual lives, and reflect gross cash flows over the remaining contractual term.

Derivatives held for trading and certain liabilities classified in "Other financial liabilities" which are measured at FVIS are not managed for liquidity purposes on the basis of their contractual maturity, and accordingly these liabilities are presented in either the on demand or up to 1 month columns. Only the liabilities that the Banking Group manages based on their contractual maturity are presented on a contractual undiscounted basis in the following table.

	THE BANKING GROUP						
	31 Mar 24						
$ millions	On Demand	Up to 1 Month	Over 1 Month and Up to 3 Months	Over 3 Months and Up to 1 Year	Over 1 and Up to 5 Years	Over 5 Years	Total
Financial liabilities							
Collateral received	-	329	-	-	-	-	329
Deposits and other borrowings	39,801	7,043	11,728	21,729	2,641	-	82,942
Other financial liabilities	34	1,240	9	1,206	3,540	3	6,032
Derivative financial instruments:							
Held for trading	10	-	-	-	-	-	10
Held for hedging purposes (net settled)	-	1	6	(12)	18	6	19
Held for hedging purposes (gross settled):							
Cash outflow	-	-	6	11	70	377	464
Cash inflow	-	-	-	(6)	(23)	(378)	(407)
Due to related entities:							
Non-derivative balances	1,526	637	34	4	45	-	2,246
Derivative financial instruments:							
Held for trading	5	-	-	-	-	-	5
Held for hedging purposes (net settled)	-	51	123	59	179	-	412
Held for hedging purposes (gross settled):							
Cash outflow	-	20	46	183	4,525	-	4,774
Cash inflow	-	-	-	(10)	(4,373)	-	(4,383)
Debt issues	-	321	1,731	4,345	15,612	378	22,387
Loan capital	-	-	19	58	314	2,034	2,425
Total undiscounted financial liabilities	**41,376**	**9,642**	**13,702**	**27,567**	**22,548**	**2,420**	**117,255**
Total contingent liabilities and commitments							
Letters of credit and guarantees	1,544	-	-	-	-	-	1,544
Commitments to extend credit	27,338	-	-	-	-	-	27,338
Total undiscounted contingent liabilities and commitments	**28,882**	**-**	**-**	**-**	**-**	**-**	**28,882**

ii. Additional financial disclosures (continued)

Liquid assets

The following table shows the Banking Group's qualifying liquid assets held for the purpose of managing liquidity risk. These assets are eligible for repurchase agreements with the Reserve Bank and are held in cash, government, local government and highly rated investment grade securities. The level of liquid asset holdings is reviewed frequently and is consistent with regulatory, balance sheet and market condition requirements.

	THE BANKING GROUP
$ millions	**31 Mar 24**
Cash and balances with central banks	**9,268**
Supranational securities	**2,224**
NZ Government securities	**2,620**
NZ public securities	**2,818**
NZ corporate securities	**1,284**
Total on-balance sheet liquid assets	**18,214**

In addition, the Banking Group has $6,150 million (30 September 2023: $6,161 million) of own originated loans that are self-securitised via the Bank's internal residential mortgage-backed securitisation programme. The AAA rated internal RMBS held are eligible for repurchase with the Reserve Bank under certain circumstances.

Reconciliation of mortgage-related amounts

The following table provides the Banking Group's reconciliation between any amounts disclosed in this Disclosure Statement that relate to mortgages on residential property.

	THE BANKING GROUP
$ millions	**31 Mar 24**
Residential mortgages - total gross loans (as disclosed in Note 6 and Section iii. Asset quality)	**67,388**
Reconciling items:	
Unamortised deferred fees and expenses	**(440)**
Fair value hedge adjustments	**16**
EAD for undrawn commitments and other off-balance sheet exposures (as disclosed in Credit risk exposures by asset class in Section iv. Capital adequacy and regulatory liquidity ratios)	**9,357**
Residential mortgages by LVR (as disclosed in Additional mortgage information in Section iv. Capital adequacy and regulatory liquidity ratios)	**76,321**
Accrued interest receivable	**110**
Partial write-offs	**3**
Residential mortgages - EAD (as disclosed in Credit risk exposures by asset class in Section iv. Capital adequacy and regulatory liquidity ratios)	**76,434**

iii. Asset quality

Past due assets

	THE BANKING GROUP			
	31 Mar 24			
$ millions	**Residential Mortgages**	**Other Retail**	**Corporate**	**Total**
Past due but not individually impaired assets				
Less than 30 days past due	**1,235**	**88**	**383**	**1,706**
At least 30 days but less than 60 days past due	**179**	**12**	**86**	**277**
At least 60 days but less than 90 days past due	**117**	**7**	**34**	**158**
At least 90 days past due	**283**	**23**	**69**	**375**
Total past due but not individually impaired assets	**1,814**	**130**	**572**	**2,516**

iii. Asset quality (continued)

Movements in components of loss allowance

Refer to Note 7 for movements in the components for loss allowance on loans and credit commitment for total exposure. The provision for ECL on loans and credit commitments can be further disaggregated into the following types of credit exposures:

	THE BANKING GROUP				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	**CAP**	**CAP**	**CAP**	**IAP**	**Total**
Residential mortgages					
Provision for ECL as at 30 September 2023	**42**	**147**	**61**	**10**	**260**
Transfers to Stage 1	58	(56)	(2)	-	-
Transfers to Stage 2	-	12	(12)	-	-
Transfers to Stage 3 CAP	-	(5)	6	(1)	-
Transfers to Stage 3 IAP	-	-	(6)	6	-
Reversals of previously recognised impairment charges	-	-	-	(4)	(4)
New financial assets originated	2	-	-	-	2
Financial assets derecognised during the period	-	(2)	(9)	-	(11)
Changes in CAP due to amounts written off	-	-	-	-	-
Other charges/(credits) to the income statement	(64)	48	38	3	25
Total charges/(credits) to the income statement for ECL	**(4)**	**(3)**	**15**	**4**	**12**
Amounts written off from IAP	-	-	-	-	-
Total provision for ECL on loans and credit commitments as at 31 March 2024	**38**	**144**	**76**	**14**	**272**
Other retail					
Provision for ECL as at 30 September 2023	**15**	**42**	**12**	**1**	**70**
Transfers to Stage 1	33	(32)	(1)	-	-
Transfers to Stage 2	(3)	6	(3)	-	-
Transfers to Stage 3 CAP	-	(6)	6	-	-
Transfers to Stage 3 IAP	-	-	-	-	-
Reversals of previously recognised impairment charges	-	-	-	(1)	(1)
New financial assets originated	2	-	-	-	2
Financial assets derecognised during the period	(1)	(3)	(1)	-	(5)
Changes in CAP due to amounts written off	-	-	(12)	-	(12)
Other charges/(credits) to the income statement	(33)	32	11	1	11
Total charges/(credits) to the income statement for ECL	**(2)**	**(3)**	**-**	**-**	**(5)**
Amounts written off from IAP	-	-	-	-	-
Total provision for ECL on loans and credit commitments as at 31 March 2024	**13**	**39**	**12**	**1**	**65**
Corporate					
Provision for ECL as at 30 September 2023	**34**	**141**	**34**	**12**	**221**
Transfers to Stage 1	17	(16)	(1)	-	-
Transfers to Stage 2	(2)	7	(5)	-	-
Transfers to Stage 3 CAP	-	(21)	21	-	-
Transfers to Stage 3 IAP	-	(5)	(4)	9	-
Reversals of previously recognised impairment charges	-	-	-	(1)	(1)
New financial assets originated	5	-	-	-	5
Financial assets derecognised during the period	(3)	(6)	(12)	-	(21)
Changes in CAP due to amounts written off	-	-	(1)	-	(1)
Other charges/(credits) to the income statement	(21)	33	1	15	28
Total charges/(credits) to the income statement for ECL	**(4)**	**(8)**	**(1)**	**23**	**10**
Amounts written off from IAP	-	-	-	-	-
Total provision for ECL on loans and credit commitments as at 31 March 2024	**30**	**133**	**33**	**35**	**231**

The above movements in components of loss allowance table does not include 'Other' credit exposures on the basis that the provision for ECL is nil.

iii. Asset quality (continued)

Impacts of changes in gross financial assets on loss allowances - total

Refer to Note 7 for the impacts of changes in gross financial assets on loss allowances. The following table further explains how changes in gross carrying amounts of loans during the period have contributed to changes in the provision for ECL on loans.

	THE BANKING GROUP				
	31 Mar 24 Unaudited				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	CAP	CAP	CAP	IAP	Total
Total gross carrying amount as at 30 September 2023	76,135	22,924	709	62	99,830
Transfers:					
Transfers to Stage 1	4,368	(4,341)	(27)	-	-
Transfers to Stage 2	(5,107)	5,226	(119)	-	-
Transfers to Stage 3 CAP	(21)	(406)	434	(7)	-
Transfers to Stage 3 IAP	-	(39)	(57)	96	-
Net further lending/(repayment)	(1,178)	299	(21)	1	(899)
New financial assets originated	8,307	-	-	-	8,307
Financial assets derecognised during the period	(4,213)	(1,497)	(129)	(8)	(5,847)
Amounts written-off	-	-	(13)	-	(13)
Total gross carrying amount as at 31 March 2024	78,291	22,166	777	144	101,378
Provision for ECL as at 31 March 2024	(67)	(285)	(120)	(48)	(520)
Total net carrying amount as at 31 March 2024	78,224	21,881	657	96	100,858

iii. Asset quality (continued)

Impacts of changes in gross financial assets on loss allowances – by types of credit exposure

The gross carrying amounts of loans can be further disaggregated into the following types of credit exposures:

	THE BANKING GROUP				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	Total
$ millions	CAP	CAP	CAP	IAP	
Residential mortgages					
Total gross carrying amount as at 30 September 2023	50,499	14,758	477	32	65,766
Transfers:					
Transfers to Stage 1	2,778	(2,759)	(19)	-	-
Transfers to Stage 2	(3,137)	3,220	(83)	-	-
Transfers to Stage 3 CAP	(16)	(260)	283	(7)	-
Transfers to Stage 3 IAP	-	(3)	(35)	38	-
Net further lending/(repayment)	(1,209)	(265)	(2)	(3)	(1,479)
New financial assets originated	5,724	-	-	-	5,724
Financial assets derecognised during the period	(1,926)	(629)	(60)	(8)	(2,623)
Amounts written-off	-	-	-	-	-
Total gross carrying amount as at 31 March 2024	52,713	14,062	561	52	67,388
Provision for ECL as at 31 March 2024	(34)	(138)	(76)	(14)	(262)
Total net carrying amount as at 31 March 2024	52,679	13,924	485	38	67,126
Other retail					
Total gross carrying amount as at 30 September 2023	1,864	725	58	1	2,648
Transfers:					
Transfers to Stage 1	464	(459)	(5)	-	-
Transfers to Stage 2	(451)	458	(7)	-	-
Transfers to Stage 3 CAP	(5)	(30)	35	-	-
Transfers to Stage 3 IAP	-	-	(3)	3	-
Net further lending/(repayment)	(81)	42	(7)	-	(46)
New financial assets originated	216	-	-	-	216
Financial assets derecognised during the period	(121)	(42)	(9)	-	(172)
Amounts written-off	-	-	(12)	-	(12)
Total gross carrying amount as at 31 March 2024	1,886	694	50	4	2,634
Provision for ECL as at 31 March 2024	(9)	(32)	(12)	(1)	(54)
Total net carrying amount as at 31 March 2024	1,877	662	38	3	2,580
Corporate					
Total gross carrying amount as at 30 September 2023	23,578	7,441	174	29	31,222
Transfers:					
Transfers to Stage 1	1,126	(1,123)	(3)	-	-
Transfers to Stage 2	(1,519)	1,548	(29)	-	-
Transfers to Stage 3 CAP	-	(116)	116	-	-
Transfers to Stage 3 IAP	-	(36)	(19)	55	-
Net further lending/(repayment)	109	507	(12)	4	608
New financial assets originated	2,287	-	-	-	2,287
Financial assets derecognised during the period	(2,099)	(811)	(60)	-	(2,970)
Amounts written-off	-	-	(1)	-	(1)
Total gross carrying amount as at 31 March 2024	23,482	7,410	166	88	31,146
Provision for ECL as at 31 March 2024	(24)	(115)	(32)	(33)	(204)
Total net carrying amount as at 31 March 2024	23,458	7,295	134	55	30,942

The above gross carrying amount table does not include 'Other' credit exposures (refer to Note 6) on the basis that the provision for ECL is nil.

iii. Asset quality (continued)

Other asset quality information

	THE BANKING GROUP				
	31 Mar 24				
$ millions	Residential Mortgages	Other Retail	Corporate	Other	Total
Undrawn commitments with individually impaired counterparties	-	-	5	-	5
Other assets under administration	-	-	-	-	-

iv. Capital adequacy and regulatory liquidity ratios

The information contained in this note has been derived in accordance with the Banking Group's conditions of registration which relate to capital adequacy and the Reserve Bank BPRs.

The Banking Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Banking Group's capital is monitored using, among other measures, the rules and ratios established by the BCBS and adopted by the Reserve Bank in supervising the Banking Group.

The Banking Group's capital summary as at 31 March 2024

	THE BANKING GROUP
$ millions	31 Mar 24
Tier 1 capital	
Common Equity Tier 1 capital	
Paid-up ordinary shares issued by the Bank plus related share premium	7,300
Retained earnings (net of appropriations)	1,985
Accumulated other comprehensive income and other disclosed reserves[1]	(9)
Less deductions from Common Equity Tier 1 capital	
Goodwill	(477)
Other intangible assets[2]	(470)
Cash flow hedge reserve	(171)
Deferred tax asset deduction	(154)
Expected loss excess over eligible allowance	(37)
Total Common Equity Tier 1 capital	7,967
Additional Tier 1 capital	
Additional Tier 1 loan capital[3]	500
Perpetual preference shares[4]	1,000
Total additional Tier 1 capital	1,500
Total Tier 1 capital	9,467
Tier 2 capital	
Tier 2 capital instruments[3]	1,200
Revaluation reserves	-
Eligible impairment allowance in excess of expected loss	-
Total Tier 2 capital	1,200
Total capital	10,667

[1] Accumulated other comprehensive income and other disclosed reserves consist of investment securities reserve and cash flow hedge reserve as disclosed as reserves on the balance sheet.

[2] Includes capitalised transaction costs on loan capital and debt issues.

[3] Classified as a liability under Generally Accepted Accounting Practice and excludes capitalised transaction costs. Additional Tier 1 loan capital and Tier 2 capital instruments are itemised on pages 37 and 38. Further details on convertibility for Additional Tier 1 loan capital are noted under the 'Conversion' section.

[4] Classified as equity on the balance sheet under Generally Accepted Accounting Practice net of transaction costs. Additional Tier 1 perpetual preference shares are itemised on page 37.

iv. Capital adequacy and regulatory liquidity ratios (continued)

Capital structure

Ordinary shares

In accordance with the Reserve Bank BPRs, ordinary share capital is classified as Common Equity Tier 1 capital.

The ordinary shares have no par value. Subject to the constitution of the Bank, each ordinary share of the Bank carries the right to one vote on a poll at meetings of shareholders, the right to an equal share in dividends authorised by the Board and the right to an equal share in the distribution of the surplus assets of the Bank in the event of liquidation.

Additional Tier 1 perpetual preference shares

Refer to Note 10 Related entities for information on the Banking Group's perpetual preference shares.

Additional Tier 1 loan capital (AT1 notes)

A summary of the key terms and features of the AT1 notes is provided below:

$	Issue date	Counterparty	Interest rate	Optional redemption date
NZ$500 million notes [1]	22 September 2017	NZ Branch	NZ 90 day bank bill rate + 3.9594% p.a.	21 September 2027 and every fifth anniversary thereafter

[1] The AT1 notes were issued by the Bank and rank equally amongst themselves and the Bank's AT1 PPS and are subordinated to the claims of depositors and senior or less subordinated creditors of the Bank, but rank ahead of the Bank's ordinary shares.

In accordance with the Reserve Bank BPRs, the Bank's AT1 notes are subject to a transitional phase-out from 1 January 2022 until 1 July 2028, with the maximum eligible amount declining by 12.5% each year. The base amount was fixed at the total nominal amount of the Bank's AT1 notes outstanding as at 30 September 2021, being NZ$1,500 million. The total value able to be recognised as AT1 capital is set out in BPR110, with the lower of the outstanding amount or 62.5% of the base amount able to be recognised between 1 January 2024 and 31 December 2024 (30 September 2023: 75.0% between 1 January 2023 and 31 December 2023) in line with the phase-out schedule. On 21 December 2023, the Bank exercised its option, for regulatory reasons, to redeem $1,000 million of the AT1 notes. As at 31 March 2024, the remaining outstanding amount of $500 million can be fully recognised as AT1 capital in accordance with the transitional phase-out schedule.

Interest payable

Quarterly interest payments on the AT1 notes are at the absolute discretion of the Bank and will only be paid if the payment conditions are satisfied, including that the interest payment will not result in the Bank becoming insolvent immediately following the interest payment; not result in a breach of the Reserve Bank's BPRs; and the payment date not falling on the date of a capital trigger event or non-viability trigger event. Interest payments are non-cumulative. If interest is not paid in full, the Bank may not determine or pay any dividends on its ordinary shares or undertake a discretionary buy back or capital reduction of the Bank's ordinary shares (except in limited circumstances).

Redemption

The Bank may elect to redeem all or some of the AT1 notes for their face value on 21 September 2027 and every fifth anniversary thereafter, subject to the Reserve Bank's prior written approval. Early redemption of all or some of the AT1 notes for certain tax or regulatory reasons is permitted subject to the Reserve Bank's prior written approval.

On 21 December 2023, the Bank exercised its option, for regulatory reasons, to redeem $1,000 million of the AT1 notes for their face value together with accrued interest, as approved by the Reserve Bank.

Conversion

If a capital trigger event or non-viability trigger event occurs, the Bank must convert some or all of the AT1 notes into a variable number of ordinary shares issued by the Bank (calculated with reference to the net assets of the Bank and the total number of ordinary shares on issue at the conversion date) that is sufficient, in the case of a capital trigger event, to return the Bank's Common Equity Tier 1 capital ratio to above 5.125% as determined by the Bank in consultation with the Reserve Bank; or, in the case of a non-viability trigger event, to satisfy the direction of the Reserve Bank or the decision of the statutory manager of the Bank. A capital trigger event occurs when the Bank determines, or the Reserve Bank notifies in writing that it believes, the Bank's Common Equity Tier 1 Capital ratio is equal to or less than 5.125%. A non-viability trigger event occurs when the Reserve Bank or the statutory manager (appointed pursuant to section 117 of the Banking (Prudential Supervision) Act 1989) directs the Bank to convert or write off all or some of its AT1 notes.

If conversion of the AT1 notes does not occur within five business days of a capital trigger event or a non-viability trigger event, holders' rights in relation to the AT1 notes will be immediately and irrevocably terminated.

The Bank is able to elect to convert all the AT1 notes for certain tax or regulatory reasons (or in certain other circumstances).

iv. Capital adequacy and regulatory liquidity ratios (continued)

Tier 2 loan capital

A summary of the key terms and features of the subordinated notes is provided below:

$	Issue date	Interest rate	Maturity date	Optional redemption date
NZ$600 million notes [1]	16 September 2022	Fixed at 6.19% until 16 September 2027. Resets on 16 September 2027 to a floating rate: New Zealand 90 day Bank Bill Rate + 2.10% p.a.	16 September 2032	16 September 2027 and every quarterly interest payment date thereafter
NZ$600 million notes [1]	14 August 2023	Fixed at 6.73% until 14 February 2029. Resets on 14 February 2029 to a floating rate: New Zealand 90 day Bank Bill Rate + 2.00% p.a.	14 February 2034	14 February 2029 and every quarterly interest payment date thereafter

[1] The subordinated notes were issued by the Bank. The 2022 and 2023 subordinated notes rank equally with each other and amongst themselves and are subordinated to the claims of depositors and senior or less subordinated creditors of the Bank, but rank ahead of the AT1 notes, AT1 PPS and the Bank's ordinary shares.

Interest payable

Quarterly interest payments on the subordinated notes are subject to the Bank being solvent at the time of, and immediately following, the interest payment.

Early redemption

The Bank may elect to redeem all or some of the 2022 or 2023 subordinated notes for their face value together with accrued interest (if any) on an optional redemption date for the series specified above, subject to the Reserve Bank's prior written approval. Early redemption of all of the 2022 or 2023 subordinated notes for certain tax or regulatory reasons is permitted on an interest payment date subject to the Reserve Bank's prior written approval.

iv. Capital adequacy and regulatory liquidity ratios (continued)

Credit risk subject to the IRB approach

Credit risk exposures by asset class

The Banking Group's credit risk exposures by asset class as at 31 March 2024

Exposure-weighted PD Grade (%)	Weighted Average PD %	EAD $ millions	Exposure-weighted LGD %	Exposure-weighted Risk Weight %	RWA[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Residential mortgages						
Up to and including 0.10	-	-	-	-	-	-
Over 0.10 up to and including 0.50	0.47	35,087	14.19	11.49	4,838	387
Over 0.50 up to and including 1.0	0.70	26,525	21.18	22.81	7,259	581
Over 1.0 up to and including 2.5	1.53	13,412	23.52	46.14	7,426	594
Over 2.5 up to and including 10.0	3.73	794	26.09	89.06	849	68
Over 10.0 up to and including 99.99	-	-	-	-	-	-
Default	100.00	616	21.60	109.74	812	65
Total	1.57	76,434	18.44	23.10	21,184	1,695
Other retail						
Up to and including 0.10	0.05	723	46.39	6.83	59	5
Over 0.10 up to and including 0.50	0.19	848	54.46	21.03	214	17
Over 0.50 up to and including 1.0	0.54	273	55.80	41.88	137	11
Over 1.0 up to and including 2.5	1.77	510	66.96	80.59	494	40
Over 2.5 up to and including 10.0	5.29	331	70.53	104.86	416	33
Over 10.0 up to and including 99.99	19.05	51	75.67	151.97	93	7
Default	100.00	13	78.93	86.73	14	1
Total	1.93	2,749	57.23	43.26	1,427	114
Small business						
Up to and including 0.10	0.10	25	23.08	5.73	2	-
Over 0.10 up to and including 0.50	0.33	916	26.30	14.55	160	13
Over 0.50 up to and including 1.0	0.91	572	32.05	31.41	215	18
Over 1.0 up to and including 2.5	1.83	335	28.15	35.70	143	11
Over 2.5 up to and including 10.0	4.74	142	30.17	44.33	76	6
Over 10.0 up to and including 99.99	14.39	28	33.52	62.98	21	2
Default	100.00	46	31.38	297.87	166	13
Total	3.47	2,064	28.63	31.63	783	63
Corporate/Business lending						
Up to and including 0.04	0.03	6,606	48.64	20.73	1,643	131
Over 0.04 up to and including 0.10	0.07	3,862	45.84	23.96	1,111	89
Over 0.10 up to and including 0.40	0.22	8,473	39.63	37.88	3,852	308
Over 0.40 up to and including 3.0	1.23	14,377	31.89	62.07	10,709	856
Over 3.0 up to and including 10.0	4.78	639	30.89	97.01	744	59
Over 10.0 up to and including 99.0	24.22	1,235	38.30	184.41	2,732	219
Default	100.00	294	41.56	84.95	299	24
Total	2.32	35,486	38.66	49.53	21,090	1,686
Total credit risk exposures subject to the IRB approach		116,733			44,484	3,558

[1] A scalar of 1.2 currently applies to the RWA calculation of these amounts.

iv. Capital adequacy and regulatory liquidity ratios (continued)

The following table summarises the Banking Group's credit risk exposures by asset class arising from undrawn commitments and other off-balance sheet contingent liabilities and counterparty credit risk on derivatives and securities financing transactions. These unaudited amounts are included in the previous tables.

	THE BANKING GROUP			
	31 Mar 24			
	Undrawn Commitments and Other Off-Balance Sheet Contingent Liabilities[1]		Counterparty Credit Risk on Derivatives and Securities Financing Transactions	
$ millions	Value	EAD	Value	EAD
Residential mortgages	13,055	9,357	-	-
Other retail	2,689	1,529	-	-
Small business	769	627	-	-
Corporate/Business lending	9,746	9,713	2,575	78
Total	**26,259**	**21,226**	**2,575**	**78**

[1] Certain balances which are part of the guarantee with the NZ Branch are not included as off-balance sheet contingent liabilities, reflecting their treatment in RWA calculations as components of on-balance sheet or counterparty credit risk exposure.

Additional mortgage information

Residential mortgages by LVR as at 31 March 2024

LVRs are calculated as the current exposure divided by the Banking Group's valuation of the associated residential property at origination.

The Banking Group utilises data from its loan system to obtain origination valuations. For loans originated prior to 1 January 2008, or those originated outside of the loan system, the origination valuation is not recorded in the system and is therefore, due to system limitations, not available for disclosure. For these loans, the Banking Group utilises the earliest valuation recorded as the closest available alternative to estimate an origination valuation.

Exposures for which no LVR is available have been included in the 'Exceeds 90%' category in accordance with the requirements of the Order.

	THE BANKING GROUP					
	31 Mar 24					
LVR range ($ millions)	Does not exceed 60%	Exceeds 60% and not 70%	Exceeds 70% and not 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
On-balance sheet exposures	32,111	14,626	14,391	4,090	1,746	66,964
Undrawn commitments and other off-balance sheet exposures	7,426	1,024	632	107	168	9,357
Value of exposures	**39,537**	**15,650**	**15,023**	**4,197**	**1,914**	**76,321**

iv. Capital adequacy and regulatory liquidity ratios (continued)

Specialised lending subject to the slotting approach

The Banking Group's specialised lending: Project and property finance credit risk exposures as at 31 March 2024

On-balance sheet exposures subject to the slotting approach	Total Exposures After Credit Risk Mitigation $ millions	Risk Weight %	RWA[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Supervisory slotting grade				
Strong	3,916	70.00	3,291	263
Good	2,598	90.00	2,806	224
Satisfactory	288	115.00	397	32
Weak	112	250.00	336	27
Default	24	-	-	-
Total on-balance sheet exposures subject to the slotting approach	6,938	82.03	6,830	546

[1] A scalar of 1.2 currently applies to the RWA calculation of these amounts.

Off-balance sheet exposures subject to the slotting approach	EAD $ millions	Average Risk Weight %	RWA[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Undrawn commitments and other off-balance sheet exposures	1,249	79.29	1,188	95
Total specialised lending exposures subject to the slotting approach	8,187	81.61	8,018	641

[1] A scalar of 1.2 currently applies to the RWA calculation of these amounts.

Registered bank disclosures

Unaudited

iv. Capital adequacy and regulatory liquidity ratios (continued)

Credit risk exposures subject to the standardised approach

The Banking Group's credit risk exposures subject to the standardised approach as at 31 March 2024

Calculation of on-balance sheet exposures

	Total Exposure After Credit Risk Mitigation $ millions	Average Risk Weight %	Risk-weighted Exposure $ millions	Minimum Pillar 1 Capital Requirement $ millions
Sovereigns and central banks	12,323	-	-	-
Multilateral development banks and other international organisations	2,125	0.89	19	2
Public sector entities	2,208	20.00	442	35
Banks	1,331	45.17	601	48
Past due assets	1	124.95	1	-
Other assets[1]	1,819	51.93	944	76
Total on-balance sheet exposures	19,807	10.13	2,007	161

[1] Relate to property and equipment, other assets and related parties.

Calculation of off-balance sheet exposures

	Total Exposure or Principal Amount $ millions	Average Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Risk Weight %	Risk-weighted Exposure $ millions	Minimum Pillar 1 Capital Requirement $ millions
Total off balance sheet exposures subject to the standardised approach	1,017	38.45	391	24.97	98	8
Counterparty credit risk for counterparties subject to the standardised approach						
FX contracts	18,628	N/A	1,017	20.00	203	16
Interest rate contracts	61,743	N/A	293	20.00	59	5
Other	-	N/A	-	-	545	44
Total counterparty credit risk for counterparties subject to the standardised approach	80,371		1,310		807	65
Standardised subtotal (on- and off-balance sheet)			21,508		2,912	234

Credit risk mitigation

The Banking Group uses a variety of techniques to reduce the credit risk arising from its lending activities (refer to Note 13.5 to the financial statements included in the Disclosure Statement for the year ended 30 September 2023 for further details). This includes the Banking Group establishing that it has direct, irrevocable and unconditional recourse to collateral and other credit enhancements through obtaining legally enforceable documentation.

The Banking Group includes the effect of credit risk mitigation through eligible guarantees within the calculation applied to LGD. Due to system limitations, the value of the guarantee is not always separately recorded, and therefore, neither this value nor a close alternative is available for disclosure, under Clause 7 of Schedule 11 to the Order. The Banking Group does not apply any credit risk mitigation from eligible financial collateral for exposures subject to the standardised approach or from credit derivatives as at 31 March 2024.

iv. Capital adequacy and regulatory liquidity ratios (continued)

Equity risk

The Banking Group's equity exposures as at 31 March 2024

Equity	Total Exposure $ millions	Risk Weight %	Risk-weighted Exposure $ millions	Minimum Pillar 1 Capital Requirement $ millions
Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index	-	300	-	-
All other equity holdings (not deducted from capital)	3	400	13	1

Application of Standardised Floor to Total Credit Risk RWA

BPR130 requires IRB Banks to calculate total credit risk RWA as the sum of:

- The greater of:
  - 1.2 x total RWA subject to the IRB RWA treatment (as shown in the tables in the sections Credit risk subject to the IRB approach and Specialised lending subject to the slotting approach on pages 39 and 41); and
  - 0.85 x total Standardised Equivalent RWA for each credit risk exposure subject to the IRB RWA treatment (commonly referred to as the standardised floor); and
- 1.0 x total RWA subject to the Standardised RWA treatment.

The following table shows the output from these calculations, and the resulting total credit risk RWA used in the calculation of the Bank and the Banking Group's total capital requirements and capital ratios as at 31 March 2024.

	THE BANKING GROUP			
	31 Mar 24			
	RWA for modelled exposures			
$ millions	RWA calculated using models[1,2]	RWA recalculated using standardised approach	RWA for standardised exposures[3]	Total credit risk RWA
Total IRB and supervisory slotting exposure	52,502	67,604		
Standardised floor		57,464		
RWA with floor applied		**57,464**	**2,925**	**60,389**

[1] A scalar of 1.2 currently applies to the RWA calculation of these amounts.

[2] This amount includes $44,484 million for IRB classes and $8,018 million for supervisory slotting exposures.

[3] This amount includes $2,912 million for exposures subject to the standardised approach and $13 million for equity exposures.

Operational risk

Operational risk capital requirement

The following table sets out the Banking Group's implied risk-weighted exposures under the Standardised Approach for operational risk capital.

	THE BANKING GROUP	
	31 Mar 24	
$ millions	Implied Risk-weighted Exposure	Total Operational Risk Capital Requirement
Standardised Approach		
Operational risk	7,544	603

Whilst the Bank has transitioned to the Standardised Approach for calculating Operational Risk capital in line with BPR150, it continues to comply with the qualitative requirements set out in section B1 of BPR151 AMA Operational Risk.

iv. Capital adequacy and regulatory liquidity ratios (continued)

Market risk

The Banking Group's aggregate market risk exposure is derived in accordance with BPR140 and is calculated on a monthly basis. The end-of-period aggregate market risk exposure is calculated from the period end balance sheet information.

For each category of market risk, the Banking Group's peak end-of-day aggregate capital charge is derived by determining the maximum over the six months ended 31 March 2024 of the aggregate capital charge for that category of market risk derived in accordance with BPR140.

The following table provides a summary of the Banking Group's capital charges by risk type as at the reporting date and the peak end-of-day capital charges by risk type for the six months ended 31 March 2024:

	THE BANKING GROUP	
	31 Mar 24	
$ millions	Implied risk-weighted exposure	Aggregate capital charge
End-of-period		
Interest rate risk	2,130	170
Foreign currency risk	-	-
Equity risk	-	-
Peak end-of-day		
Interest rate risk	3,443	275
Foreign currency risk	-	-
Equity risk	-	-

Total capital requirements

Banking Group Pillar 1 Total Capital Requirement

	THE BANKING GROUP		
	31 Mar 24		
$ millions	Total Exposure After Credit Risk Mitigation[1]	Risk-weighted Exposure or Implied Risk-weighted Exposure	Total Capital Requirement
Total credit risk	134,846	60,389	4,831
Operational risk	N/A	7,544	603
Market risk	N/A	2,130	170
Total	134,846	70,063	5,604

[1] This amount includes $105,815 million for exposures subject to IRB approach and $7,520 million for exposures subject to the slotting approach, being the equivalent exposure under the standardised approach of $116,733 million EAD for credit risk exposures subject to IRB approach and $8,187 million EAD for specialised lending subject to slotting approach.

iv. Capital adequacy and regulatory liquidity ratios (continued)

Capital ratios

The following table is disclosed under the Reserve Bank's Basel III framework in accordance with Clauses 15 and 16 of Schedule 11 to the Order and represents the capital adequacy calculation based on the Reserve Bank BPRs.

For the purpose of calculating the capital adequacy ratios for the Bank on a solo basis, non-SPV subsidiaries are consolidated within the Bank if they are either funded exclusively and wholly owned by the Bank, or if there is a full, unconditional and irrevocable cross guarantee between the non-SPV subsidiary and the Bank. An SPV must be consolidated with the Bank if it is either a covered bond SPV or an internal RMBS SPV.

	THE BANKING GROUP			THE BANK	
%	Reserve Bank Minimum Ratios	31 Mar 24	31 Mar 23	31 Mar 24	31 Mar 23
Common Equity Tier 1 capital ratio	4.5	**11.4**	11.1	**11.3**	11.0
Tier 1 capital ratio	6.0	**13.5**	12.7	**13.5**	12.7
Total capital ratio	8.0	**15.2**	13.7	**15.2**	13.7
Prudential capital buffer ratio	4.5	**6.9**	5.7	**N/A**	N/A

Capital for other material risks

The Banking Group's internal capital adequacy assessment process identifies, reviews and measures additional material risks that must be captured within the Banking Group's capital adequacy assessment process. The additional material risks considered are those not captured by Pillar 1 regulatory capital requirements and include compliance and conduct risk, liquidity risk, reputational risk, sustainability risk, financial crime risk, model risk, other assets risk, strategic risk, subsidiary risk/contagion risk, cyber risk and risk culture.

The Banking Group's internal capital allocation for 'other material risks' is $289 million as at 31 March 2024 (31 March 2023: $372 million).

Ultimate Parent Bank Group Basel III capital adequacy ratios

The following table represents the capital adequacy calculation for the Ultimate Parent Bank and the Ultimate Parent Bank Group based on APRA's application of the Basel III capital adequacy framework.

%	31 Mar 24	31 Mar 23
Ultimate Parent Bank Group (excluding entities specifically excluded by APRA)[1, 2]		
Common Equity Tier 1 capital ratio	**12.5**	12.3
Additional Tier 1 capital ratio	**2.5**	2.2
Tier 1 capital ratio	**15.0**	14.5
Tier 2 capital ratio	**6.4**	5.3
Total regulatory capital ratio	**21.4**	19.8
Ultimate Parent Bank (Extended Licensed Entity)[1, 3]		
Common Equity Tier 1 capital ratio	**12.8**	12.5
Additional Tier 1 capital ratio	**2.7**	2.4
Tier 1 capital ratio	**15.5**	14.9
Tier 2 capital ratio	**7.1**	5.8
Total regulatory capital ratio	**22.6**	20.7

[1] The capital ratios represent information mandated by APRA. The capital ratios of the Ultimate Parent Bank Group are publicly available in the Ultimate Parent Bank Group's Pillar 3 report. This information is made available to users via the Ultimate Parent Bank's website (www.westpac.com.au).

[2] Ultimate Parent Bank Group (excluding entities specifically excluded by APRA regulations) comprises the consolidation of the Ultimate Parent Bank and its subsidiary entities except those entities specifically excluded by APRA regulations for the purposes of measuring capital adequacy (Level 2). The head of the Level 2 group is the Ultimate Parent Bank.

[3] Ultimate Parent Bank (Extended Licensed Entity) comprises the Ultimate Parent Bank and its subsidiary entities that have been approved by APRA as being part of a single Extended Licensed Entity for the purposes of measuring capital adequacy (Level 1).

iv. Capital adequacy and regulatory liquidity ratios (continued)

Under APRA's Prudential Standards, Australian Authorised Deposit-taking Institutions, including the Ultimate Parent Bank, are required to maintain minimum ratios of capital to risk weighted assets, as determined by APRA, which are at least equal to those specified under the Basel III capital framework. For the calculation of risk weighted assets, the Ultimate Parent Bank Group is accredited by APRA to apply advanced models. APRA has accredited the Ultimate Parent Bank Group to apply advanced models permitted by the Basel III global capital adequacy regime to the measurement of its regulatory capital requirements. The Ultimate Parent Bank Group uses the Advanced Internal Ratings-Based approach (Advanced IRB) for credit risk and the Standardised Measurement Approach (SMA) for operational risk.

APRA has set a Total Common Equity Tier 1 (CET1) Requirement for Domestic Systemically Important Banks (D-SIBs) of 10.25% (noting that APRA may apply higher CET1 requirements for an individual bank). This requirement includes a capital conservation buffer of 4.75% applicable to D-SIBs and a base level for the countercyclical capital buffer of 1.0% for Australian exposures which APRA may vary between 0% and 3.5%. The Ultimate Parent Bank Board has determined that the Ultimate Parent Bank Group will target a CET1 operating capital range of between 11.0% and 11.5%, in normal operating conditions.

APRA's Prudential Standards are generally consistent with the International Regulatory Framework for Banks, also known as Basel III, issued by the BCBS, except where APRA has exercised certain discretions. On balance, the application of these discretions acts to reduce capital ratios reported under APRA's Prudential Standards relative to the BCBS approach and to those reported in some other jurisdictions.

The Ultimate Parent Bank Group is required to disclose additional detailed information on its risk management practices and capital adequacy on a quarterly basis. This information is made available to users via the Ultimate Parent Bank's website (www.westpac.com.au),

The Ultimate Parent Bank Group (excluding entities specifically excluded by APRA regulations), and the Ultimate Parent Bank (Extended Licensed Entity as defined by APRA), exceeded the minimum capital adequacy requirements as specified by APRA as at 31 March 2024.

Regulatory liquidity ratios

The Bank calculates liquidity ratios in accordance with BS13 Liquidity Policy. Ratios are calculated daily and are part of the Bank's management of liquidity risk. Quarterly average ratios are produced in line with the Reserve Bank rules and guidance.

	THE BANKING GROUP	
%	31 Mar 24	31 Dec 23
Average for the three months ended		
One-week mismatch ratio	**10.2**	**10.7**
One-month mismatch ratio	**9.7**	**10.8**
Core funding ratio	**86.5**	**86.9**

v. Concentration of credit exposures to individual counterparties

The following credit exposures are based on actual credit exposures to individual counterparties and groups of closely related counterparties.

The number of individual non-bank counterparties to which the Banking Group has an aggregate credit exposure or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Banking Group's Common Equity Tier 1 capital:

	THE BANKING GROUP	
	Exposure as at 31 March 2024[1]	Peak end-of-day exposure over six months to 31 March 2024[1]
Exposures to non-bank counterparties[2]		
With a long-term credit rating of A- or A3 or above, or its equivalent		
Exceeds 10% and not 15%	**1**	**1**
Exceeds 15% and not 20%	**1**	**1**

[1] There are no bank counterparties with an aggregate credit exposure that equals or exceeds 10% of the Banking Group's Common Equity Tier 1 capital. There are no non-bank counterparties with an aggregate credit exposure that equals or exceeds 10% of the Banking Group's Common Equity Tier 1 capital and with a long-term credit rating of less than A- or A3, or its equivalent, or unrated.

[2] A counterparty is a non-bank counterparty if it is a non-bank that is not a member of a group of closely related counterparties or it is a group of closely related counterparties of which a bank is not the parent.

v. Concentration of credit exposures to individual counterparties (continued)

The peak end-of-day aggregate credit exposure to each individual counterparty (which are not members of a group of closely related counterparties) or a group of closely related counterparties has been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure over the relevant six-month period, and then dividing that amount by the Banking Group's Common Equity Tier 1 capital as at 31 March 2024.

Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties exclude exposures to connected persons, to the central government or central banks of any country with a long-term credit rating of A- or A3 or above, or its equivalent, or to any supranational or quasi-sovereign agency with a long-term credit rating of A- or A3 or above, or its equivalent. These calculations relate only to exposures held in the financial records of the Banking Group and were calculated net of individually assessed provisions.

vi. Insurance business

The Banking Group does not conduct any insurance business.

vii. Risk management policies

Refer to Section viii. Risk management policies of the Registered bank disclosures, Note 13 Credit risk management and Note 32 Risk management, funding and liquidity risk and market risk included in the Banking Group Disclosure Statement for the year ended 30 September 2023 for further details on the Banking Group's risk management policies.

Conditions of registration

Material non-compliance with conditions of registration

CoR22 non-compliance

Outsourcing Arrangements without required risk mitigants in place

For a period of four years in relation to certain hardware and a period ranging from five to eight years for operating system software, the Bank had outsourcing arrangements without the required risk mitigants in place to ensure adequate support services were available for certain payment systems operated by the Bank, which support some of the Bank's payment processing services. In this regard:

- The relevant software and hardware environments ensure high availability of key frontline applications for its retail and business customers. The failure to have the required risk mitigants in place to support these software and hardware environments was non-compliant with the Reserve Bank's Outsourcing Policy (BS11) and therefore with the Bank's condition of registration 22.
- Despite not having adequate support contracts in place, the Bank either continued to receive support or could have acquired support on a non-contractual basis. The Bank also had internal teams in place to provide support in the event of issues arising with the software and hardware.
- However, if a critical problem had arisen with the software without the required risk mitigants in place, then this could have increased the risk that the Bank may not have been able to access support to restore the relevant services within the Bank's recovery time objectives. This would, in turn, have impacted the Bank's ability to provide certain services to business and retail customers who are using these services or business applications. This may also have impacted the Bank's ability to be administered under statutory management or to address the impact of a service or function provider failure.

Once the non-compliances came to the Bank's attention, internal investigations took place, and the incidents were reported to the Reserve Bank. Remediation work has been completed.

CoR 18, 19 and 21 non-compliance

Open Bank Resolution (OBR) policy is a Reserve Bank tool for responding to the rare event of a bank failure. OBR enables authorities to re-open a failed bank the next day under statutory management. This is achieved by ensuring that banks have operational and technical arrangements in place so they can continue to operate should they enter into statutory management. The Bank has identified that components of its OBR Implementation Plan (Plan) were non-compliant with the Bank's conditions of registration in the following respects:

- The Bank has not met all of the pre-positioning requirements in condition of registration 18 as the Bank does not have a fully documented solution to reinstate customers' access to some or all of their residual frozen funds were an event to occur.
- Components of the Bank's Plan were historically not kept up-to-date. As such the Bank has not met all of the requirements of condition of registration 19.
- The Bank's annual testing of its Plan did not meet the requirements of condition of registration 21 as the testing methods required strengthening to include timeframe and end-to-end enterprise testing.

As a result of the above, there is an increased risk that the Bank would not be able to close and re-open as required under the OBR policy. Through a dedicated initiative, the Bank's OBR Plan has since been updated and there has been significant progress made to rebuild, uplift, test and strengthen the components.

Changes to conditions of registration

The following changes to the Bank's conditions of registration have occurred between the reporting date for the previous disclosure statement and the reporting date for this disclosure statement.

- With effect from 1 October 2023, the Bank's conditions of registration were amended to incorporate:
    - the updated version date and revised wording on limits on connected exposures in the BS8 (Connected Exposures) Policy (BS8) and a new condition to ensure that disclosure obligations are consistent with BS8 until the amendments to the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 are implemented; and
    - updated version dates for BPR110 and BPR120 (Mutual Capital Instruments) and BPR001, BPR130, BPR131, BPR132 and BPR 133 (Risk Weights Omnibus).

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Independent auditor's review report

To the shareholder of Westpac New Zealand Limited

Report on the condensed consolidated interim financial statements and the supplementary information (excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11)

Our conclusion

We have reviewed the condensed consolidated interim financial statements (the "Financial Statements") for the six month period ended 31 March 2024 of Westpac New Zealand Limited (the "Bank") and the entities it controlled at 31 March 2024 or from time to time during the period (together, the "Banking Group") as required by clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information disclosed in accordance with Schedules 5, 7, 13, 16 and 18 of the Order (the "Supplementary Information"), excluding the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order contained in the half year disclosure statement (the "Disclosure Statement").

The Financial Statements comprise the balance sheet as at 31 March 2024, the related income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and selected explanatory notes.

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

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

Basis for conclusion

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

We are independent of the Banking Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. In addition to our role as auditor, our firm carries out other services for the Banking Group in the areas of greenhouse gas emissions assurance readiness assessment and other assurance and audit related services. Other assurance and audit related services include assurance over compliance with regulations and agreed upon procedures over the issue of comfort letters and debt issuance programmes. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and relationships have not impaired our independence.

Responsibilities of the Directors for the Disclosure Statement

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

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In addition, the Directors are responsible on behalf of the Bank for the preparation and fair presentation of the Disclosure Statement which includes:

- all of the information prescribed in Schedule 3 of the Order; and
- the information prescribed in Schedules 5, 7, 11, 13, 16 and 18 of the Order.

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

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

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

Who we report to
This report is made solely to the Bank's shareholder. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder for our review procedures, for this report, or for the conclusions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
5 May 2024

Auckland

Independent assurance report

To the shareholder of Westpac New Zealand Limited

Limited assurance report on compliance with the information required on capital adequacy and regulatory liquidity requirements

Our conclusion

We have undertaken a limited assurance engagement on Westpac New Zealand Limited (the "Bank")'s compliance, in all material respects, with clause 22 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") which requires information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its half year Disclosure Statement for the six month period ended 31 March 2024 (the "Disclosure Statement"). The Disclosure Statement containing the information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the shareholder.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order and disclosed in note iv of the registered bank disclosures, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

Basis for conclusion

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

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

Directors' responsibilities

The Directors are responsible on behalf of the Bank for compliance with the Order, including clause 22 of the Order which requires information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 11 of the Order to be included in the Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

Our independence and quality management

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Banking Group. In addition to our role as auditor, our firm carries out other services for the Banking Group in the areas of greenhouse gas emissions assurance readiness assessment and other audit related services. Other audit related services include agreed upon procedures over the issue of comfort letters and debt issuance programmes. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and relationships have not impaired our independence.

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Assurance practitioner's responsibilities
Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order is not, in all material respects, disclosed in accordance with Schedule 11 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 22 of the Order, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 22 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to capital adequacy and regulatory liquidity requirements;
- obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's (the "RBNZ") prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity requirements and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order, and considered its consistency with the condensed consolidated interim financial statements; and
- agreed the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation, which included publicly available information as prescribed by clause 18 of Schedule 11 of the Order.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with the compliance requirements.

Inherent limitations
Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with the compliance requirements may occur and not be detected.

A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 11 of the Order to be included in the Disclosure Statement in compliance with clause 22 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report
This report has been prepared for use by the Bank's shareholder, for the purpose of establishing that these compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Bank and the Bank's shareholder, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance report is Samuel Shuttleworth.

PricewaterhouseCoopers

Chartered Accountants
5 May 2024

Auckland