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ASX Release

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Westpac Banking Corporation – New Zealand Banking Group Disclosure Statement

Westpac Banking Corporation ("Westpac") today provides the attached Westpac New Zealand Banking Group Disclosure Statement for the six months ended 31 March 2021.

For further information:

David Lording
Group Head of Media Relations
0419 683 411

Andrew Bowden
Head of Investor Relations
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This document has been authorised for release by Tim Hartin, General Manager & Company Secretary.

Westpac Banking Corporation - New Zealand Banking Group

Disclosure Statement

For the six months ended 31 March 2021

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Contents

Glossary of terms

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

In this Disclosure Statement, reference is made to five main reporting groups:

- **Overseas Bank** – refers to Westpac Banking Corporation;
- **Overseas Banking Group** – refers to the Overseas Bank and all other entities included in the Overseas Bank's group for the purposes of public reporting of the group financial statements in Australia;
- **NZ Branch** – refers to the New Zealand business (as defined in the Order) of the Overseas Bank;
- **Westpac New Zealand** – refers to Westpac New Zealand Limited; and
- **NZ Banking Group** – refers to the financial reporting group (as defined in the Order) of the Overseas Bank. Controlled entities of the NZ Banking Group are set out in Note 22 to the financial statements included in the Disclosure Statement for the year ended 30 September 2020 and in Note 9.

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.

Directors' and the Chief Executive Officer, NZ Branch's statement

Each Director of the Overseas Bank and the Chief Executive Officer, NZ Branch, believes, after due enquiry, that, as at the date on which this Disclosure Statement is signed, the Disclosure Statement:

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

(b) is not false or misleading.

Each Director of the Overseas Bank and the Chief Executive Officer, NZ Branch, believes, after due enquiry, that, over the six months ended 31 March 2021:

(a) the Overseas Bank has complied in all material respects with each condition of registration that applied during that period; and

(b) the NZ Branch and other members of the NZ Banking Group had systems in place to monitor and control adequately the material risks of relevant members of the NZ Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied. For this purpose, a relevant member of the NZ Banking Group means a member of the NZ Banking Group that is not a member of Westpac New Zealand's Banking Group, as defined in Westpac New Zealand's Disclosure Statement for the six months ended 31 March 2021.

The Disclosure Statement has been signed on behalf of all of the Directors by David Alexander McLean, Chief Executive, Westpac New Zealand, and by Simon James Power as Chief Executive Officer, NZ Branch.

David McLean

Simon Power

Dated this 25th day of May 2021

Income statement for the six months ended 31 March 2021

$ millions	Note	NZ BANKING GROUP Six Months Ended 31 Mar 21 Unaudited	 Six Months Ended 31 Mar 20 Unaudited
Interest income:			
Calculated using the effective interest rate method	2	**1,556**	1,886
Other	2	**10**	33
Total interest income	2	**1,566**	1,919
Interest expense	2	**(548)**	(941)
Net interest income		**1,018**	978
Net fees and commissions income	3	**84**	82
Net wealth management and insurance income	3	**50**	83
Trading income	3	**109**	72
Other income	3	**5**	16
Net operating income before operating expenses and impairment charges		**1,266**	1,231
Operating expenses		**(550)**	(551)
Impairment (charges)/benefits	4	**99**	(210)
Profit before income tax		**815**	470
Income tax expense		**(226)**	(135)
Net profit attributable to the owner of the NZ Banking Group		**589**	335

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

Statement of comprehensive income for the six months ended 31 March 2021

$ millions	NZ BANKING GROUP Six Months Ended 31 Mar 21 Unaudited	 Six Months Ended 31 Mar 20 Unaudited
Net profit attributable to the owner of the NZ Banking Group	**589**	335
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) recognised in equity on:		
Investment securities	**(103)**	(20)
Cash flow hedging instruments	**81**	44
Transferred to income statement:		
Cash flow hedging instruments	**33**	45
Income tax on items taken to or transferred from equity:		
Investment securities	**29**	5
Cash flow hedging instruments	**(32)**	(24)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit obligation recognised in equity (net of tax)	**13**	(5)
Other comprehensive income for the period (net of tax)	**21**	45
Total comprehensive income attributable to the owner of the NZ Banking Group	**610**	380

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

Balance sheet as at 31 March 2021

		NZ BANKING GROUP	
		31 Mar 21	30 Sep 20
$ millions	Note	**Unaudited**	Audited
Assets			
Cash and balances with central banks		**6,235**	4,488
Collateral paid		**363**	397
Trading securities and financial assets measured at fair value through income statement ('**FVIS**')		**3,987**	4,224
Derivative financial instruments		**4,982**	5,660
Investment securities		**4,933**	5,021
Loans	5	**90,923**	88,354
Other financial assets		**300**	555
Life insurance assets		**333**	375
Due from related entities		**1,325**	2,713
Property and equipment		**383**	398
Deferred tax assets		**187**	242
Intangible assets		**700**	696
Other assets		**75**	73
Total assets		**114,726**	113,196
Liabilities			
Collateral received		**348**	508
Deposits and other borrowings	7	**77,345**	73,970
Other financial liabilities		**1,745**	1,979
Derivative financial instruments		**3,724**	5,417
Due to related entities		**2,089**	2,560
Debt issues	8	**15,853**	15,799
Current tax liabilities		**6**	88
Provisions		**190**	210
Other liabilities		**427**	400
Loan capital		**2,999**	3,220
Total liabilities		**104,726**	104,151
Net assets		**10,000**	9,045
Head office account			
Branch capital		**1,300**	1,300
Retained profits		**1,128**	1,078
Total head office account		**2,428**	2,378
NZ Banking Group equity			
Share capital		**488**	143
Reserves		**(4)**	(12)
Retained profits		**7,088**	6,536
Total NZ Banking Group equity		**7,572**	6,667
Total equity attributable to the owner of the NZ Banking Group		**10,000**	9,045

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 2021

	NZ BANKING GROUP						
	NZ BRANCH		OTHER MEMBERS OF THE NZ BANKING GROUP				
	Head Office Account			Reserves			
$ millions	Branch Capital	Retained Profits	Share Capital	Investment Securities Reserve	Cash Flow Hedge Reserve	Retained Profits	Total Equity
As at 30 September 2019 (Audited)	1,300	989	143	4	(73)	6,294	8,657
Six months ended 31 March 2020 (Unaudited)							
Net profit attributable to the owner of the NZ Banking Group	-	61	-	-	-	274	335
Net gains/(losses) from changes in fair value	-	-	-	(20)	44	-	24
Income tax effect	-	-	-	5	(12)	-	(7)
Transferred to income statement	-	-	-	-	45	-	45
Income tax effect	-	-	-	-	(12)	-	(12)
Remeasurement of defined benefit obligations	-	-	-	-	-	(7)	(7)
Income tax effect	-	-	-	-	-	2	2
Total comprehensive income for the six months ended 31 March 2020	-	61	-	(15)	65	269	380
Transactions with owner:							
Dividends paid on ordinary shares	-	-	-	-	-	(346)	(346)
As at 31 March 2020 (Unaudited)	1,300	1,050	143	(11)	(8)	6,217	8,691
As at 30 September 2020 (Audited)	**1,300**	**1,078**	**143**	**57**	**(69)**	**6,536**	**9,045**
Six months ended 31 March 2021 (Unaudited)							
Net profit attributable to the owner of the NZ Banking Group	**-**	**50**	**-**	**-**	**-**	**539**	**589**
Net gains/(losses) from changes in fair value	**-**	**-**	**-**	**(103)**	**81**	**-**	**(22)**
Income tax effect	**-**	**-**	**-**	**29**	**(23)**	**-**	**6**
Transferred to income statement	**-**	**-**	**-**	**-**	**33**	**-**	**33**
Income tax effect	**-**	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Remeasurement of defined benefit obligations	**-**	**-**	**-**	**-**	**-**	**18**	**18**
Income tax effect	**-**	**-**	**-**	**-**	**-**	**(5)**	**(5)**
Total comprehensive income for the six months ended 31 March 2021	**-**	**50**	**-**	**(74)**	**82**	**552**	**610**
Transactions with owner:							
Ordinary share capital issued (refer to Note 9)	**-**	**-**	**345**	**-**	**-**	**-**	**345**
As at 31 March 2021 (Unaudited)	**1,300**	**1,128**	**488**	**(17)**	**13**	**7,088**	**10,000**

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 2021

		NZ BANKING GROUP	
$ millions	Note	**Six Months Ended 31 Mar 21 Unaudited**	Six Months Ended 31 Mar 20 Unaudited
Cash flows from operating activities			
Interest received		**1,585**	1,942
Interest paid		**(679)**	(1,043)
Non-interest income received		**135**	215
Operating expenses paid		**(463)**	(463)
Income tax paid		**(260)**	(264)
Cash flows from operating activities before changes in operating assets and liabilities		**318**	387
Net (increase)/decrease in:			
Collateral paid		**34**	54
Trading securities and financial assets measured at FVIS		**422**	(1,745)
Loans		**(2,574)**	(2,953)
Other financial assets		**(6)**	48
Due from related entities		**1,500**	(2,931)
Other assets		**3**	(8)
Net increase/(decrease) in:			
Collateral received		**(160)**	708
Deposits and other borrowings		**3,375**	6,988
Other financial liabilities		**(92)**	1,388
Due to related entities		**14**	(22)
Other liabilities		**44**	12
Net movement in external and related entity derivative financial instruments		**(1,323)**	196
Net cash provided by/(used in) operating activities		**1,555**	2,122
Cash flows from investing activities			
Purchase of investment securities		**(271)**	(65)
Proceeds from investment securities		**175**	714
Net movement in life insurance assets		**42**	(15)
Purchase of capitalised computer software		**(41)**	(24)
Purchase of property and equipment		**(9)**	(4)
Purchase of associates		**(2)**	-
Proceeds from other investing activities		**7**	-
Net cash provided by/(used in) investing activities		**(99)**	606
Cash flows from financing activities			
Issue of ordinary share capital	9	**345**	-
Net movement in due to related entities		**(603)**	(47)
Proceeds from debt issues		**3,147**	3,029
Repayments of debt issues		**(2,597)**	(2,093)
Payments for the principal portion of lease liabilities		**(23)**	(31)
Dividends paid to ordinary shareholder		**-**	(346)
Net cash provided by/(used in) financing activities		**269**	512
Net increase/(decrease) in cash and cash equivalents		**1,725**	3,240
Cash and cash equivalents at beginning of the period		**4,543**	2,074
Cash and cash equivalents at end of the period		**6,268**	5,314
Cash and cash equivalents at end of the period comprise:			
Cash on hand		**380**	464
Balances with central banks		**5,855**	4,746
Interbank lending classified as cash and cash equivalents[1]		**33**	104
Cash and cash equivalents at end of the period		**6,268**	5,314

[1] Interbank lending is included within other financial assets on the balance sheet.

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 condensed consolidated interim financial statements ('**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* and should be read in conjunction with the financial statements included in the Disclosure Statement for the year ended 30 September 2020. These financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (**'IASB'**).

Accounting policies

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

The financial statements were authorised for issue by the Board of Directors on 25 May 2021.

All amounts in this Disclosure Statement 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.

All policies have been applied on a basis consistent with that used in the financial year ended 30 September 2020, with the exception of the accounting policy for other financial liabilities. Other financial liabilities now include repurchase agreements measured at amortised cost as well as designated at FVIS. As at 30 September 2020, all repurchase agreements were designated at FVIS. The accounting policy for other financial liabilities is presented below:

Other financial liabilities

Other financial liabilities include liabilities measured at amortised cost as well as liabilities which are measured at FVIS. Financial liabilities measured at FVIS include:

- trading liabilities (i.e. securities sold short); and
- liabilities designated at FVIS (i.e. certain repurchase agreements).

Repurchase agreements

Where securities are sold subject to an agreement to repurchase at a predetermined price, they remain recognised in the balance sheet in their original category (i.e. 'trading securities and financial assets at FVIS' or 'investment securities').

The cash consideration received is recognised as a liability ('repurchase agreements'). Repurchase agreements are designated at fair value where they are managed as part of a trading portfolio, otherwise they are measured on an amortised cost basis.

Where a repurchase agreement is designated at fair value, subsequent to initial recognition, these liabilities are measured at fair value with changes in fair value (except credit risk) recognised through the income statement as they arise. The change in fair value that is attributable to credit risk is recognised in OCI except where it would create an accounting mismatch, in which case it is also recognised through the income statement.

Critical accounting 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 2020 except for as noted below:

Provision for expected credit losses ('ECL')

Details on specific judgements in relation to the impact of COVID-19 on the calculation of provision for ECL are included in Note 6.

Amendments to Accounting Standards effective this period

A revised Conceptual Framework ('**Framework**') was adopted by the NZ Banking Group on 1 October 2020. The Framework includes new definitions and recognition criteria for assets, liabilities, income and expenses, and other relevant financial reporting concepts. These changes did not have a material impact on the NZ Banking Group.

Notes to the financial statements

Note 2 Net interest income

	NZ BANKING GROUP	
$ millions	**Six Months Ended 31 Mar 21 Unaudited**	Six Months Ended 31 Mar 20 Unaudited
Interest income		
Calculated using the effective interest rate method		
Cash and balances with central banks	**8**	7
Collateral paid	**-**	2
Investment securities	**42**	58
Loans	**1,506**	1,802
Due from related entities	**-**	16
Other interest income	**-**	1
Total interest income calculated using the effective interest rate method	**1,556**	1,886
Other		
Trading securities and financial assets measured at FVIS	**10**	33
Total other	**10**	33
Total interest income	**1,566**	1,919
Interest expense		
Calculated using the effective interest rate method		
Collateral received	**-**	3
Deposits and other borrowings	**243**	532
Due to related entities	**10**	16
Debt issues	**80**	135
Loan capital	**61**	71
Other interest expense	**5**	9
Total interest expense calculated using the effective interest rate method	**399**	766
Other		
Deposits and other borrowings	**10**	8
Debt issues	**3**	24
Other interest expense[1]	**136**	143
Total other	**149**	175
Total interest expense	**548**	941
Net interest income	**1,018**	978

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

Notes to the financial statements

Note 3 Non-interest income

	NZ BANKING GROUP	
$ millions	**Six Months Ended 31 Mar 21 Unaudited**	Six Months Ended 31 Mar 20 Unaudited
Net fees and commissions income		
Facility fees	**30**	30
Transaction fees and commissions	**72**	75
Other non-risk fee income	**12**	11
Fees and commissions income	**114**	116
Credit card loyalty programs	**(18)**	(19)
Transaction fees and commissions related expenses	**(12)**	(15)
Fees and commissions expenses	**(30)**	(34)
Net fees and commissions income	**84**	82
Net wealth management and insurance income		
Wealth management income	**27**	27
Net life insurance income and change in policy liabilities	**23**	56
Total net wealth management and insurance income	**50**	83
Trading income	**109**	72
Other income		
Net ineffectiveness on qualifying hedges	**(5)**	15
Other non-interest income	**10**	1
Total other income	**5**	16
Total non-interest income	**248**	253

Notes to the financial statements

Note 3 Non-interest income (continued)

Non-interest income in scope of NZ IFRS 15 *Revenue from Contracts with Customers* can be further disaggregated into the following operating segments and is consistent with the segment descriptions detailed in Note 12:

	NZ BANKING GROUP					
$ millions	**Consumer Banking and Wealth**	**Institutional and Business Banking**	**Financial Markets, International Trade and Payments [1]**	**Investments and Insurance**	**Reconciling Items**	**Total**
Six months ended 31 March 2021 (Unaudited)						
Fees and commissions income						
Facility fees	**19**	**8**	**-**	**-**	**3**	**30**
Transaction fees and commissions	**52**	**19**	**1**	**-**	**-**	**72**
Other non-risk fee income	**3**	**7**	**6**	**-**	**(4)**	**12**
Fees and commissions income	**74**	**34**	**7**	**-**	**(1)**	**114**
Fees and commissions expenses	**(29)**	**-**	**-**	**-**	**(1)**	**(30)**
Net fees and commissions income	**45**	**34**	**7**	**-**	**(2)**	**84**
Wealth management income	**-**	**-**	**-**	**19**	**8**	**27**
Six months ended 31 March 2020 (Unaudited) (restated)						
Fees and commissions income						
Facility fees	20	8	-	-	2	30
Transaction fees and commissions	41	28	2	-	4	75
Other non-risk fee income	5	6	3	-	(3)	11
Fees and commissions income	66	42	5	-	3	116
Fees and commissions expenses	(34)	-	-	-	-	(34)
Net fees and commissions income	32	42	5	-	3	82
Wealth management income	-	-	-	19	8	27

[1] Since 30 September 2020, the NZ Banking Group has separately presented Financial Markets, International Trade and Payments operating segment to more accurately reflect management's view of the operations. Previously, these amounts were included in the Institutional and Business Banking operating segment.

Notes to the financial statements

Note 4 Impairment charges/(benefits)

	NZ BANKING GROUP	
$ millions	**Six Months Ended 31 Mar 21 Unaudited**	Six Months Ended 31 Mar 20 Unaudited
Provisions raised/(released):		
Performing	**(91)**	133
Non-performing	**(14)**	68
Bad debts written-off/(recovered) directly to the income statement	**6**	9
Impairment charges/(benefits)	**(99)**	210
of which relates to:		
Loans and credit commitments	**(99)**	210
Impairment charges/(benefits)	**(99)**	210

Impairment charges/(benefits) on all other financial assets are not material to the NZ Banking Group. Refer to Note 6 for details on the impact of COVID-19 on the provision for ECL.

Note 5 Loans

	NZ BANKING GROUP	
$ millions	**31 Mar 21 Unaudited**	30 Sep 20 Audited
Residential mortgages	**58,298**	55,230
Other retail	**3,226**	3,299
Corporate	**29,815**	30,340
Other	**81**	92
Total gross loans	**91,420**	88,961
Provision for ECL on loans (refer to Note 6)	**(497)**	(607)
Total net loans	**90,923**	88,354

As at 31 March 2021, $7,525 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 NZ Banking Group to secure the obligations of Westpac Securities NZ Limited ('**WSNZL**') under Westpac New Zealand's Global Covered Bond Programme ('**CB Programme**') (30 September 2020: $7,524 million). In addition, $1,199 million of residential mortgages, accrued interest and cash has been pledged as collateral as part of a repurchase agreement with the Reserve Bank, under the Funding for Lending Programme (30 September 2020: nil). These pledged assets were not derecognised from the NZ Banking Group's balance sheet in accordance with the accounting policies outlined in Note 1 to the financial statements included in the Disclosure Statement for the year ended 30 September 2020. As at 31 March 2021, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was $4,183 million (30 September 2020: $4,468 million) and the cash value of the repurchase agreement with the Reserve Bank was $1,000 million (30 September 2020: nil).

Notes to the financial statements

Note 6 Provision for expected credit losses

Loans and credit commitments

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:

- The "transfers between stages" lines represent transfers between stage 1, stage 2 and stage 3 prior to remeasurement of the provision for ECL.
- The "new financial assets originated" line represents new accounts originated during the period.
- The "financial assets derecognised during the period" line represents loans derecognised due to final repayments during the period.
- The "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 due to forward looking economic scenarios, changes in overlays, 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.

Movements in components of loss allowance

The following table shows the collectively assessed provisions (**'CAP'**) and individually assessed provisions ('**IAP**') for loans and credit commitments.

	NZ BANKING GROUP 31 Mar 21 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 2020	**116**	**360**	**107**	**74**	**657**
Due to changes in credit quality:					
Transfers to Stage 1	**73**	**(64)**	**(9)**	**-**	**-**
Transfers to Stage 2	**(8)**	**60**	**(52)**	**-**	**-**
Transfers to Stage 3 CAP	**-**	**(19)**	**21**	**(2)**	**-**
Transfers to Stage 3 IAP	**-**	**(1)**	**(1)**	**2**	**-**
Reversals of previously recognised impairment charges	**-**	**-**	**-**	**(5)**	**(5)**
New financial assets originated	**10**	**-**	**-**	**-**	**10**
Financial assets derecognised during the period	**(7)**	**(21)**	**(11)**	**-**	**(39)**
Changes in CAP due to amounts written off	**-**	**-**	**(18)**	**-**	**(18)**
Other charges/(credits) to the income statement	**(79)**	**(35)**	**50**	**11**	**(53)**
Total charges/(credits) to the income statement for ECL	**(11)**	**(80)**	**(20)**	**6**	**(105)**
Amounts written off from IAP	**-**	**-**	**-**	**(14)**	**(14)**
Total provision for ECL on loans and credit commitments as at 31 March 2021	**105**	**280**	**87**	**66**	**538**
Presented as:					
Provision for ECL on loans (refer to Note 5)	**88**	**256**	**87**	**66**	**497**
Provision for ECL on credit commitments	**17**	**24**	**-**	**-**	**41**
Total provision for ECL on loans and credit commitments as at 31 March 2021	**105**	**280**	**87**	**66**	**538**

Notes to the financial statements

Note 6 Provision for expected credit losses (continued)

	NZ BANKING GROUP				
	30 Sep 20 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 2019	91	180	53	28	352
Due to changes in credit quality:					
Transfers to Stage 1	425	(400)	(25)	-	-
Transfers to Stage 2	(53)	143	(87)	(3)	-
Transfers to Stage 3 CAP	-	(85)	86	(1)	-
Transfers to Stage 3 IAP	-	(21)	(7)	28	-
Reversals of previously recognised impairment charges	-	-	-	(11)	(11)
New financial assets originated	23	-	-	-	23
Financial assets derecognised during the year	(14)	(40)	(19)	-	(73)
Changes in CAP due to amounts written off	-	-	(33)	-	(33)
Other charges/(credits) to the income statement	(356)	583	139	38	404
Total charges/(credits) to the income statement for ECL	25	180	54	51	310
Amounts written off from IAP	-	-	-	(5)	(5)
Total provision for ECL on loans and credit commitments as at 30 September 2020	116	360	107	74	657
Presented as:					
Provision for ECL on loans (refer to Note 5)	96	331	107	73	607
Provision for ECL on credit commitments	20	29	-	1	50
Total provision for ECL on loans and credit commitments as at 30 September 2020	116	360	107	74	657

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

	NZ BANKING GROUP									
	31 Mar 21 Unaudited					30 Sep 20 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	**47**	**114**	**51**	**6**	**218**	49	123	70	6	248
Other retail	**23**	**67**	**27**	**1**	**118**	28	81	31	3	143
Corporate	**35**	**99**	**9**	**59**	**202**	39	156	6	65	266
Total provision for ECL on loans and credit commitments	**105**	**280**	**87**	**66**	**538**	116	360	107	74	657

Notes to the financial statements

Note 6 Provision for expected credit losses (continued)

Impact of overlays on the provision for ECL for the six months ended 31 March 2021

The following table shows the attribution of the total provision for ECL between modelled provision for ECL and overlays.

Where there is increased uncertainty regarding the required forward-looking economic conditions under NZ IFRS 9 *Financial Instruments*, or limitations of the historical data used to calibrate the models to current stressed environments, overlays are typically used to address areas of potential risk not captured in the underlying modelled ECL.

	NZ BANKING GROUP	
	31 Mar 21	30 Sep 20
$ millions	**Unaudited**	Audited
Modelled provision for ECL	**368**	522
Overlays	**170**	135
Total provision for ECL	**538**	657

Details of these changes, which are based on reasonable and supportable information up to the date of this disclosure statement are provided below.

Modelled provision for ECL

The modelled provision for ECL is a probability weighted estimate based on three scenarios which together are representative of the NZ Banking Group's view of the forward-looking distribution of potential loss outcomes. The decrease 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.

The base case scenario uses the NZ Banking Group's latest economic forecasts at 31 March 2021. These forecasts have improved compared to prior period forecasts and take into consideration the unwind of Government and bank stimulus and support measures.

The NZ Banking Group's forecasts assume the following:

Key macroeconomic assumptions for base case scenario	**31 Mar 21[1] Unaudited**	30 Sep 20 Audited
Annual GDP	Forecasted growth to peak at 15.4% in June 2021 then ease to 3.2% over the next 12 months.	Forecasted growth of 6.7% over the next 12 months.
Residential property prices	Forecasted growth to peak at 20.9% in August 2021 then ease to 12.4% over the next 12 months.	Forecasted growth of 6.8% over the next 12 months.
Cash rate	Forecasted to remain at 25 bps over the next 12 months.	Reduction of 50 bps in the next 12 months.
Unemployment rate	Forecasted to peak at 5.1% in June 2021 then ease to 4.8% over the next 12 months.	Forecast to peak at 7% (December 2020) and then fall to 6.6% at September 2021.

[1] The NZ Banking Group released updated forecasts on 9 April 2021, which reflects additional events (for example, government tax policy announcement) up to 31 March 2021 that have not been incorporated into the forecast assumptions above. These updated forecasts do not have a material impact on the provision for ECL as at 31 March 2021.

The downside scenario is a more severe scenario with ECL higher than the base case scenario. The more severe loss outcome for the downside is generated under a recession scenario in which the combination of negative GDP growth, declines in residential property prices and an increase in the unemployment rate simultaneously impact expected credit losses across all portfolios from the reporting date. The assumptions in this scenario and relativities to the base case scenario 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 based on the probability weighted scenarios and what the provisions for ECL would be assuming a 100% weighting is applied to the base case scenario and to the downside scenario (with all other assumptions, including customer risk grades, held constant).

	NZ BANKING GROUP	
	31 Mar 21	30 Sep 20
$ millions	**Unaudited**	Audited
Reported probability-weighted ECL	**538**	657
100% base case ECL	**420**	492
100% downside ECL	**715**	902

Notes to the financial statements

Note 6 Provision for expected credit losses (continued)

The following table indicates the weightings applied by the NZ Banking Group as at 31 March 2021 and 30 September 2020.

	NZ BANKING GROUP	
	31 Mar 21	30 Sep 20
Macroeconomic scenario weightings (%)	**Unaudited**	Audited
Upside	**5**	5
Base	**55**	55
Downside	**40**	40

Given the uncertainty associated with the effects of the COVID-19 pandemic, including from the potential for further outbreaks and from the unwinding of stimulus and support measures, the NZ Banking Group has maintained the weights applied to its upside, base case and downside economic scenarios (5% upside; 55% base; and 40% downside) as well as applying judgement in the calculation of overlays.

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 would increase by $22 million (30 September 2020: $33 million) based on applying the average provision coverage ratios by stage to the movement in the gross exposure by stage.

Overlays

Overlays are typically used to address areas of potential risk, including significant uncertainty, not captured in the underlying modelled ECL.

The NZ Banking Group's total overlays at 31 March 2021 were $170 million (30 September 2020: $135 million). The increase in provisions as a result of changes in overlays are reflected through the "Other charges/(credits) to the income statement" line in the "Movements in components of loss allowance" table.

Determination of overlays requires expert judgement, and is subject to internal governance and oversight. For example, if the risk of delayed losses is judged to have dissipated or actual stress emerges, the overlays will be reduced.

COVID-19 overlays

Overlays associated with COVID-19 decreased in the six months to 31 March 2021 to $90 million (30 September 2020: $128 million).

These overlays reflect:

- The continued risk that customers may become stressed once COVID-19 related support is removed (expected delayed emergence of loss). Some customers may have been protected from default or stress because of these support measures. As a result, we expect losses to emerge later than historically experienced.
- The NZ Banking Group extended several relief packages to eligible customers requiring COVID-19 assistance. The packages allowed for repayment deferrals of up to 12 months up to 31 March 2021. Loans subject to these deferrals were not required to be reported in regulatory delinquency metrics, it was only after the deferral package expired (or 31 March 2021, whichever was earlier) and the loans were not subsequently current in their repayments, that these loans were classified as delinquent. As a result, we expect an increase in delinquencies and stress through the remainder of 2021, as some customers may have difficulty to continue making repayments without assistance. Early-stage delinquencies have already increased, and we expect that some of these will migrate to 90+ day delinquencies over time, especially for mortgages and small business lending.

Retail lending

The quantum of the COVID-19 overlay for retail lending of $61 million remains unchanged at 31 March 2021. The expected delayed emergence of loss which is not reflected in the model assumptions and the increased risk factor of customers coming off deferral packages indicates that the quantum remains appropriate at 31 March 2021. The retail lending overlay is included in Stage 2, consistent with the treatment of the overlay recognised at 30 September 2020.

Business lending (including institutional)

The COVID-19 overlay for business lending (including institutional) is $29 million at 31 March 2021 (30 September 2020: $67 million). The overlay at 31 March 2021 relates to the expected delayed emergence of loss which is not reflected in the model assumptions, of which $10 million is included in Stage 1 and $19 million in Stage 2.

Other management overlays and model adjustments

The remaining $80 million of overlays for 31 March 2021 primarily relates to the impact of other management overlays and model adjustments (30 September 2020: $7 million). Within this $80 million, a model adjustment overlay of $73 million for the residential mortgage portfolio has been recorded given the impacts on, and volatility in, the modelled ECL by using macroeconomic inputs that are well outside the range of historical experience, of which $29 million is included in Stage 1 and $44 million in Stage 2.

Notes to the financial statements

Note 6 Provision for expected credit losses (continued)

Impact of changes in credit exposures on the provision for ECL

Refer to Section iii. Asset quality of the Registered bank disclosures for the table showing the impact of changes in gross financial assets on loss allowances.

Stage 1 credit exposures increased by $3.2 billion (30 September 2020: increased by $0.8 billion) for the NZ Banking Group, primarily driven by growth in residential mortgage exposures. This increase is calculated after adjusting $1.8 billion transferred to stage 2 to account for gross carrying amounts ('**GCA**') associated with COVID-19 overlays. Stage 1 ECL has decreased mainly due to the impacts from improved macro-economic forecasts partially offset by overlays and model adjustments.

Stage 2 credit exposures decreased by $0.7 billion (30 September 2020: increased by $3 billion) for the NZ Banking Group, mainly driven by underlying portfolio movements in the residential mortgage and corporate asset classes. This decrease is calculated after adjusting $1.8 billion transferred to stage 2 to account for GCA associated with COVID-19 overlays. Stage 2 ECL has decreased, driven by the impacts from improved macro-economic forecasts and underlying portfolio movements, partially offset by overlays and model adjustments.

Stage 3 credit exposures decreased by $55 million (30 September 2020: increased by $253 million) for the NZ Banking Group, mainly driven by underlying portfolio movements in residential mortgages. The decrease in stage 3 exposures is in line with the decrease in 90+ days past due for residential mortgages, which has resulted in a corresponding decrease in stage 3 ECL.

Note 7 Deposits and other borrowings

	NZ BANKING GROUP	
$ millions	**31 Mar 21 Unaudited**	30 Sep 20 Audited
Certificates of deposit	**3,289**	2,996
Non-interest bearing, repayable at call	**13,709**	11,571
Other interest bearing:		
At call	**31,608**	28,412
Term	**28,739**	30,991
Total deposits and other borrowings	**77,345**	73,970

Deposits and other borrowings have been recognised under both the historical cost convention and by applying fair value accounting to certain products. Refer to Note 10 for further details.

Notes to the financial statements

Note 8 Debt issues

	NZ BANKING GROUP	
$ millions	31 Mar 21 Unaudited	30 Sep 20 Audited
Short-term debt		
Commercial paper	**3,293**	2,502
Total short-term debt	**3,293**	2,502
Long-term debt		
Non-domestic medium-term notes	**4,294**	5,329
Covered bonds	**4,174**	4,457
Domestic medium-term notes	**4,092**	3,511
Total long-term debt	**12,560**	13,297
Total debt issues	**15,853**	15,799

Debt issues have been recognised under both the historical cost convention and by applying fair value accounting to certain products. Refer to Note 10 for further details.

Note 9 Related entities

Controlled entities of the NZ Banking Group are set out in Note 22 to the financial statements included in the Disclosure Statement for the year ended 30 September 2020.

During the six months ended 31 March 2021, the following controlled entities ceased to be controlled:

- Capital Finance New Zealand Limited (deregistered 30 October 2020)
- Sie-Lease (New Zealand) Pty Limited (deregistered 30 October 2020)

In December 2020, the NZ Banking Group, through its subsidiary Red Bird Ventures Limited, acquired 29.6% equity in Akahu Technologies Limited, an investment in associate, which is not a controlled entity.

On 22 March 2021, Westpac New Zealand Group Limited ('WNZGL') issued 345 million ordinary shares to its immediate parent company, Westpac Overseas Holdings No. 2 Proprietary Limited ('WOHN2PL'), for $1 per share.

Notes to the financial statements

Note 10 Fair values of financial assets and financial liabilities

Fair Valuation Control Framework

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

Valuation techniques

The NZ 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
Exchange traded products	Derivative financial instruments Due from related entities Due to related entities	Exchange traded interest rate futures - derivative financial instruments	These instruments are traded in liquid, active markets where prices are readily observable. No modelling or assumptions are used in the valuation.
Foreign exchange ('FX') products	Derivative financial instruments	FX spot contracts	
Non-asset backed debt instruments	Trading securities and financial assets measured at FVIS Investment securities Other financial liabilities	New Zealand Government bonds	

Notes to the financial statements

Note 10 Fair values of financial assets and financial liabilities (continued)

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.

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 and FX forward contracts – derivative financial instruments	Derived from market observable inputs or consensus pricing providers using industry standard models.
Asset backed debt instruments	Trading securities and financial assets measured at FVIS Investment securities	Asset backed securities	Valued using an industry approach to value floating rate debt with prepayment features. The main inputs to the model are the trading margin and the weighted average life of the security. These inputs are sourced from a consensus data provider. 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 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.
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 applicable credit rating of the NZ Banking Group.
Life insurance assets	Life insurance assets	Local authority securities, investment grade corporate bonds, life insurance contract liabilities and units in unlisted unit trusts	Valued using observable market prices or other widely used and accepted valuation techniques utilising observable market inputs.

Notes to the financial statements

Note 10 Fair values of financial assets and financial liabilities (continued)

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.

Instrument	Balance sheet category	Includes	Valuation
Interest rate derivatives	Derivative financial instruments	Non-vanilla interest rate (inflation indexed) derivatives and long-dated NZD caps	Valued using industry standard valuation models utilising observable market inputs which are determined separately for each parameter. Where unobservable, inputs will be set with reference to an observable proxy.

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

	NZ BANKING GROUP							
	31 Mar 21 Unaudited				30 Sep 20 Audited			
$ millions	**Level 1**	**Level 2**	**Level 3[1]**	**Total**	Level 1	Level 2	Level 3[1]	Total
Financial assets measured at fair value on a recurring basis								
Trading securities and financial assets measured at FVIS	**905**	**3,082**	**-**	**3,987**	1,188	3,036	-	4,224
Derivative financial instruments	**1**	**4,981**	**-**	**4,982**	-	5,660	-	5,660
Investment securities	**2,393**	**2,540**	**-**	**4,933**	2,504	2,517	-	5,021
Life insurance assets	**-**	**333**	**-**	**333**	-	375	-	375
Due from related entities	**4**	**1,287**	**-**	**1,291**	3	1,176	-	1,179
Total financial assets measured at fair value	**3,303**	**12,223**	**-**	**15,526**	3,695	12,764	-	16,459
Financial liabilities measured at fair value on a recurring basis								
Deposits and other borrowings	**-**	**3,289**	**-**	**3,289**	-	2,996	-	2,996
Other financial liabilities	**150**	**216**	**-**	**366**	282	67	-	349
Derivative financial instruments	**1**	**3,721**	**2**	**3,724**	1	5,416	-	5,417
Due to related entities	**2**	**1,134**	**-**	**1,136**	4	1,016	-	1,020
Debt issues	**-**	**3,293**	**-**	**3,293**	-	2,502	-	2,502
Total financial liabilities measured at fair value	**153**	**11,653**	**2**	**11,808**	287	11,997	-	12,284

[1] Balances within this category of the fair value hierarchy are not considered material to the total derivative financial instruments balances.

There were no material changes in fair values estimated using a valuation technique incorporating significant non-observable inputs that were recognised in the income statement or the statement of comprehensive income of the NZ Banking Group during the six months ended 31 March 2021 (30 September 2020: no material changes in fair value).

Analysis of movements between fair value hierarchy levels

During the period, there were no material transfers between levels of the fair value hierarchy (30 September 2020: no material transfers between levels).

Notes to the financial statements

Note 10 Fair values of financial assets and financial liabilities (continued)

Financial instruments not measured at fair value

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

	NZ BANKING GROUP			
	31 Mar 21 Unaudited		30 Sep 20 Audited	
$ millions	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets not measured at fair value				
Cash and balances with central banks	**6,235**	**6,235**	4,488	4,488
Collateral paid	**363**	**363**	397	397
Loans	**90,923**	**91,103**	88,354	88,693
Other financial assets	**300**	**300**	555	555
Due from related entities	**34**	**34**	1,534	1,534
Total financial assets not measured at fair value	**97,855**	**98,035**	95,328	95,667
Financial liabilities not measured at fair value				
Collateral received	**348**	**348**	508	508
Deposits and other borrowings	**74,056**	**74,135**	70,974	71,116
Other financial liabilities	**1,379**	**1,379**	1,630	1,630
Due to related entities	**953**	**953**	1,540	1,542
Debt issues[1]	**12,560**	**12,696**	13,297	13,517
Loan capital[1]	**2,999**	**3,024**	3,220	3,065
Total financial liabilities not measured at fair value	**92,295**	**92,535**	91,169	91,378

[1] The estimated fair value of debt issues and loan capital includes the impact of changes in the NZ 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 24 of the financial statements included in the Disclosure Statement for the year ended 30 September 2020.

Note 11 Credit related commitments, contingent assets and contingent liabilities

	NZ BANKING GROUP	
$ millions	**31 Mar 21 Unaudited**	30 Sep 20 Audited
Letters of credit and guarantees	**922**	968
Commitments to extend credit	**27,918**	27,897
Total undrawn credit commitments	**28,840**	28,865

Contingent assets

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

Contingent liabilities

The NZ Banking Group is exposed to contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision has been made in these financial statements where appropriate.

Compliance, regulation and remediation

The NZ Banking Group is subject to continued regulatory action and internal reviews. Contingent liabilities may exist in respect of actual or potential claims, compensation payments and/or refunds identified as part of such regulatory action and reviews. An assessment of the NZ Banking Group's likely loss has been made on a case-by-case basis for the purpose of these financial statements but cannot always be reliably estimated.

Notes to the financial statements

Note 12 Segment reporting

The NZ Banking Group operates predominantly in the Consumer Banking and Wealth, Institutional and Business Banking, Financial Markets, International Trade and Payments, and Investments and Insurance 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 NZ Banking Group does not rely on any single major customer for its revenue base.

On 1 October 2020, the Commercial, Corporate and Institutional Banking segment was renamed to Institutional and Business Banking.

Since 30 September 2020, the NZ Banking Group has separately presented the Financial Markets, International Trade and Payments operating segment to more accurately reflect management's view of the operations. Previously, these amounts were included in the Institutional and Business Banking (previously Commercial, Corporate and Institutional Banking) operating segment. Segment comparative information for the six months ended 31 March 2020 has been restated to ensure consistent presentation with the current reporting period, reflecting the new segment and changes to expense allocations between segments during the period.

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

- Consumer Banking and Wealth provides financial services predominantly for individuals;
- Institutional and Business Banking provides a broad range of financial services for commercial, corporate, property finance, agricultural, institutional and government customers;
- Financial Markets provides foreign exchange, interest rate derivatives, government and credit products, commodities, carbon and energy capabilities. International Trade and Payments provide international trade solutions, payments products and services to consumer, business and institutional customers; and
- Investments and Insurance provides funds management and insurance services.

Reconciling items primarily represent:

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

Notes to the financial statements

Note 12 Segment reporting (continued)

	NZ BANKING GROUP					
$ millions	**Consumer Banking and Wealth**	**Institutional and Business Banking**	**Financial Markets, International Trade and Payments**	**Investments and Insurance**	**Reconciling Items**	**Total**
Six months ended 31 March 2021 (Unaudited)						
Net interest income	**559**	**485**	**11**	**1**	**(38)**	**1,018**
Non-interest income	**74**	**50**	**77**	**52**	**(5)**	**248**
Net operating income before operating expenses and impairment charges	**633**	**535**	**88**	**53**	**(43)**	**1,266**
Operating expenses	**(333)**	**(179)**	**(9)**	**(17)**	**(12)**	**(550)**
Impairment (charges)/benefits	**40**	**59**	**-**	**-**	**-**	**99**
Profit before income tax	**340**	**415**	**79**	**36**	**(55)**	**815**
Six months ended 31 March 2020 (Unaudited) (restated)						
Net interest income	506	455	18	-	(1)	978
Non-interest income	65	57	24	55	52	253
Net operating income before operating expenses and impairment charges	571	512	42	55	51	1,231
Operating expenses	(341)	(180)	(11)	(16)	(3)	(551)
Impairment (charges)/benefits	(101)	(109)	-	-	-	(210)
Profit before income tax	129	223	31	39	48	470
As at 31 March 2021 (Unaudited)						
Total gross loans	**51,979**	**39,039**	**365**	**-**	**37**	**91,420**
Total deposits and other borrowings	**39,625**	**34,431**	**-**	**-**	**3,289**	**77,345**
As at 30 September 2020 (Audited)						
Total gross loans	48,979	39,457	383	-	142	88,961
Total deposits and other borrowings	38,637	32,337	-	-	2,996	73,970

Registered bank disclosures

Unaudited

This section contains the additional disclosures required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended).

i. General information

Limits on material financial support by the Overseas Bank

On 19 November 2015, the Australian Prudential Regulation Authority (**'APRA'**) informed the Overseas Bank that its Extended Licensed Entity (**'ELE'**) non-equity exposures to New Zealand banking subsidiaries were to transition to be below a limit of 5% of the Overseas Bank's Level 1 Tier 1 capital, as part of an initiative to reduce Australian bank non-equity exposure to their respective New Zealand banking subsidiaries and branches.

The ELE consists of the Overseas Bank and its subsidiary entities that have been approved by APRA to be included in the ELE for the purposes of measuring capital adequacy.

The five-year transition period allowed by APRA to reach the 5% limit ended on 31 December 2020. Exposures for the purposes of this limit include all committed, non-intraday, non-equity exposures including derivatives and off-balance sheet exposures. For the purposes of assessing this exposure, the 5% limit excludes equity investments and holdings of capital instruments in New Zealand banking subsidiaries.

While the limit and associated conditions do not apply to the ELE's non-equity exposures to the NZ Branch (which is within the ELE), the limit and associated conditions do apply to the NZ Branch's non-equity exposures to the rest of the NZ Banking Group other than Westpac New Zealand Group Limited. As at 31 March 2021, the ELE's non-equity exposures to New Zealand banking subsidiaries affected by the limit were below 5% of Level 1 Tier 1 capital of the Overseas Bank.

APRA has also confirmed the terms on which the Overseas Bank 'may provide contingent funding support to a New Zealand banking subsidiary during times of financial stress'. APRA has confirmed that, at this time, only covered bonds meet its criteria for contingent funding arrangements.

Guarantee arrangements

No material obligations of the Overseas Bank that relate to the NZ Branch are guaranteed as at the date the Directors and the Chief Executive Officer, NZ Branch signed this Disclosure Statement.

Directors

The Directors of the Overseas Bank at the time this Disclosure Statement was signed were:
John McFarlane, MBA, MA – Chairman
Peter King, BEc, FCA –Managing Director & Chief Executive Officer
Nerida Caesar, BCom, MBA, GAICD
Craig Dunn, BCom, FCA
Steven Harker BEc (Hons.), LLB
Michael Hawker AM, BSc, FAICD, SF Fin, FAIM, FIoD
Christopher Lynch, BCom, MBA, FCPA
Peter Marriott, BEc (Hons.), FCA
Peter Nash, BCom, FCA, F Fin
Nora Scheinkestel, LLB (Hons), PhD, FAICD
Margaret Seale, BA, FAICD

Changes to Directorate

On 1 December 2020, Michael (Mike) Hawker AM was appointed as a Non-executive Director of the Overseas Bank. Alison Deans, a Non-executive Director of the Overseas Bank, retired from the Board at the conclusion of the 2020 Annual General Meeting, held on 11 December 2020. On 1 March 2021, Nora Scheinkestel was appointed as a Non-executive Director of the Overseas Bank.

Chief Executive Officer, NZ Branch

Simon James Power QSO, BA, LLB, MA (Dist.), AMP (Harvard), CMInstD, INFINZ (Fellow)

Registered bank disclosures

Unaudited

i. General information (continued)

Responsible person

All the Directors named above have authorised in writing David Alexander McLean, Chief Executive, Westpac New Zealand to sign this Disclosure Statement on the Directors' behalf in accordance with section 82 of the Reserve Bank Act.

Auditor

PricewaterhouseCoopers

PwC Tower, Level 27

15 Customs Street West

Auckland, New Zealand

Credit ratings

The Overseas 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 and the Chief Executive Officer, NZ Branch signed this Disclosure Statement:

Rating Agency	Current Credit Rating	Rating Outlook
Fitch Ratings	A+	Stable
Moody's Investors Service	Aa3	Stable
S&P Global Ratings	AA-	Negative

On 12 April 2021, Fitch rating revised the outlook of the Overseas Bank to Stable (from Negative). This change reflects Australia's improved economic prospects.

Other material matters

Reports required under section 95 of the Reserve Bank of New Zealand Act 1989

On 23 March 2021, the Reserve Bank issued two notices to Westpac New Zealand under section 95 of the Reserve Bank of New Zealand Act 1989 requiring Westpac New Zealand to supply two external reviews to the Reserve Bank. The reports are required to address concerns raised by the Reserve Bank around Westpac New Zealand's risk governance processes following various compliance issues reported over recent years. Those issues include non-compliance with the Reserve Bank's liquidity, capital adequacy and outsourcing requirements (as previously reported in Westpac New Zealand's disclosure statements) and certain technology issues, including IT outages. While work has been underway to address these areas for some time, more work is required to meet Westpac New Zealand's expectations and those of the regulator.

The first report relates to the effectiveness of the actions Westpac New Zealand has taken to improve the management of liquidity risk and the associated risk culture, following previously identified breaches of the Reserve Bank's Liquidity Policy (BS13) and potential non-compliance identified through the Reserve Bank's liquidity thematic review. Previous reviews identified the need to implement fundamental improvements to Westpac New Zealand's management of liquidity risk, and to make material changes to the culture in the relevant teams.

The second report requires the external reviewer to assess the effectiveness of risk governance at Westpac New Zealand, with a particular focus on the role played by the Board.

The reviews apply only to Westpac New Zealand and not the governance processes of the Overseas Bank or the NZ Branch.

With effect from 31 March 2021, the Reserve Bank amended Westpac New Zealand's conditions of registration to apply an overlay to Westpac New Zealand's mismatch ratios. The overlay is specified by the Reserve Bank as an adjustment to liquid assets of 114 percent (requiring Westpac New Zealand to discount the value of its liquid assets by approximately $2.3 billion). This overlay will apply until the Reserve Bank is satisfied that:

- the Reserve Bank's concerns regarding liquidity risk controls have been resolved; and
- sufficient progress has been made to address risk culture issues in Westpac New Zealand's Treasury and Market and Liquidity Risk functions.

Westpac New Zealand is currently engaging with the Reserve Bank in relation to potential experts to prepare the independent reports.

Separate to the section 95 reports, Westpac New Zealand also committed to the Reserve Bank and Financial Markets Authority to address the technology issues, and to engage Deloitte to monitor progress. Deloitte delivered its first quarterly report to Westpac New Zealand in May 2021 in relation to the adequacy of the IT uplift plan, which indicated that improvement is required to the programme oversight and that the scope of the plan should be broader and more detailed in some areas. Westpac New Zealand will take Deloitte's recommendations into account as it continues to implement its IT uplift plan.

Overseas Bank review of New Zealand business

On 24 March 2021, the Overseas Bank announced that it is assessing the appropriate structure for its New Zealand business and whether a demerger would be in the best interests of its shareholders. The Overseas Bank is in the early stage of this assessment and no decision has yet been made. This review will also consider the impact of the Reserve Bank's s 95 reviews.

Registered bank disclosures

Unaudited

i. General information (continued)

Overseas Bank and APRA enforceable undertaking on risk governance remediation

Following an extensive supervision program by APRA, in December 2020, the Overseas Bank confirmed that it had entered into an enforceable undertaking ('EU') with APRA on risk governance remediation.

The key terms of the EU include:

- Integrated Plan: Developing a remediation plan which describes all major remediation activities related to risk governance, sets a clear timeline for implementation, and specifies who is accountable for delivery.
- Independent assurance: An Independent Reviewer to provide independent assurance over the implementation of the plan, with direct reporting to APRA
- Clarity on accountability: Incorporating accountability for the delivery of the Integrated Plan into relevant Banking Executive Accountability Regime statements and remuneration scorecards, which has occurred.

APRA action against the Overseas Bank for breaches of liquidity requirements

On 1 December 2020, APRA announced that it was taking action for breaches of the Overseas Bank's liquidity requirements predominantly relating to Westpac New Zealand. While the breaches have been rectified, and the Overseas Banking Group would have still continuously met its liquidity ratio minimums, the Overseas Banking Group had breached the prudential standards. Specifically, the liquidity coverage ratio ('LCR') of Westpac New Zealand, a material offshore subsidiary, would have been below 100% for much of 2019. The Overseas Bank's average LCR for the quarter ended 31 December 2020 was 152% and for the quarter ended 31 March 2021 was 124%.

APRA has required:

- An external review of the Overseas Bank's liquidity compliance arrangements and the effectiveness of the implementation of the recommendations of the review of its Compliance Plan in respect of the Overseas Banking Group;
- An overlay on the Overseas Banking Group's liquidity requirements by applying a 10% increase to the Overseas Banking Group's net cash outflows. This overlay was applied from 1 January 2021 and will be in place until the shortcomings have been rectified. The impact of this overlay on the Overseas Banking Group's LCR as at 31 March 2021 was 12 percentage points; and
- An accountability review.

The APRA-mandated reviews have commenced and are in progress.

ASIC proceedings issued against the Overseas Bank

On 5 May 2021, ASIC filed civil proceedings against the Overseas Bank alleging that it had engaged in insider trading and unconscionable conduct, and had failed to comply with its Australian Financial Services License obligations. The allegations relate to interest rate hedging activity during the course of the Overseas Bank's involvement in the 2016 Ausgrid privatisation transaction.

AUSTRAC proceedings issued against the Overseas Bank resolved

On 20 November 2019, the Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian financial crime regulator, commenced civil proceedings in the Federal Court of Australia (Federal Court) against the Overseas Bank in relation to alleged contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AUSTRAC proceedings). The AUSTRAC proceedings were resolved by agreement in September 2020 and the settlement was approved by the Federal Court on 21 October 2020. Pursuant to the agreement, the parties filed a Statement of Agreed Facts and Admissions with the Federal Court, and the Overseas Bank paid a civil penalty of A$1.3 billion and AUSTRAC's legal costs of A$3.75 million.

As previously disclosed, following the commencement of the AUSTRAC proceedings, the Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA) each commenced investigations in relation to matters connected with the AUSTRAC proceedings. On 23 December 2020, ASIC informed the Overseas Bank that it had concluded its investigation and that it did not intend to take any enforcement action against the Overseas Bank or any individuals in connection with the investigation. On 12 March 2021, APRA also announced that it had closed its investigation.

The Overseas Bank is defending a class action proceeding which was commenced in December 2019 in the Federal Court on behalf of certain investors who acquired an interest in the Overseas Bank securities between 16 December 2013 and 19 November 2019. The proceeding involves allegations relating to market disclosure issues connected to the Overseas Bank's monitoring of financial crime over the relevant period and matters which were the subject of the AUSTRAC proceedings. The damages sought are unspecified. However, given the time period in question and the nature of the claims, it is likely any alleged damages will be significant.

i. General information (continued)

Reserve Bank Capital Review

On 5 December 2019, the Reserve Bank announced changes to the capital adequacy framework that applies to New Zealand incorporated registered banks (including Westpac New Zealand). The new framework includes the following key components:

- Increasing total capital requirements from 10.5% of risk weighted assets ('RWA') to 18% for systemically important banks (including Westpac New Zealand) and 16% for all other banks;
- Setting a Tier 1 capital requirement of 16% of risk weighted assets (‘RWA’) for systemically important banks and 14% for all other banks;
- Additional Tier 1 capital (‘AT1’) can comprise no more than 2.5% of the 16% Tier 1 capital requirement;
- Eligible Tier 1 capital will comprise common equity and redeemable perpetual preference shares. Existing AT1 instruments will be phased out over a seven-year period;
- Maintaining the existing Tier 2 capital requirement of 2% of RWA; and
- Recalibrating RWA for internal rating based banks, such as Westpac New Zealand, such that aggregate RWA will increase to approximately 90% of standardised RWA.

In response to the impacts of COVID-19, and to support credit availability, the Reserve Bank has delayed the start date of increases in the required level of bank capital until 1 July 2022, but with the new definitions of eligible capital coming into effect on 1 October 2021. Banks will be given up to seven years to comply with the new capital requirements.

The Overseas Bank is not required to comply with the New Zealand capital adequacy framework.

Business Financing Guarantee Scheme

On 13 April 2020 Westpac New Zealand entered into a deed of indemnity with the New Zealand Government to implement the New Zealand Government’s business finance guarantee scheme (‘Scheme’). The key terms of the Scheme, which were amended on 20 August 2020, and further extended by a Scheme Notice issued by the New Zealand Government on 15 December 2020, are as follows:

- the Scheme permits banks to lend up to $5,000,000 to qualifying borrowers for a maximum of five years; and
- the New Zealand Government will pay 80% of any loss incurred by Westpac New Zealand on a loan it makes under the Scheme, after Westpac New Zealand has exhausted its recoveries procedures,

in each case, subject to the terms of the Scheme.

The Overseas Bank did not participate in the Scheme.

Reserve Bank steps to support liquidity and customer lending

On 20 March 2020 the Reserve Bank announced that it would provide term funding through a Term Auction Facility (‘TAF’) to give banks (including Westpac New Zealand and the Overseas Bank) the ability to access term funding, with collateralised loans out to a term of twelve months, in order to alleviate pressures in funding markets as a result of COVID-19. On 2 April 2020, the Reserve Bank reduced the minimum core funding ratio for banks (including Westpac New Zealand) to 50% from 75%. On 10 March 2021, the Reserve Bank announced that it would be removing some of the temporary liquidity facilities put in place during the COVID-19 pandemic. The TAF was removed on 16 March 2021.

From 26 May 2020, for a period of six months, the Reserve Bank made available a Term Lending Facility (‘TLF’), to offer loans for a fixed term of three years at the rate of the Official Cash Rate, with access to the funds linked to banks’ lending under the Scheme. On 20 August 2020, the Reserve Bank announced it would extend the availability of the TLF to 1 February 2021 with terms of five years. In December 2020, the Reserve Bank announced that it would extend the window for the TLF to 28 July 2021.

On 11 November 2020, the Reserve Bank announced that additional stimulus would be provided through a Funding for Lending Programme (‘FLP’), commencing in December 2020. The FLP provides funding to banks at the prevailing OCR for a term of three years, secured by high quality collateral. The size of funding available under the FLP includes an initial allocation of 4% of each bank’s total resident loans and advances to New Zealand households, private non-financial businesses, and non-profit institutions serving households (eligible loans). A conditional additional allocation of up to 2% of eligible loans is also available, subject to growth in eligible loans, for a total size of up to 6% of eligible loans. The FLP commenced on 7 December 2020 and runs until 6 June 2022 for the initial allocations, and until 6 December 2022 for the additional allocations. The FLP term sheet is available on the Reserve Bank’s website. During the six months ended 31 March 2021, NZ Banking Group has drawn down $1,000 million under the FLP.

Dividend restrictions on New Zealand banks

On 2 April 2020, a decision was made by the Reserve Bank to freeze the distribution of dividends on ordinary shares by all locally incorporated banks in New Zealand (including Westpac New Zealand) during the period of economic uncertainty caused by COVID-19. Non-payment of dividends from Westpac New Zealand only affects the Overseas Bank’s Level 1 CET1 capital ratio.

These restrictions did not apply to the Overseas Bank.

With effect from 29 April 2021, the dividend restrictions placed on locally incorporated banks at the height of the COVID-19 pandemic were eased to allow banks to pay up to a maximum of 50% of their earnings as dividends to shareholders. The 50% dividend restriction will remain in place until 1 July 2022.

Registered bank disclosures

Unaudited

i. General information (continued)

Review of the Reserve Bank of New Zealand Act 1989

A review of the Reserve Bank of New Zealand Act 1989 was announced in 2017. In April 2021 Cabinet made the decision to adopt the final measures resulting from this review, including the introduction of a deposit insurance scheme. New legislation is expected to be introduced in late 2021 that will create a single regulatory regime for banks and non-bank deposit takers, and introduce a deposit insurance scheme to protect up to $100,000 per depositor, per institution in the event of a failure. The deposit insurance scheme is expected to take effect in 2023.

Westpac New Zealand Chief Executive Officer ('CEO') to retire

On 3 May 2021 Westpac New Zealand's CEO, David McLean, announced he will be retiring. David McLean will remain in the role until 25 June 2021, after which time Simon Power, General Manager Institutional & Business Banking, will act as CEO, subject to regulatory approval, while a global search is completed.

Disclosure statements of the NZ Banking Group and the financial statements of the Overseas Bank and the Overseas Banking Group

Disclosure Statements of the NZ Banking Group for the last five years are available, free of charge, at the internet address www.westpac.co.nz. A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request is made.

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2020 and for the six months ended 31 March 2021, respectively, and can be accessed at the internet address www.westpac.com.au.

Registered bank disclosures

Unaudited

ii. Additional financial disclosures

Additional information on balance sheet

$ millions	NZ BANKING GROUP 31 Mar 21 Unaudited	30 Sep 20 Audited
Interest earning and discount bearing assets	**106,400**	104,034
Interest and discount bearing liabilities	**85,023**	84,775
Total amounts due from related entities	**1,325**	2,713
Total amounts due to related entities	**3,222**	3,683
Total liabilities of the NZ Branch, net of amounts due to related entities	**5,761**	9,020
Total retail deposits of the NZ Branch	**-**	-

Financial assets pledged as collateral

The NZ 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 5, the carrying value of these financial assets pledged as collateral is:

$ millions	NZ BANKING GROUP 31 Mar 21 Unaudited	30 Sep 20 Audited
Cash	**363**	397
Securities pledged under repurchase agreements:		
Trading securities and financial assets measured at FVIS	**107**	33
Investment securities	**99**	-
Residential mortgage-backed securities[1]	**1,199**	-
Total amount pledged to secure liabilities (excluding CB Programme)	**1,768**	430

[1] During the six months ended 31 March 2021, the NZ Banking Group has undertaken repurchase agreements with the Reserve Bank, under the Funding for Lending Programme, using residential mortgage-backed securities. The repurchase cash amount at 31 March 2021 is $1,000 million, which is recorded within other financial liabilities on the balance sheet, with underlying securities to the value of $1,199 million provided under the arrangement.

Registered bank disclosures

Unaudited

ii. Additional financial disclosures (continued)

Additional information on concentrations of credit risk

	NZ BANKING GROUP
$ millions	**31 Mar 21**
On-balance sheet credit exposures consists of	
Cash and balances with central banks	**6,235**
Collateral paid	**363**
Trading securities and financial assets measured at FVIS	**3,987**
Derivative financial instruments	**4,982**
Investment securities	**4,933**
Loans	**90,923**
Other financial assets	**300**
Due from related entities	**1,325**
Total on-balance sheet credit exposures	**113,048**
Analysis of on-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	**468**
Agriculture	**9,420**
Construction	**563**
Finance and insurance	**9,176**
Forestry and fishing	**480**
Government, administration and defence	**13,788**
Manufacturing	**1,813**
Mining	**186**
Property	**8,080**
Property services and business services	**1,307**
Services	**1,913**
Trade	**1,970**
Transport and storage	**1,206**
Utilities	**1,926**
Retail lending	**59,793**
Other	**3**
Subtotal	**112,092**
Provisions for ECL	**(497)**
Due from related entities	**1,325**
Other financial assets	**128**
Total on-balance sheet credit exposures	**113,048**
Off-balance sheet credit exposures consists of	
Credit risk-related instruments	**28,840**
Total off-balance sheet credit exposures	**28,840**
Analysis of off-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	**90**
Agriculture	**744**
Construction	**510**
Finance and insurance	**2,131**
Forestry and fishing	**201**
Government, administration and defence	**861**
Manufacturing	**1,621**
Mining	**102**
Property	**1,311**
Property services and business services	**748**
Services	**1,085**
Trade	**2,030**
Transport and storage	**994**
Utilities	**1,968**
Retail lending	**14,444**
Total off-balance sheet credit exposures	**28,840**

Australia and New Zealand Standard Industrial Classification (‘**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

	NZ BANKING GROUP
$ millions	**31 Mar 21**
Funding consists of	
Collateral received	**348**
Deposits and other borrowings	**77,345**
Other financial liabilities[1]	**1,454**
Due to related entities[2]	**921**
Debt issues[3]	**15,853**
Loan capital	**2,999**
Total funding	**98,920**
Analysis of funding by geographical area[3]	
New Zealand	**79,370**
Australia	**1,739**
United Kingdom	**6,599**
United States of America	**5,719**
China	**2,997**
Other	**2,496**
Total funding	**98,920**
Analysis of funding by industry sector	
Accommodation, cafes and restaurants	**511**
Agriculture	**1,669**
Construction	**2,404**
Finance and insurance	**36,078**
Forestry and fishing	**184**
Government, administration and defence	**3,491**
Manufacturing	**2,272**
Mining	**80**
Property services and business services	**7,329**
Services	**4,964**
Trade	**2,025**
Transport and storage	**754**
Utilities	**980**
Households	**31,154**
Other[4]	**4,104**
Subtotal	**97,999**
Due to related entities[2]	**921**
Total funding	**98,920**

[1] Other financial liabilities, as presented above, are in respect of securities sold under agreements to repurchase, securities sold short 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 NZ Banking Group's net asset position as at 31 March 2021. The NZ 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.

	NZ BANKING GROUP						
	31 Mar 21						
$ 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	5,855	-	-	-	-	380	6,235
Collateral paid	363	-	-	-	-	-	363
Trading securities and financial assets measured at FVIS	2,506	723	242	17	499	-	3,987
Derivative financial instruments	-	-	-	-	-	4,982	4,982
Investment securities	487	24	155	205	4,062	-	4,933
Loans	44,752	9,692	21,959	9,941	4,886	(307)	90,923
Other financial assets	-	-	-	-	-	300	300
Life insurance assets	-	-	-	-	-	333	333
Due from related entities	32	-	-	-	-	1,293	1,325
Total financial assets	53,995	10,439	22,356	10,163	9,447	6,981	113,381
Non-financial assets							1,345
Total assets							114,726
Financial liabilities							
Collateral received	348	-	-	-	-	-	348
Deposits and other borrowings	47,574	8,618	5,952	976	516	13,709	77,345
Other financial liabilities	1,416	-	-	-	-	329	1,745
Derivative financial instruments	-	-	-	-	-	3,724	3,724
Due to related entities	859	-	-	-	-	1,230	2,089
Debt issues	6,553	1,539	286	3,039	4,348	88	15,853
Loan capital	1,133	-	-	-	1,866	-	2,999
Total financial liabilities	57,883	10,157	6,238	4,015	6,730	19,080	104,103
Non-financial liabilities							623
Total liabilities							104,726
On-balance sheet interest rate repricing	(3,888)	282	16,118	6,148	2,717		
Net derivative notional principals							
Net interest rate contracts (notional):							
Receivable/(payable)	15,873	(3,921)	(13,337)	(2,944)	4,329		
Net interest rate repricing gap	11,985	(3,639)	2,781	3,204	7,046		

Registered bank disclosures

Unaudited

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 NZ 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 NZ Banking Group manages based on their contractual maturity are presented on a contractual undiscounted basis in the following table.

	NZ BANKING GROUP						
	31 Mar 21						
$ 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 Year and Up to 5 Years	Over 5 Years	Total
Financial liabilities							
Collateral received	-	348	-	-	-	-	348
Deposits and other borrowings	44,525	5,087	11,758	14,697	1,544	-	77,611
Other financial liabilities	199	358	50	-	1,008	-	1,615
Derivative financial instruments:							
Held for trading	3,154	-	-	-	-	-	3,154
Held for hedging purposes (net settled)	-	28	53	96	110	-	287
Held for hedging purposes (gross settled):							
Cash outflow	-	3	16	2,733	2,379	-	5,131
Cash inflow	-	-	(7)	(2,473)	(2,266)	-	(4,746)
Due to related entities:							
Non-derivative balances	953	-	-	-	-	-	953
Derivative financial instruments:							
Held for trading	1,136	-	-	-	-	-	1,136
Debt issues	-	1,004	1,779	5,460	7,600	367	16,210
Loan capital	-	-	9	27	1,277	1,790	3,103
Total undiscounted financial liabilities	49,967	6,828	13,658	20,540	11,652	2,157	104,802
Total contingent liabilities and commitments							
Letters of credit and guarantees	922	-	-	-	-	-	922
Commitments to extend credit	27,918	-	-	-	-	-	27,918
Total undiscounted contingent liabilities and commitments	28,840	-	-	-	-	-	28,840

Registered bank disclosures

Unaudited

ii. Additional financial disclosures (continued)

Liquid assets

The following table shows the NZ Banking Group's holding of liquid assets. Liquid assets include high quality assets readily convertible to cash to meet the NZ Banking Group's liquidity requirements. In management's opinion, liquidity is sufficient to meet the NZ Banking Group's present requirements.

	NZ BANKING GROUP
$ millions	**31 Mar 21**
Cash and balances with central banks	**6,235**
Interbank lending	**33**
Supranational securities	**1,072**
NZ Government securities	**3,747**
NZ public securities	**2,235**
NZ corporate securities	**953**
Residential mortgage-backed securities	**8,756**
Total liquid assets	**23,031**

Overseas Banking Group profitability and size

Information on the Overseas Banking Group is from the most recently published financial statements of the Overseas Banking Group for the six months ended 31 March 2021.

Profitability	**31 Mar 21**
Net profit after tax for the six months ended 31 March 2021 (A$ millions)[1]	**3,445**
Net profit after tax for the 12 month period to 31 March 2021 as a percentage of average total assets	**0.5%**

Total assets and equity	**31 Mar 21**
Total assets (A$ millions)	**889,459**
Percentage change in total assets over the 12 months ended 31 March 2021	**(8.1)%**
Total equity (A$ millions)	**72,101**

[1] Net profit after tax represents the amount before deductions for net profit attributable to non-controlling interests.

Reconciliation of mortgage-related amounts

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

	NZ BANKING GROUP
$ millions	**31 Mar 21**
Residential mortgages - total gross loans (as disclosed in Note 5)	**58,298**
Reconciling items:	
Unamortised deferred fees and expenses	**(224)**
Fair value hedge adjustments	**(37)**
Value of undrawn commitments and other off-balance sheet amounts relating to residential mortgages	**11,377**
Undrawn at default[1]	**(2,862)**
Residential mortgages by LVR (as disclosed in Additional mortgage information in Section iv.)	**66,552**

[1] Estimate of the amount of committed exposure not expected to be drawn by the customer at the time of default.

Registered bank disclosures

Unaudited

iii. Asset quality

Past due assets

$ millions	NZ BANKING GROUP 31 Mar 21
Past due but not individually impaired assets	
Less than 30 days past due	**1,172**
At least 30 days but less than 60 days past due	**214**
At least 60 days but less than 90 days past due	**107**
At least 90 days past due	**261**
Total past due but not individually impaired assets	**1,754**

Movements in components of loss allowance

Refer to Note 6 for the movements in components of loss allowance.

Impact of changes in gross financial assets on loss allowances

Refer to Note 6 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 provisions for ECL on loans.

	NZ BANKING GROUP 31 Mar 21 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 2020	**81,172**	**7,079**	**573**	**137**	**88,961**
Transfers:					
Transfers to Stage 1	**2,077**	**(2,021)**	**(55)**	**(1)**	**-**
Transfers to Stage 2	**(2,283)**	**2,518**	**(235)**	**-**	**-**
Transfers to Stage 3 CAP	**(95)**	**(257)**	**361**	**(9)**	**-**
Transfers to Stage 3 IAP	**-**	**(9)**	**(9)**	**18**	**-**
Net further lending/(repayment)	**(1,682)**	**(476)**	**(15)**	**2**	**(2,171)**
New financial assets originated	**11,739**	**-**	**-**	**-**	**11,739**
Financial assets derecognised during the period	**(6,548)**	**(452)**	**(65)**	**(12)**	**(7,077)**
Amounts written-off	**-**	**-**	**(18)**	**(14)**	**(32)**
Total gross carrying amount as at 31 March 2021	**84,380**	**6,382**	**537**	**121**	**91,420**
Provision for ECL as at 31 March 2021	**(88)**	**(256)**	**(87)**	**(66)**	**(497)**
Total net carrying amount as at 31 March 2021	**84,292**	**6,126**	**450**	**55**	**90,923**

Other asset quality information

$ millions	NZ BANKING GROUP 31 Mar 21
Undrawn commitments with individually impaired counterparties	**9**
Other assets under administration	**-**

Registered bank disclosures

Unaudited

iii. Asset quality

Overseas Banking Group asset quality

Information on the Overseas Banking Group is from the most recently published financial statements of the Overseas Banking Group for the six months ended 31 March 2021.

	31 Mar 21
Total individually impaired assets[1, 2] (A$ millions)	**2,071**
Total individually impaired assets expressed as a percentage of total assets	**0.2%**
Total provisions for ECL on impaired assets[3] (A$ millions)	**974**
Total provisions for ECL on impaired assets expressed as a percentage of total individually impaired assets	**47.0%**
Total collectively assessed provision for ECL[3] (A$ millions)	**4,944**

[1] Total individually impaired assets are before provision for ECL and net of interest held in suspense. Total individually impaired assets includes A$1,189 million of assets which are determined to be impaired, but which are not individually significant, and therefore have been grouped into pools of assets for the purpose of collectively calculating an impairment provision.

[2] Non-financial assets have not been acquired through the enforcement of security.

[3] Total provisions for ECL on impaired assets and total collectively assessed provision for ECL both include A$410 million of provision for ECL that has been calculated collectively on groups of assets which have been determined to be impaired, but which are not individually significant.

Registered bank disclosures

Unaudited

iv. Credit and market risk exposures and capital adequacy

Additional mortgage information

Residential mortgages by loan-to-value ratio ('LVR') as at 31 March 2021

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

The NZ 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 NZ 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.

	NZ BANKING GROUP					
	31 Mar 21					
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	**25,388**	**13,841**	**14,330**	**3,187**	**1,291**	**58,037**
Undrawn commitments and other off-balance sheet exposures	**6,062**	**1,268**	**859**	**125**	**201**	**8,515**
Value of exposures	**31,450**	**15,109**	**15,189**	**3,312**	**1,492**	**66,552**

Market risk

The NZ Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank document 'Capital Adequacy Framework (Standardised Approach)'(**'BS2A'**) and is calculated on a six-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 NZ Banking Group's peak end-of-day aggregate capital charge is derived in accordance with the scalar approach as defined in the BS6 Market Risk Guidance Notes. Under this approach, the end-of-period capital charge, as derived under BS2A, is scaled by the ratio of peak capital charge to end-of-period capital charge using the internal value-at-risk method.

The following table provides a summary of the NZ Banking Group's notional capital charges by risk type as at the reporting date and the peak end-of-day notional capital charges by risk type for the six months ended 31 March 2021:

	NZ BANKING GROUP	
	31 Mar 21	
$ millions	**Implied risk-weighted exposure**	**Notional capital charge**
End-of-period		
Interest rate risk	**5,681**	**455**
Foreign currency risk	**23**	**2**
Equity risk	**-**	**-**
Peak end-of-day		
Interest rate risk	**18,205**	**1,456**
Foreign currency risk	**102**	**8**
Equity risk	**-**	**-**

iv. Credit and market risk exposures and capital adequacy (continued)

Overseas Bank and Overseas Banking Group capital adequacy

The following table represents the capital adequacy calculation for the Overseas Banking Group and Overseas Bank as at 31 March 2021 based on APRA's application of the Basel III capital adequacy framework.

%	31 Mar 21	31 Mar 20
Overseas Banking Group (excluding entities specifically excluded by APRA regulations)[1, 2]		
Common Equity Tier 1 capital ratio	**12.3**	10.8
Additional Tier 1 capital ratio	**2.2**	2.1
Tier 1 capital ratio	**14.5**	12.9
Tier 2 capital ratio	**3.9**	3.4
Total regulatory capital ratio	**18.4**	16.3
Overseas Bank (Extended Licensed Entity)[1, 3]		
Common Equity Tier 1 capital ratio	**12.6**	11.1
Additional Tier 1 capital ratio	**2.2**	2.2
Tier 1 capital ratio	**14.8**	13.3
Tier 2 capital ratio	**4.0**	3.4
Total regulatory capital ratio	**18.8**	16.7

[1] The capital ratios represent information mandated by APRA. The capital ratios of the Overseas Banking Group are publicly available in the Overseas Banking Group's Pillar 3 report. This information is made available to users via the Overseas Bank's website (www.westpac.com.au).
[2] Overseas Banking Group (excluding entities specifically excluded by APRA regulations) comprises the consolidation of the Overseas 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 Overseas Bank.
[3] Overseas Bank (Extended Licensed Entity) comprises the Overseas 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).

Under APRA's Prudential Standards, Australian Authorised Deposit taking Institutions (**'ADI'**), including the Overseas Banking Group and the Overseas Bank are required to maintain minimum ratios of capital to risk weighted assets, as determined by APRA. For the calculation of risk weighted assets, the Overseas Banking Group and the Overseas Bank are accredited by APRA to apply advanced models permitted by the Basel III global capital adequacy regime. The Overseas Banking Group and the Overseas Bank use the Advanced Internal Ratings Based (**'Advanced IRB'**) approach for credit risk, the Advanced Measurement Approach (**'AMA'**) for operational risk and the internal model approach for interest rate risk in the banking book for calculating regulatory capital.

APRA's prudential standards are generally consistent with the International Regulatory Framework for Banks, also known as Basel III, issued by the Basel Committee on Banking Supervision (**'BCBS'**), except where APRA has exercised certain discretions.

The Overseas Banking 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 Overseas Banking Group's website (www.westpac.com.au).

The Overseas Banking Group (excluding entities specifically excluded by APRA regulations), and the Overseas Bank (Extended Licensed Entity as defined by APRA), exceeded the minimum capital adequacy requirements as specified by APRA as at 31 March 2021.

v. Insurance business

The following table presents the aggregate amount of the NZ Banking Group's insurance business conducted through one of its controlled entities, Westpac Life-NZ- Limited, calculated in accordance with the Overseas Bank's (the registered bank) conditions of registration as at the reporting date.

	NZ BANKING GROUP
$ millions	**31 Mar 21**
Total assets of insurance business	**243**
As a percentage of total consolidated assets of the NZ Banking Group	**0.21%**

vi. Risk management policies

Refer to Registered bank disclosures vi. Risk management policies and Note 32. Financial risk included in the NZ Banking Group Disclosure Statement for the year ended 30 September 2020 for further details on the NZ Banking Group's risk management policies.

Conditions of registration

Overseas Bank conditions of registration

The Overseas Bank has complied in all material respects with each condition of registration that applied during the six months ended 31 March 2021.

Westpac New Zealand conditions of registration

Westpac New Zealand has reported a number of instances of material non-compliance with its conditions of registration in its Disclosure Statement. These matters have no impact on the compliance by the Overseas Bank with its conditions of registration.

Reserve Bank Liquidity Review

In August 2019 the Reserve Bank commenced a thematic review of compliance with its Liquidity Policy (BS13). On 29 January 2021, the Reserve Bank provided Westpac New Zealand with preliminary review findings in relation to Westpac New Zealand, including that it considers that there has been potential non-compliance with BS13 by Westpac New Zealand. The Reserve Bank has advised that it will provide a final determination in relation to any non-compliance with BS13 and any consequent non-compliance with Westpac New Zealand's conditions of registration, including the materiality of any such non-compliance. Any material non-compliance with Westpac New Zealand's conditions of registration will be disclosed by the Reserve Bank in accordance with its guidance on reporting by banks of breaches of regulatory requirements and by Westpac New Zealand in accordance with the Order.

BS2B non-compliance

During the reporting period, Westpac New Zealand was non-compliant with condition of registration 1B (which requires Westpac New Zealand to comply with aspects of BS2B) in relation to the matters disclosed below. Westpac New Zealand was made aware of these matters prior to 1 January 2021. The Reserve Bank has not made a determination as to the materiality of the non-compliances for the purposes of any notification under subclause (8)(3)(b)(ii) of Schedule 3 of the Order.

- Westpac New Zealand operated versions of various capital models which were not approved by the Reserve Bank, in some cases since December 2008, and it failed to meet the Reserve Bank's requirements in relation to model documentation and associated model documentation policies. On 30 October 2019, the Reserve Bank confirmed its approval of all unapproved models, other than a PD model used for a small number of corporate exposures. Westpac New Zealand has submitted this model to the Reserve Bank for approval.
- Westpac New Zealand is not fully compliant with paragraph 4.246 of BS2B in that, with the exception of wholesale property development and investment customers, non-retail risk grade credit policy overrides are not captured and monitored. A new system to capture relevant non-retail customer credit data has been built, is in use, and will address this issue.
- Westpac New Zealand is not fully compliant with paragraph 4.248 of BS2B in that not all historical origination data for non-retail customers is maintained in a format that allows easy accessibility to key data used to derive the original risk rating. A new system to capture relevant non-retail customer credit data has been built, is in use and will address this issue.

Material non-compliance with CoR22

Westpac New Zealand did not have in place three separate outsourcing arrangements for adequate support for three key software applications that ensure high availability of key frontline applications for its retail and business customers, as required by the Reserve Bank's Outsourcing Policy (BS11). Specifically:

- for a period of three months, it did not have in place an outsourcing arrangement to ensure adequate support services were available for software used to ensure high availability of key Westpac New Zealand server infrastructure;
- for a period of one year, it did not have in place an outsourcing arrangement to ensure adequate support services were available for database applications that are used to store and retrieve data for critical frontline applications; and
- for a period of three years, it did not have in place an outsourcing arrangement to ensure adequate support services were available for software used to connect users of Westpac New Zealand's online services with critical frontline applications.

These support contracts were necessary to ensure Westpac New Zealand receives an adequate level of technical support for their corresponding software. The failure to establish these outsourcing arrangements was non-compliant with BS11 and therefore with Westpac New Zealand's Condition of Registration 22.

Despite not having adequate support contracts in place, Westpac New Zealand continued to receive support for the first software application on an informal basis, and could have acquired support for the second and third software applications on a non-contractual 'time and materials' basis. In addition, Westpac New Zealand had internal teams in place to provide support in the event of issues arising with the software applications, such that support contracts would be relied on only where the internal support team could not resolve an issue. There was, therefore, no actual loss of support at any time.

However, if a critical problem had arisen with the software without the required support contracts in place, then this could have increased the risk that Westpac New Zealand may not have been able to restore the relevant services within Westpac New Zealand's recovery time objectives. This would, in turn, impact Westpac New Zealand's ability to provide certain services to business and retail customers who are using these services or business applications, such as online banking, domestic payments and high value international payments. For example, a customer may not be able to log into internet banking or they may experience issues with Westpac New Zealand's website such that transactions were prevented from completing.

Once the non-compliances came to Westpac New Zealand's attention, internal investigations took place, and the incidents were reported to the Reserve Bank. Westpac New Zealand has now entered into new support agreements for the software applications.

Conditions of registration

Changes to conditions of registration

The Reserve Bank amended the Overseas Bank's conditions of registration with effect from 1 March 2021 to reinstate restrictions on the Overseas Bank's new residential mortgage lending at high loan-to-valuation ('LVR') ratios. LVR restrictions for owner-occupiers have been reinstated to a maximum of 20% of new lending at LVRs above 80% (after exemptions); and LVR restrictions for investors have been reinstated to a maximum of 5% of new lending at LVRs above 70% (after exemptions).

The Reserve Bank also notified the Overseas Bank of changes to its conditions of registration which will take effect after the reporting period. With effect from 1 May 2021, LVR restrictions for owner-occupiers remained at a maximum of 20% of new lending at LVRs above 80% (after exemptions) and LVR restrictions for investors were further tightened to a maximum of 5% of new lending at LVRs above 60% (after exemptions).

Independent auditor's review report

To the Directors of Westpac Banking Corporation

Report on the Disclosure Statement

Our conclusions

We have reviewed pages 5 to 25 and pages 31 to 40 of the Disclosure Statement for the six months ended 31 March 2021 (the "Disclosure Statement") of Westpac Banking Corporation, which includes the condensed consolidated interim financial statements (the "financial statements") of Westpac Banking Corporation – New Zealand Banking Group (the "NZ Banking Group") required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information required by Schedules 5, 7, 9, 12 and 14 of the Order. The NZ Banking Group comprises the New Zealand operations of Westpac Banking Corporation.

The financial statements on pages 5 to 25 comprise the balance sheet as at 31 March 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended on that date, and significant accounting policies and other explanatory information.

The supplementary information is included within notes 3, 5 and 6 of the financial statements and notes ii to vi of the registered bank disclosures.

We have examined the financial statements and supplementary information and based on our review, nothing has come to our attention that causes us to believe that the accompanying:

a) financial statements of the NZ Banking Group (excluding the supplementary information) have not been prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34);

b) supplementary information that is required to be disclosed under Schedules 5, 7, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those schedules; and

c) supplementary information relating to credit and market risk exposures and capital adequacy that is required to be disclosed under Schedule 9 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusions

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 responsibility is further described in the *Auditor's responsibility for the review of the financial statements and supplementary information* section of our report.

We are independent of the NZ 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 ethical requirements. In addition to our role as auditor, our firm carries out other services for the NZ Banking Group in the areas of other audit-related services, which relate to assurance or agreed upon procedures on certain financial information performed in the role of auditor (or where most appropriate to be performed by the auditor), being assurance services over solvency returns, the provision of comfort letters and agreed upon procedures reports for debt issuance programmes and agreed upon procedures over regulatory liquidity returns, solvency projections and a net tangible assets calculation. These services also include audit and assurance services in respect of funds managed by the NZ Banking Group. In addition, certain partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Banking Group. The provision of these other services and these relationships have not impaired our independence.

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Other Matter

We draw attention to other matters included in the Disclosure Statement as follows:

- Westpac New Zealand Limited ("Westpac New Zealand") is required to supply two external reviews to the Reserve Bank under section 95 of the Reserve Bank of New Zealand Act 1989, as referred to in note i of the Registered bank disclosures on page 27; and
- Westpac New Zealand has identified material matters of non-compliance with aspects of its conditions of registration, as referred to within Conditions of registration on page 41.

Directors' responsibility for the Disclosure Statement

The Directors of Westpac Banking Corporation (the "Directors") are responsible, on behalf of Westpac Banking Corporation, for the preparation and fair presentation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of Westpac Banking Corporation, for the preparation and fair presentation of the supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 12 and 14 of the Order.

Auditor's responsibility for the review of the financial statements and supplementary information

Our responsibility is to express the following conclusions on the financial statements and 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 (excluding the supplementary information), taken as a whole, have not been prepared in all material respects, in accordance with IAS 34 and NZ IAS 34;
- the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy), taken as a whole, does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 12 and 14 of the Order; and
- the supplementary information relating to credit and market risk exposures and capital adequacy, taken as a whole, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily 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 does 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 Directors, as a body. 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 Westpac Banking Corporation and the Directors, as a body, 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
Auckland, New Zealand
25 May 2021