ASX Release

Level 18, 275 Kent Street
Sydney, NSW, 2000

25 MAY 2021

Westpac New Zealand Limited Disclosure Statement

Westpac Banking Corporation ("Westpac") today provides the attached Westpac New Zealand Limited 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 New Zealand Limited

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 (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (**'Order'**).

In this Disclosure Statement, reference is made to:

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

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.

Westpac New Zealand sustainability performance

2025 Sustainability Strategy. He rau ringa manaaki. Many hands working together.

We are taking action to create a better future for the people who bank with us, work with us, invest in us or are part of our broader communities. We do this through our core business, and more widely by using our financial and economic expertise to generate positive economic, social, and environmental outcomes for our customers and New Zealand.

On 6 Apr 2021 we launched our 2025 Strategy: *He rau ringa manaaki* – Many hands working together. Our commitment is *Manaaki te ao, manaaki te tāngata, e tipu pūtea ora*. Care for the planet, care for people and grow financial wellbeing. For more information on our approach to sustainability visit https://westpac.co.nz/sustainability-strategy

Sustainability Strategy results for the six months ended 31 March 2021

Manaaki te ao: Care for the planet.

We want to support Aotearoa's transition to a resilient, net-zero economy for the benefit of all Kiwis.

	2025 targets	Progress
1.	Reduce operational emissions by 30% (vs 2019).[1] Offset remaining emissions to be carbon neutral.	38%
2.	Enable $10b in sustainable finance.[2]	$2.25b
3.	Reduce climate-related financial risks.	Refer Climate Risk update

Highlights for the half-year to 31 March 2021 include:

- Partnered with app CoGo to help New Zealanders learn about, reduce and offset their carbon footprint.
- Acted as Arranger and Green Bond Co-ordinator for Mercury NZ Limited's $200m, 5.5 year Green Bond.
- Recognised as New Zealand Sustainability Debt House of the Year (KangaNews 2020 Awards) and won the INFINZ award for Excellence in Institutional Banking for Westpac's role in leading and accelerating sustainable finance.
- Published Westpac NZ's inaugural Climate Risk Report in line with the recommendations of the Taskforce for Climate-Related Financial Disclosure (TCFD).

Climate Risk Update

We released our first Climate Risk Report in November 2020. It aligns with the TCFD recommendations. During the half-year to 31 March 2021, our effort has been focused on:

- Engaging with external stakeholders to promote climate risk disclosure and increase awareness of the financial risks posed by sea-level-rise.
- Incorporating climate risks into existing governance and risk management processes and enhancing internal capabilities.
- Deepening our understanding of climate risks with particular focus on our lending to the agricultural sector.

Key climate risk metrics

Our direct carbon emissions footprint (tCO_2e) continues to reduce as a direct result of less travel due to COVID-19.

The approximate proportion of our lending portfolio secured by properties exposed to heightened risks from sea-level-rise (coastal flooding and erosion) was relatively stable and within the range of normal portfolio fluctuation.[3]

Segment	31 Mar 21	30 Sep 20
Residential mortgages	2.3%	2.3%
Commercial property lending	2.3%	2.1%
Agricultural lending	2.9%	2.9%

Lending to fossil fuel mining and production reduced further by 21% due to debt reductions to customers in the gas sector. At the same time climate change solution lending decreased by 5%[4] as some of the previous lending was repaid.

We plan to release a more detailed disclosure in our next Westpac NZ Climate Risk Report planned for November 2021.

Manaaki te tāngata: Care for people.

We want to help create thriving local communities and a workforce and society where everyone feels valued.

	2025 targets	Progress
4.	Set a cultural diversity in leadership target by 2021.	Initiative in progress
5.	1% pre-tax profits invested in communities.	0.52% ($3.76m)
6.	$700m in lending to healthy, affordable and social housing.[5]	$373m

Highlights for the half-year to 31 March 2021 include:

- First bank to offer face-to-face sign language interpreters, through partner iSign to customers who are deaf, hard of hearing or speech impaired.
- Published our second gender pay analysis. Our overall gender pay gap in 2020 is 29.1% vs 30.3% in 2019. This figure compares the pay of the median man and median woman at Westpac NZ, and includes base salary, bonuses, overtime, miscellaneous payments and superannuation.

E tipu pūtea ora: Grow financial wellbeing.

We want to enable all Kiwis to be financially secure and independent.

	2025 targets	Progress
7.	25,000 people to participate in Westpac-facilitated financial education workshops.	8,034 participants
8.	Help 15,000 Kiwis who are at risk of financial exploitation & exclusion.	Initiatives in progress
9.	Source 25% of supplier spend from local businesses, including those owned by diverse and under-represented groups.	Initiative in progress

Highlights for the half-year to 31 March 2021 include:

- MyMahi partnership delivering 226 financial education workshops to secondary school students across New Zealand.
- Increased online financial education classes. To date more than 1,000 people have participated in online classes vs. 169 in FY20.

[1] Environmental year runs 1 July to 30 June. CO_2e results include all Westpac business units based in New Zealand.
[2] This target comprises (a) $5b for lending to climate change solutions, $700m lending for healthy, affordable and social housing, and other environmental, social, and sustainability-linked lending (building on FY20 exposure), and (b) facilitation of sustainable bonds from 1 October 2020 to 30 September 2025. All lending will meet the eligibility criteria set out in international sustainable finance principles. Our targets are a total commitment, measuring the cumulative flow of capital that will support Aotearoa to become a thriving, inclusive net-zero emissions economy.
[3] Heightened risk is defined as annual exceedance probability of 10% or more, as well as general exposure to coastal erosion under NIWA's Coastal Sensitivity Index.
[4] Shows reduction of total committed exposure at the end of half year reporting period compared to FY ended 30 September 2020.
[5] This is a cumulative target and includes Kiwibuild and shared equity.

Directors' statement

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

(a) contains all the information that is required by the Order; and
(b) is not false or misleading.

Each Director of the Bank believes, after due enquiry, that over the six months ended 31 March 2021, except as noted on pages 25, 47 and 49:

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

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

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

This Disclosure Statement has been signed by all the Directors:

Janice Dawson

David McLean

Malcolm Bailey

Philippa Greenwood

Jonathan Mason

Mary Quin

Dated this 20th day of May 2021

Income statement for the six months ended 31 March 2021

$ millions	Note	THE 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	**1,551**	1,860
Other	2	**5**	19
Total interest income	2	**1,556**	1,879
Interest expense	2	**(532)**	(923)
Net interest income		**1,024**	956
Net fees and commissions income	3	**121**	122
Other income	3	**6**	15
Net operating income before operating expenses and impairment charges		**1,151**	1,093
Operating expenses		**(527)**	(525)
Impairment (charges)/benefits	4	**99**	(210)
Profit before income tax		**723**	358
Income tax expense		**(200)**	(102)
Net profit attributable to the owner of the Bank		**523**	256

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	THE BANKING GROUP Six Months Ended 31 Mar 21 Unaudited	Six Months Ended 31 Mar 20 Unaudited
Net profit attributable to the owner of the Bank	**523**	256
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	**78**	39
Transferred to income statement:		
Cash flow hedging instruments	**39**	48
Income tax on items taken to or transferred from equity:		
Investment securities	**29**	5
Cash flow hedging instruments	**(33)**	(24)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit obligation recognised in equity (net of tax)	**13**	(6)
Other comprehensive income for the period (net of tax)	**23**	42
Total comprehensive income attributable to the owner of the Bank	**546**	298

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

Balance sheet as at 31 March 2021

		THE BANKING GROUP	
$ millions	Note	**31 Mar 21 Unaudited**	30 Sep 20 Audited
Assets			
Cash and balances with central banks		**6,126**	4,360
Collateral paid		**333**	148
Trading securities and financial assets measured at fair value through income statement ('**FVIS**')		**2,233**	2,437
Derivative financial instruments		**240**	599
Investment securities		**4,933**	5,021
Loans	5	**90,555**	87,959
Other financial assets		**247**	196
Due from related entities		**1,624**	1,094
Property and equipment		**383**	398
Deferred tax assets		**218**	280
Intangible assets		**650**	647
Other assets		**52**	53
Total assets		**107,594**	103,192
Liabilities			
Collateral received		**216**	419
Deposits and other borrowings	7	**77,345**	73,970
Other financial liabilities		**1,324**	287
Derivative financial instruments		**378**	293
Debt issues	8	**15,853**	15,799
Current tax liabilities		**2**	73
Provisions		**189**	206
Other liabilities		**381**	356
Total liabilities excluding related entities liabilities		**95,688**	91,403
Due to related entities		**1,047**	1,487
Loan capital		**2,623**	2,612
Total related entities liabilities		**3,670**	4,099
Total liabilities		**99,358**	95,502
Net assets		**8,236**	7,690
Shareholder's equity			
Share capital		**7,300**	7,300
Reserves		**(15)**	(25)
Retained profits		**951**	415
Total shareholder's equity		**8,236**	7,690

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

	THE BANKING GROUP				
		Reserves			
$ millions	Share Capital	Investment Securities Reserve	Cash Flow Hedge Reserve	Retained Profits	Total Shareholder's Equity
As at 30 September 2019 (Audited)	7,300	4	(81)	194	7,417
Six months ended 31 March 2020 (Unaudited)					
Net profit attributable to the owner of the Bank	-	-	-	256	256
Net gains/(losses) from changes in fair value	-	(20)	39	-	19
Income tax effect	-	5	(11)	-	(6)
Transferred to income statement	-	-	48	-	48
Income tax effect	-	-	(13)	-	(13)
Remeasurement of defined benefit obligations	-	-	-	(8)	(8)
Income tax effect	-	-	-	2	2
Total comprehensive income for the six months ended 31 March 2020	-	(15)	63	250	298
Transactions with owner:					
Dividends paid on ordinary shares	-	-	-	(325)	(325)
As at 31 March 2020 (Unaudited)	7,300	(11)	(18)	119	7,390
As at 30 September 2020 (Audited)	**7,300**	**57**	**(82)**	**415**	**7,690**
Six months ended 31 March 2021 (Unaudited)					
Net profit attributable to the owner of the Bank	**-**	**-**	**-**	**523**	**523**
Net gains/(losses) from changes in fair value	**-**	**(103)**	**78**	**-**	**(25)**
Income tax effect	**-**	**29**	**(22)**	**-**	**7**
Transferred to income statement	**-**	**-**	**39**	**-**	**39**
Income tax effect	**-**	**-**	**(11)**	**-**	**(11)**
Remeasurement of defined benefit obligations	**-**	**-**	**-**	**18**	**18**
Income tax effect	**-**	**-**	**-**	**(5)**	**(5)**
Total comprehensive income for the six months ended 31 March 2021	**-**	**(74)**	**84**	**536**	**546**
As at 31 March 2021 (Unaudited)	**7,300**	**(17)**	**2**	**951**	**8,236**

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

$ millions	THE BANKING GROUP Six Months Ended 31 Mar 21 Unaudited	Six Months Ended 31 Mar 20 Unaudited
Cash flows from operating activities		
Interest received	**1,576**	1,902
Interest paid	**(634)**	(996)
Non-interest income received	**102**	116
Operating expenses paid	**(434)**	(438)
Income tax paid	**(218)**	(220)
Cash flows from operating activities before changes in operating assets and liabilities	**392**	364
Net (increase)/decrease in:		
Collateral paid	**(185)**	18
Trading securities and financial assets measured at FVIS	**202**	(1,744)
Loans	**(2,590)**	(2,999)
Other financial assets	**(8)**	5
Due from related entities[1]	**(448)**	(1,753)
Other assets	**5**	(5)
Net increase/(decrease) in:		
Collateral received	**(203)**	688
Deposits and other borrowings	**3,375**	6,988
Other financial liabilities	**1,096**	250
Due to related entities[1]	**(313)**	113
Other liabilities	**45**	14
Net movement in external and related entity derivative financial instruments	**(69)**	114
Net cash provided by/(used in) operating activities	**1,299**	2,053
Cash flows from investing activities		
Purchase of investment securities	**(271)**	(65)
Proceeds from investment securities	**175**	714
Purchase of capitalised computer software	**(40)**	(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	**(140)**	621
Cash flows from financing activities		
Net movement in due to related entities	**112**	(22)
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	**-**	(325)
Net cash provided by/(used in) financing activities	**639**	558
Net increase/(decrease) in cash and cash equivalents	**1,798**	3,232
Cash and cash equivalents at beginning of the period	**4,360**	1,864
Cash and cash equivalents at end of the period	**6,158**	5,096
Cash and cash equivalents at end of the period comprise:		
Cash on hand	**271**	350
Balances with central banks	**5,855**	4,746
Interbank lending classified as cash and cash equivalents[2]	**32**	-
Cash and cash equivalents at end of the period	**6,158**	5,096

[1] Comparatives have been restated to correctly reflect exposures to the Ultimate Parent Bank in relation to customer foreign currency deposits which were overstated. The impact of the restatement is a decrease in cashflows of $378m in Due from related entities and an equivalent decrease in Due to related entities.

[2] 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 20 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 held with related entities and included in due to related entities on the balance sheet. 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 designated at FVIS held with related entities are included in due to related entities on the balance sheet.

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 provisions for ECL are included in Note 6.

Amendments to Accounting Standards effective this period

A revised Conceptual Framework ('**Framework**') was adopted by the 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 Banking Group.

Notes to the financial statements

Note 2 Net interest income

	THE BANKING GROUP	
	Six Months Ended 31 Mar 21 Unaudited	Six Months Ended 31 Mar 20 Unaudited
$ millions		
Interest income		
Calculated using the effective interest rate method		
Cash and balances with central banks	**8**	7
Collateral paid	**-**	1
Investment securities	**42**	58
Loans	**1,501**	1,793
Due from related entities	**-**	1
Total interest income calculated using the effective interest rate method	**1,551**	1,860
Other		
Trading securities and financial assets measured at FVIS	**5**	13
Due from related entities	**-**	6
Total other	**5**	19
Total interest income	**1,556**	1,879
Interest expense		
Calculated using the effective interest rate method		
Collateral received	**-**	2
Deposits and other borrowings	**243**	532
Debt issues	**80**	135
Due to related entities	**8**	11
Loan capital	**48**	59
Other interest expense	**4**	7
Total interest expense calculated using the effective interest rate method	**383**	746
Other		
Deposits and other borrowings	**10**	8
Debt issues	**3**	24
Due to related entities	**1**	-
Other interest expense[1]	**135**	145
Total other	**149**	177
Total interest expense	**532**	923
Net interest income	**1,024**	956

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

Notes to the financial statements

Note 3 Non-interest income

	THE BANKING GROUP	
	Six Months Ended 31 Mar 21 Unaudited	Six Months Ended 30 Mar 20 Unaudited
$ millions		
Net fees and commissions income		
Facility fees	**30**	30
Transaction fees and commissions	**111**	115
Other non-risk fee income	**10**	11
Fees and commissions income	**151**	156
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	**121**	122
Other income		
Net ineffectiveness on qualifying hedges	**(4)**	14
Other non-interest income	**10**	1
Total other income	**6**	15
Total non-interest income	**127**	137

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

	THE BANKING GROUP				
$ millions	**Consumer Banking and Wealth**	**Institutional and Business Banking**	**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	**81**	**34**	**-**	**(4)**	**111**
Other non-risk fee income	**3**	**8**	**-**	**(1)**	**10**
Fees and commissions income	**103**	**50**	**-**	**(2)**	**151**
Fees and commissions expenses	**(29)**	**-**	**-**	**(1)**	**(30)**
Net fees and commissions income	**74**	**50**	**-**	**(3)**	**121**
Six months ended 31 March 2020 (Unaudited)					
Fees and commissions income					
Facility fees	20	8	-	2	30
Transaction fees and commissions	73	43	-	(1)	115
Other non-risk fee income	6	6	-	(1)	11
Fees and commissions income	99	57	-	-	156
Fees and commissions expenses	(34)	-	-	-	(34)
Net fees and commissions income	65	57	-	-	122

Notes to the financial statements

Note 4 Impairment charges/(benefits)

	THE 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 Banking Group. Refer to Note 6 for details on the impact of COVID-19 on the provision for ECL.

Note 5 Loans

	THE BANKING GROUP	
$ millions	**31 Mar 21 Unaudited**	30 Sep 20 Audited
Residential mortgages	**58,290**	55,212
Other retail	**3,226**	3,299
Corporate	**29,450**	29,957
Other	**81**	92
Total gross loans	**91,047**	88,560
Provision for ECL on loans (refer to Note 6)	**(492)**	(601)
Total net loans	**90,555**	87,959

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 Banking Group to secure the obligations of Westpac Securities NZ Limited ('**WSNZL**') under the Bank'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 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.

	THE 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)	**87**	**252**	**87**	**66**	**492**
Provision for ECL on credit commitments	**18**	**28**	**-**	**-**	**46**
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)

	THE 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)	95	326	107	73	601
Provision for ECL on credit commitments	21	34	-	1	56
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:

	THE 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

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.

	THE 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 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 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 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 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).

	THE 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

Note 6 Provision for expected credit losses (continued)

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

	THE 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 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 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 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 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 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 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

	THE 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.

Note 8 Debt issues

	THE 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 Bank are set out in Note 22 to the financial statements included in the Disclosure Statement for the year ended 30 September 2020.

In December 2020, the 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.

Notes to the financial statements

Note 10 Fair values of financial assets and financial liabilities

Fair Valuation Control Framework

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

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

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

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

Fair value hierarchy

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

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

Valuation techniques

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

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

Financial instruments measured at fair value

Level 1 instruments

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

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

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

Level 2 instruments

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

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

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

Instrument	Balance sheet category	Includes	Valuation
Interest rate products	Derivative financial instruments Due from related entities Due to related entities	Interest rate swaps, forwards and options – derivative financial instruments	Industry standard valuation models are used to calculate the expected future value of payments by product, which is discounted back to a present value. The model's interest rate inputs are benchmark interest rates and active broker quoted interest rates in the swap, bond and futures markets. Interest rate volatilities are sourced from brokers and consensus data providers. If consensus prices are not available, these are classified as Level 3 instruments.
Foreign exchange ('FX') products	Derivative financial instruments Due from related entities Due to related entities	FX swaps – derivative financial instruments	Derived from market observable inputs or consensus pricing providers using industry standard models.
Non-asset backed debt instruments	Trading securities and financial assets measured at FVIS Investment securities Due from related entities Due to related entities Other financial liabilities	Local authority and NZ public securities, other bank issued certificates of deposit, commercial paper, other government securities, off-shore securities and corporate bonds Repurchase agreements and reverse repurchase agreements over non-asset backed debt securities	Valued using observable market prices which are sourced from independent pricing services, broker quotes or inter-dealer prices.
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 Bank's implied credit worthiness.

Level 3 instruments

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

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

As at 31 March 2021, the Banking Group has no financial instruments valued under this category (30 September 2020: nil).

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

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

	THE BANKING GROUP							
	31 Mar 21 Unaudited				30 Sep 20 Audited			
$ millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value on a recurring basis								
Trading securities and financial assets measured at FVIS	**827**	**1,406**	**-**	**2,233**	1,064	1,373	-	2,437
Derivative financial instruments	**-**	**240**	**-**	**240**	-	599	-	599
Investment securities	**2,393**	**2,540**	**-**	**4,933**	2,504	2,517	-	5,021
Due from related entities	**-**	**265**	**-**	**265**	-	252	-	252
Total financial assets measured at fair value	**3,220**	**4,451**	**-**	**7,671**	3,568	4,741	-	8,309
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	**-**	**99**	**-**	**99**	-	-	-	-
Derivative financial instruments	**-**	**378**	**-**	**378**	-	293	-	293
Debt issues	**-**	**3,293**	**-**	**3,293**	-	2,502	-	2,502
Due to related entities	**-**	**317**	**-**	**317**	-	671	-	671
Total financial liabilities measured at fair value	**-**	**7,376**	**-**	**7,376**	-	6,462	-	6,462

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).

Financial instruments not measured at fair value

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

	THE BANKING GROUP			
	31 Mar 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	**6,126**	**6,126**	4,360	4,360
Collateral paid	**333**	**333**	148	148
Loans	**90,555**	**90,735**	87,959	88,298
Other financial assets	**247**	**247**	196	196
Due from related entities	**1,359**	**1,359**	842	842
Total financial assets not measured at fair value	**98,620**	**98,800**	93,505	93,844
Financial liabilities not measured at fair value				
Collateral received	**216**	**216**	419	419
Deposits and other borrowings	**74,056**	**74,135**	70,974	71,116
Other financial liabilities	**1,225**	**1,225**	287	287
Debt issues[1]	**12,560**	**12,696**	13,297	13,517
Due to related entities	**730**	**730**	816	816
Loan capital[1]	**2,623**	**2,766**	2,612	2,737
Total financial liabilities not measured at fair value	**91,410**	**91,768**	88,405	88,892

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

A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 24 of the financial statements included in the Disclosure Statement for the year ended 30 September 2020.

Notes to the financial statements

Note 11 Credit related commitments, contingent assets and contingent liabilities

	THE BANKING GROUP	
	31 Mar 21	30 Sep 20
$ millions	**Unaudited**	Audited
Letters of credit and guarantees	**806**	833
Commitments to extend credit	**27,912**	27,891
Total undrawn credit commitments	**28,718**	28,724

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 Banking Group is exposed to contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the 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 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 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.

Note 12 Segment reporting

The Banking Group's segment reporting incorporates Consumer Banking and Wealth, Institutional and Business Banking, 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 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.

Segment comparative information for the six months ended 31 March 2020 has been restated to ensure consistent presentation with the current reporting period. This reflects changes to expense allocations between segments during the period.

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

- Consumer Banking and Wealth provides financial services predominantly for individuals;
- Institutional and Business Banking provides a broad range of financial services for commercial, corporate, property finance, agricultural, institutional and government 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 of the results, assets and liabilities of the Banking Group's controlled entities in the preparation of the consolidated financial statements of the Banking Group;
- results of certain entities included for management reporting purposes including insurance and investments, but excluded from the consolidated financial statements of the Banking Group for statutory financial reporting purposes; and
- results of certain business units excluded for management reporting purposes, but included within the consolidated financial statements of the Banking Group for statutory financial reporting purposes.

Notes to the financial statements

Note 12 Segment reporting (continued)

	THE BANKING GROUP				
$ millions	**Consumer Banking and Wealth**	**Institutional and Business Banking**	**Investments and Insurance**	**Reconciling Items**	**Total**
Six months ended 31 March 2021 (Unaudited)					
Net interest income	**559**	**485**	**1**	**(21)**	**1,024**
Non-interest income	**74**	**50**	**52**	**(49)**	**127**
Net operating income before operating expenses and impairment charges	**633**	**535**	**53**	**(70)**	**1,151**
Operating expenses	**(333)**	**(179)**	**(17)**	**2**	**(527)**
Impairment (charges)/benefits	**40**	**59**	**-**	**-**	**99**
Profit before income tax	**340**	**415**	**36**	**(68)**	**723**
Six months ended 31 March 2020 (Unaudited) (restated)					
Net interest income	506	455	-	(5)	956
Non-interest income	65	57	55	(40)	137
Net operating income before operating expenses and impairment charges	571	512	55	(45)	1,093
Operating expenses	(341)	(180)	(16)	12	(525)
Impairment (charges)/benefits	(101)	(109)	-	-	(210)
Profit before income tax	129	223	39	(33)	358
As at 31 March 2021 (Unaudited)					
Total gross loans	**51,979**	**39,038**	**-**	**30**	**91,047**
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	-	124	88,560
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 (New Zealand Incorporated Registered Banks) Order 2014 (as amended).

i. General information

Limits on material financial support by the Ultimate Parent Bank

On 19 November 2015, the Australian Prudential Regulation Authority (**'APRA'**) informed the Ultimate Parent 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 Ultimate Parent 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 Ultimate Parent 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. 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 Ultimate Parent Bank.

APRA has also confirmed the terms on which the Ultimate Parent 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 Bank are guaranteed as at the date the Directors signed this Disclosure Statement.

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

Changes in the Bank's Board of Directors

There have been no changes in the composition of the Board of Directors of the Bank (the '**Board**') since 30 September 2020.

Auditor

PricewaterhouseCoopers

PwC Tower, Level 27

15 Customs Street West

Auckland, New Zealand

Pending proceedings or arbitration

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

Credit ratings

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

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

On 29 March 2021, Fitch Ratings revised the outlook of the Bank to Rating Watch Negative (from Negative outlook). This change in outlook was in response to the Ultimate Parent Bank's announcement on 24 March 2021, that it is considering the appropriate structure for its New Zealand business and assessing whether a demerger would be in the best interests of shareholders. Fitch Ratings noted that they will resolve the Rating Watch Negative once the Ultimate Parent Bank has decided whether to proceed with the demerger.

i. General information (continued)

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 the Bank under section 95 of the Reserve Bank of New Zealand Act 1989 requiring the Bank to supply two external reviews to the Reserve Bank. The reports are required to address concerns raised by the Reserve Bank around the Bank'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 the Bank'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 the Bank's expectations and those of the regulator.

The first report relates to the effectiveness of the actions the Bank 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 the Bank'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 the Bank, with a particular focus on the role played by the Board.

The reviews apply only to the Bank and not the governance processes of the Ultimate Parent Bank in Australia or its New Zealand branch.

With effect from 31 March 2021, the Reserve Bank amended the Bank's conditions of registration to apply an overlay to the Bank's mismatch ratios. The overlay is specified by the Reserve Bank as an adjustment to liquid assets of 114 percent (requiring the Bank 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 the Bank's Treasury and Market and Liquidity Risk functions.

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

Separate to the section 95 reports, the Bank 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 the Bank 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. The Bank will take Deloitte's recommendations into account as it continues to implement its IT uplift plan.

Ultimate Parent Bank's review of New Zealand business

On 24 March 2021, the Ultimate Parent 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 Ultimate Parent 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.

Business Financing Guarantee Scheme

On 13 April 2020 the Bank 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 and restated 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 the Bank on a loan it makes under the Scheme, after the Bank has exhausted its recoveries procedures,

in each case, subject to the terms of 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 the 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 the Bank) from 75% to 50%. 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 loans for a term 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 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, Banking Group has drawn down $1,000 million under the FLP.

Registered bank disclosures

Unaudited

i. General information (continued)

AUSTRAC proceedings issued against the Ultimate Parent 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 Ultimate Parent 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 Ultimate Parent 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 Ultimate Parent Bank that it had concluded its investigation and that it did not intend to take any enforcement action against the Ultimate Parent Bank or any individuals in connection with the investigation. On 12 March 2021, APRA also announced that it had closed its investigation.

The Ultimate Parent 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 Ultimate Parent Bank securities between 16 December 2013 and 19 November 2019. The proceeding involves allegations relating to market disclosure issues connected to the Ultimate Parent 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.

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.

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 the Bank). 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 the Bank) and 16% for all other banks;
- Setting a Tier 1 capital requirement of 16% of 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 the Bank, 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.

Chief Executive Officer ('CEO') to retire

On 3 May 2021, the Bank'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.

ii. Additional financial disclosures

Additional information on balance sheet

	THE BANKING GROUP	
$ millions	**31 Mar 21 Unaudited**	30 Sep 20 Audited
Interest earning and discount bearing assets	**105,552**	100,915
Interest and discount bearing liabilities	**84,130**	82,099
Total amounts due from related entities	**1,624**	1,094
Total amounts due to related entities	**3,670**	4,099

Financial assets pledged as collateral

The Banking Group is required to provide collateral to other financial institutions, as part of standard terms, to secure liabilities. In addition to assets supporting the CB Programme disclosed in Note 5, the carrying value of these financial assets pledged as collateral is:

	THE BANKING GROUP	
$ millions	**31 Mar 21 Unaudited**	30 Sep 20 Audited
Cash	**333**	148
Securities pledged under repurchase agreements:		
Investment securities[1]	**190**	204
Residential mortgage-backed securities[2]	**1,199**	-
Total amount pledged to secure liabilities (excluding CB Programme)	**1,722**	352

[1] As at 31 March 2021, $91 million of investment securities were pledged as collateral to the New Zealand Branch of the Ultimate Parent Bank, which is recorded within due to related entities on the balance sheet (30 September 2020: $204 million) and $99 million of investment securities were pledged to third parties which is recorded within other financial liabilities on the balance sheet (30 September 2020: nil).

[2] During the six months ended 31 March 2021, the 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

$ millions	THE BANKING GROUP 31 Mar 21
On-balance sheet credit exposures consists of	
Cash and balances with central banks	6,126
Collateral paid	333
Trading securities and financial assets measured at FVIS	2,233
Derivative financial instruments	240
Investment securities	4,933
Loans	90,555
Other financial assets	247
Due from related entities	1,624
Total on-balance sheet credit exposures	106,291
Analysis of on-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	468
Agriculture	9,389
Construction	551
Finance and insurance	4,842
Forestry and fishing	472
Government, administration and defence	12,333
Manufacturing	1,633
Mining	182
Property	7,963
Property services and business services	1,232
Services	1,870
Trade	1,664
Transport and storage	1,156
Utilities	1,508
Retail lending	59,751
Subtotal	105,014
Provisions for ECL	(492)
Due from related entities	1,624
Other financial assets	145
Total on-balance sheet credit exposures	106,291
Off-balance sheet credit exposures consists of	
Credit risk-related instruments	28,718
Total off-balance sheet credit exposures	28,718
Analysis of off-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	90
Agriculture	744
Construction	500
Finance and insurance	2,123
Forestry and fishing	199
Government, administration and defence	856
Manufacturing	1,611
Mining	102
Property	1,311
Property services and business services	748
Services	1,085
Trade	2,021
Transport and storage	989
Utilities	1,895
Retail lending	14,444
Total off-balance sheet credit exposures	28,718

Australian 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

	THE BANKING GROUP
$ millions	**31 Mar 21**
Funding consists of	
Collateral received	**216**
Deposits and other borrowings	**77,345**
Other financial liabilities[1]	**1,099**
Debt issues[2]	**15,853**
Due to related entities[3]	**791**
Loan capital	**2,623**
Total funding	**97,927**
Analysis of funding by geographical area[2]	
New Zealand	**81,272**
Australia	**780**
United Kingdom	**6,597**
United States of America	**3,853**
China	**2,969**
Other	**2,456**
Total funding	**97,927**
Analysis of funding by industry sector	
Accommodation, cafes and restaurants	**511**
Agriculture	**1,669**
Construction	**2,404**
Finance and insurance	**35,242**
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]	**4,077**
Subtotal	**97,136**
Due to related entities[3]	**791**
Total funding	**97,927**

[1] Other financial liabilities, as presented above, are in respect of repurchase agreements.

[2] 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.

[3] 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.

[4] Includes deposits from non-residents.

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

ii. Additional financial disclosures (continued)

Additional information on interest rate sensitivity

The following table presents a breakdown of the earlier of the contractual repricing or maturity dates of the Banking Group's net asset position as at 31 March 2021. The Banking Group uses this contractual repricing information as a base, which is then altered to take account of customer behaviour, to manage its interest rate risk.

	THE BANKING GROUP						
	31 Mar 21						
$ millions	Up to 3 Months	Over 3 Months Up to 6 Months	Over 6 Months 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	-	-	-	-	271	6,126
Collateral paid	333	-	-	-	-	-	333
Trading securities and financial assets measured at FVIS	1,503	498	232	-	-	-	2,233
Derivative financial instruments	-	-	-	-	-	240	240
Investment securities	487	24	155	205	4,062	-	4,933
Loans	44,493	9,595	21,949	9,941	4,886	(309)	90,555
Other financial assets	-	-	-	-	-	247	247
Due from related entities	1,334	-	-	-	-	290	1,624
Total financial assets	54,005	10,117	22,336	10,146	8,948	739	106,291
Non-financial assets							1,303
Total assets							107,594
Financial liabilities							
Collateral received	216	-	-	-	-	-	216
Deposits and other borrowings	47,574	8,618	5,952	976	516	13,709	77,345
Other financial liabilities	1,099	-	-	-	-	225	1,324
Derivative financial instruments	-	-	-	-	-	378	378
Debt issues	6,553	1,539	286	3,039	4,348	88	15,853
Due to related entities	791	-	-	-	-	256	1,047
Loan capital	2,623	-	-	-	-	-	2,623
Total financial liabilities	58,856	10,157	6,238	4,015	4,864	14,656	98,786
Non-financial liabilities							572
Total liabilities							99,358
On-balance sheet interest rate repricing gap	(4,851)	(40)	16,098	6,131	4,084		
Net derivative notional principals							
Net interest rate contracts (notional):							
Receivable/(payable)	18,257	(4,031)	(14,444)	140	78		
Net interest rate repricing gap	13,406	(4,071)	1,654	6,271	4,162		

ii. Additional financial disclosures (continued)

Additional information on liquidity risk

Contractual maturity of financial liabilities

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

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

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

	THE BANKING GROUP						
	31 Mar 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 and Up to 5 Years	Over 5 Years	Total
Financial liabilities							
Collateral received	-	216	-	-	-	-	216
Deposits and other borrowings	44,525	5,087	11,758	14,697	1,544	-	77,611
Other financial liabilities	-	189	-	-	1,008	-	1,197
Derivative financial instruments:							
Held for trading	1	-	-	-	-	-	1
Held for hedging purposes (net settled)	-	9	15	23	48	-	95
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)
Debt issues	-	1,004	1,779	5,460	7,600	367	16,210
Due to related entities:							
Non-derivative balances	593	109	52	-	67	-	821
Derivative financial instruments:							
Held for trading	39	-	-	-	-	-	39
Held for hedging purposes (net settled)	-	16	40	72	59	-	187
Held for hedging purposes (gross settled):							
Cash outflow	-	-	-	1	61	-	62
Cash inflow	-	-	-	(1)	(59)	-	(60)
Loan capital	-	-	9	27	1,277	1,500	2,813
Total undiscounted financial liabilities	45,158	6,633	13,662	20,539	11,718	1,867	99,577
Total contingent liabilities and commitments							
Letters of credit and guarantees	806	-	-	-	-	-	806
Commitments to extend credit	27,912	-	-	-	-	-	27,912
Total undiscounted contingent liabilities and commitments	28,718	-	-	-	-	-	28,718

ii. Additional financial disclosures (continued)

Liquid assets

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

	THE BANKING GROUP
$ millions	**31 Mar 21**
Cash and balances with central banks	**6,126**
Interbank lending	**32**
Receivables due from the Ultimate Parent Bank	**805**
Supranational securities	**1,072**
NZ Government securities	**3,435**
NZ public securities	**2,235**
NZ corporate securities	**234**
Residential mortgage-backed securities	**8,756**
Total liquid assets	**22,695**

Reconciliation of mortgage-related amounts

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

	THE BANKING GROUP
$ millions	**31 Mar 21**
Residential mortgages - total gross loans (as disclosed in Note 5 and Section iii.)	**58,290**
Reconciling items:	
Unamortised deferred fees and expenses	**(224)**
Fair value hedge adjustments	**(29)**
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**
Accrued interest receivable	**52**
Partial write-offs	**4**
Residential mortgages - EAD (as disclosed in Credit risk exposures by asset class in Section iv.)	**66,608**

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

iii. Asset quality

Past due assets

	THE BANKING GROUP				
	31 Mar 21				
$ millions	**Residential Mortgages**	**Other Retail**	**Corporate**	**Other**	**Total**
Past due but not individually impaired assets					
Less than 30 days past due	**844**	**105**	**219**	**4**	**1,172**
At least 30 days but less than 60 days past due	**147**	**28**	**39**	**-**	**214**
At least 60 days but less than 90 days past due	**91**	**14**	**2**	**-**	**107**
At least 90 days past due	**187**	**35**	**39**	**-**	**261**
Total past due but not individually impaired assets	**1,269**	**182**	**299**	**4**	**1,754**

iii. Asset quality (continued)

Movements in components of loss allowance

Refer to Note 6 for movements in the components for loss allowance on loans and credit commitment for total exposure. The provisions for ECL on loans and credit commitments can be further disaggregated into the following types of credit exposures:

	THE BANKING GROUP				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	CAP	CAP	CAP	IAP	Total
Residential mortgages					
Provision for ECL as at 30 September 2020	49	123	70	6	248
Due to changes in credit quality:					
Transfers to Stage 1	24	(18)	(6)	-	-
Transfers to Stage 2	(3)	40	(37)	-	-
Transfers to Stage 3 CAP	-	(4)	5	(1)	-
Transfers to Stage 3 IAP	-	-	(1)	1	-
Reversals of previously recognised impairment charges	-	-	-	(2)	(2)
New financial assets originated	4	-	-	-	4
Financial assets derecognised during the period	(3)	(5)	(8)	-	(16)
Changes in CAP due to amounts written off	-	-	-	-	-
Other charges/(credits) to the income statement	(24)	(22)	28	2	(16)
Total charges/(credits) to the income statement for ECL	(2)	(9)	(19)	-	(30)
Amounts written off from IAP	-	-	-	-	-
Total provision for ECL on loans and credit commitments as at 31 March 2021	47	114	51	6	218
Other retail					
Provision for ECL as at 30 September 2020	28	81	31	3	143
Due to changes in credit quality:					
Transfers to Stage 1	46	(43)	(3)	-	-
Transfers to Stage 2	(4)	17	(13)	-	-
Transfers to Stage 3 CAP	-	(14)	15	(1)	-
Transfers to Stage 3 IAP	-	-	-	-	-
Reversals of previously recognised impairment charges	-	-	-	(1)	(1)
New financial assets originated	2	-	-	-	2
Financial assets derecognised during the period	(2)	(10)	(3)	-	(15)
Changes in CAP due to amounts written off	-	-	(18)	-	(18)
Other charges/(credits) to the income statement	(47)	36	18	1	8
Total charges/(credits) to the income statement for ECL	(5)	(14)	(4)	(1)	(24)
Amounts written off from IAP	-	-	-	(1)	(1)
Total provision for ECL on loans and credit commitments as at 31 March 2021	23	67	27	1	118
Corporate					
Provision for ECL as at 30 September 2020	39	156	6	65	266
Due to changes in credit quality:					
Transfers to Stage 1	3	(3)	-	-	-
Transfers to Stage 2	(1)	3	(2)	-	-
Transfers to Stage 3 CAP	-	(1)	1	-	-
Transfers to Stage 3 IAP	-	(1)	-	1	-
Reversals of previously recognised impairment charges	-	-	-	(2)	(2)
New financial assets originated	4	-	-	-	4
Financial assets derecognised during the period	(2)	(6)	-	-	(8)
Changes in CAP due to amounts written off	-	-	-	-	-
Other charges/(credits) to the income statement	(8)	(49)	4	8	(45)
Total charges/(credits) to the income statement for ECL	(4)	(57)	3	7	(51)
Amounts written off from IAP	-	-	-	(13)	(13)
Total provision for ECL on loans and credit commitments as at 31 March 2021	35	99	9	59	202

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

iii. Asset quality (continued)

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

Refer to Note 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.

	THE 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	80,836	7,023	572	129	88,560
Transfers:					
Transfers to Stage 1	2,075	(2,019)	(55)	(1)	-
Transfers to Stage 2	(2,272)	2,506	(234)	-	-
Transfers to Stage 3 CAP	(95)	(257)	361	(9)	-
Transfers to Stage 3 IAP	-	(2)	(9)	11	-
Net further lending/(repayment)	(1,670)	(465)	(15)	5	(2,145)
New financial assets originated	11,735	-	-	-	11,735
Financial assets derecognised during the period	(6,543)	(451)	(65)	(12)	(7,071)
Amounts written-off	-	-	(18)	(14)	(32)
Total gross carrying amount as at 31 March 2021	84,066	6,335	537	109	91,047
Provision for ECL as at 31 March 2021	(87)	(252)	(87)	(66)	(492)
Total net carrying amount as at 31 March 2021	83,979	6,083	450	43	90,555

iii. Asset quality (continued)

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

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

	THE BANKING GROUP				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	Total
$ millions	CAP	CAP	CAP	IAP	
Residential mortgages					
Total gross carrying amount as at 30 September 2020	50,660	4,079	455	18	55,212
Transfers:					
Transfers to Stage 1	1,254	(1,205)	(48)	(1)	-
Transfers to Stage 2	(1,318)	1,517	(199)	-	-
Transfers to Stage 3 CAP	(70)	(171)	248	(7)	-
Transfers to Stage 3 IAP	-	-	(8)	8	-
Net further lending/(repayment)	(1,306)	(39)	(4)	(1)	(1,350)
New financial assets originated	8,433	-	-	-	8,433
Financial assets derecognised during the period	(3,693)	(258)	(53)	(1)	(4,005)
Amounts written-off	-	-	-	-	-
Total gross carrying amount as at 31 March 2021	53,960	3,923	391	16	58,290
Provision for ECL as at 31 March 2021	(42)	(112)	(51)	(6)	(211)
Total net carrying amount as at 31 March 2021	53,918	3,811	340	10	58,079
Other retail					
Total gross carrying amount as at 30 September 2020	2,870	355	71	3	3,299
Transfers:					
Transfers to Stage 1	305	(299)	(6)	-	-
Transfers to Stage 2	(279)	299	(20)	-	-
Transfers to Stage 3 CAP	(8)	(56)	66	(2)	-
Transfers to Stage 3 IAP	-	-	(1)	1	-
Net further lending/(repayment)	(134)	60	(12)	1	(85)
New financial assets originated	278	-	-	-	278
Financial assets derecognised during the period	(206)	(31)	(10)	-	(247)
Amounts written-off	-	-	(18)	(1)	(19)
Total gross carrying amount as at 31 March 2021	2,826	328	70	2	3,226
Provision for ECL as at 31 March 2021	(17)	(59)	(27)	(1)	(104)
Total net carrying amount as at 31 March 2021	2,809	269	43	1	3,122
Corporate					
Total gross carrying amount as at 30 September 2020	27,214	2,589	46	108	29,957
Transfers:					
Transfers to Stage 1	469	(468)	(1)	-	-
Transfers to Stage 2	(626)	641	(15)	-	-
Transfers to Stage 3 CAP	(17)	(30)	47	-	-
Transfers to Stage 3 IAP	-	(2)	-	2	-
Net further lending/(repayment)	(221)	(509)	1	5	(724)
New financial assets originated	2,983	-	-	-	2,983
Financial assets derecognised during the period	(2,603)	(137)	(2)	(11)	(2,753)
Amounts written-off	-	-	-	(13)	(13)
Total gross carrying amount as at 31 March 2021	27,199	2,084	76	91	29,450
Provision for ECL as at 31 March 2021	(28)	(81)	(9)	(59)	(177)
Total net carrying amount as at 31 March 2021	27,171	2,003	67	32	29,273

The above gross carrying amount table does not include 'Other' credit exposures (refer to Note 5) on the basis that the provision for ECL is nil.

Unaudited

iii. Asset quality (continued)

Other asset quality information

	THE BANKING GROUP				
	31 Mar 21				
$ millions	Residential Mortgages	Other Retail	Corporate	Other	Total
Undrawn commitments with individually impaired counterparties	1	2	6	-	9
Other assets under administration	-	-	-	-	-

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios

The information contained in this note has been derived in accordance with the Banking Group's conditions of registration which relate to capital adequacy and the Reserve Bank Capital Adequacy Framework (Internal Models Based Approach) ('**BS2B**'), except for the matters of non-compliance with condition of registration 1B disclosed on page 49. The Bank considers its internal credit model methodologies result in the retention of an appropriate amount of capital to reflect its credit risk and any effect of the non-compliance with its condition of registration 1B on the information relating to capital adequacy is not considered by the Bank to be material.

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

The Banking Group's capital summary

	THE BANKING GROUP
$ millions	31 Mar 21
Tier 1 capital	
Common Equity Tier 1 capital	
Paid-up ordinary shares issued by the Bank plus related share premium	7,300
Retained earnings (net of appropriations)	951
Accumulated other comprehensive income and other disclosed reserves[1]	(15)
Less deductions from Common Equity Tier 1 capital	
Goodwill	(477)
Other intangible assets[2]	(185)
Cash flow hedge reserve	(2)
Deferred tax asset deduction	(218)
Expected loss excess over eligible allowance	(39)
Total Common Equity Tier 1 capital	7,315
Additional Tier 1 capital	
Additional Tier 1 capital instruments[3]	1,500
Total additional Tier 1 capital	1,500
Total Tier 1 capital	8,815
Tier 2 capital	
Tier 2 capital instruments[3]	1,133
Revaluation reserves	-
Eligible impairment allowance in excess of expected loss	-
Total Tier 2 capital	1,133
Total capital	9,948

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

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

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

Registered bank disclosures

Unaudited

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Capital structure

Ordinary shares

In accordance with BS2B, ordinary share capital is classified as Common Equity Tier 1 capital.

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

Additional Tier 1 loan capital

A summary of the key terms and features of the Additional Tier 1 loan capital (**'AT1 notes'**) is provided below:

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

[1] The AT1 notes were issued by the Bank and rank equally amongst themselves and are subordinated to the claims of depositors and senior or less subordinated creditors of the Bank.

Interest payable

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

Redemption

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

Conversion

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

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

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

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Tier 2 loan capital

A summary of the key terms and features of the Tier 2 loan capital ('**Tier 2 notes**') is provided below.

$	Issue date	Counterparty	Interest rate	Maturity Date	Optional redemption date
AU$1,040 million notes [1]	8 September 2015	London Branch of the Ultimate Parent Bank	Australian 90 day bank bill rate + 2.87% p.a.	22 March 2026	22 June 2021 and every quarterly interest payment date thereafter

[1] The Tier 2 notes were issued by the Bank and rank equally amongst themselves and are subordinated to the claims of depositors and senior or less subordinated creditors of the Bank.

Interest payable

Interest payments on the Tier 2 notes are subject to the Bank being solvent at the time of, and immediately following the interest payment.

Early redemption

The Bank may elect to redeem all or some of the Tier 2 notes for their face value together with accrued interest (if any) on 22 June 2021 or any interest payment date thereafter, subject to the Reserve Bank's prior written approval. Early redemption of all of the Tier 2 notes for certain tax or regulatory reasons is permitted on an interest payment date subject to the Reserve Bank's prior written approval.

Conversion

If a non-viability trigger event occurs, the Bank must convert such number of the Tier 2 notes into a variable number of ordinary shares issued by the Bank (calculated with reference to the net assets of the Bank and the total number of ordinary shares on issue on the conversion date) that is sufficient to satisfy the direction of the Reserve Bank or the decision of the statutory manager. A non-viability trigger event occurs when the Reserve Bank or the statutory manager (appointed pursuant to section 117 of the Reserve Bank Act) directs the Bank to convert or write off all or some of its Tier 2 notes. If conversion of the Tier 2 notes fails to take effect within five business days, holders' rights in relation to the Tier 2 notes will be immediately and irrevocably terminated.

Reserves

Investment securities reserve

This comprises the changes in the fair value of debt securities measured at FVOCI (except for interest income, impairment charges and foreign exchange gains and losses which are recognised in the income statement), net of any related hedge accounting adjustments and tax. These changes are transferred to non-interest income in the income statement when the asset is disposed.

Cash flow hedge reserve

This comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments, net of tax.

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Credit risk subject to the Internal Rating Based ('IRB') approach

Credit risk exposures by asset class

The Banking Group's credit risk exposures by asset class as at 31 March 2021

Exposure-weighted PD Grade (%)	Weighted Average PD %	EAD $ millions	Exposure-weighted LGD %	Exposure-weighted Risk Weight %	Risk-weighted Assets[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Residential mortgages						
Up to and including 0.10	-	-	-	-	-	-
Over 0.10 up to and including 0.50	0.47	28,596	14.88	12.07	3,659	292
Over 0.50 up to and including 1.0	0.70	24,896	21.86	23.76	6,270	502
Over 1.0 up to and including 2.5	1.52	11,801	22.78	43.86	5,486	439
Over 2.5 up to and including 10.0	3.93	906	27.27	98.49	945	76
Over 10.0 up to and including 99.99	-	-	-	-	-	-
Default	100.00	409	21.59	118.87	516	41
Total	1.40	66,608	19.10	23.90	16,876	1,350
Other retail						
Up to and including 0.10	0.05	815	46.45	6.84	59	5
Over 0.10 up to and including 0.50	0.19	850	54.42	21.22	191	15
Over 0.50 up to and including 1.0	0.54	273	55.13	41.39	120	10
Over 1.0 up to and including 2.5	1.84	628	69.01	85.04	565	45
Over 2.5 up to and including 10.0	5.66	509	72.46	108.87	588	47
Over 10.0 up to and including 99.99	21.91	110	79.92	166.31	195	16
Default	100.00	31	83.07	53.27	18	1
Total	3.08	3,216	59.32	50.91	1,736	139
Small business						
Up to and including 0.10	0.10	23	21.63	5.37	1	-
Over 0.10 up to and including 0.50	0.34	1,157	25.44	14.32	176	14
Over 0.50 up to and including 1.0	0.91	729	31.03	30.28	234	19
Over 1.0 up to and including 2.5	1.83	408	26.98	34.03	147	12
Over 2.5 up to and including 10.0	4.67	178	29.84	43.82	83	7
Over 10.0 up to and including 99.99	14.60	23	35.25	67.75	17	1
Default	100.00	48	31.23	291.54	149	12
Total	3.05	2,566	27.74	29.67	807	65

[1] The value of the scalar used in determining the risk weighted assets is 1.06 as required by the conditions of registration.

Registered bank disclosures

Unaudited

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Exposure-weighted PD Grade (%)	Weighted Average PD %	EAD $ millions	Exposure-weighted LGD %	Exposure-weighted Risk Weight %	Risk-weighted Assets[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Corporate/Business lending						
Up to and including 0.04	0.03	4,673	43.97	21.79	1,079	86
Over 0.04 up to and including 0.10	0.07	4,049	49.00	29.28	1,257	101
Over 0.10 up to and including 0.40	0.22	7,999	43.98	39.10	3,315	265
Over 0.40 up to and including 3.0	1.26	15,297	32.64	63.25	10,256	820
Over 3.0 up to and including 10.0	4.78	673	34.85	103.78	741	59
Over 10.0 up to and including 99.0	21.96	1,104	38.26	188.01	2,200	176
Default	100.00	167	46.97	179.72	319	26
Total	1.93	33,962	39.12	53.24	19,167	1,533
Sovereign						
Up to and including 0.04	0.01	10,271	6.80	1.23	134	11
Over 0.04 up to and including 0.10	-	-	-	-	-	-
Over 0.10 up to and including 0.40	-	-	-	-	-	-
Over 0.40 up to and including 3.0	-	-	-	-	-	-
Over 3.0 up to and including 10.0	-	-	-	-	-	-
Over 10.0 up to and including 99.0	-	-	-	-	-	-
Default	-	-	-	-	-	-
Total	0.01	10,271	6.80	1.23	134	11
Bank						
Up to and including 0.04	0.03	2,528	17.21	4.64	124	10
Over 0.04 up to and including 0.10	0.05	451	45.61	17.43	83	7
Over 0.10 up to and including 0.40	0.17	70	60.00	36.20	27	2
Over 0.40 up to and including 3.0	0.70	28	58.39	98.30	30	2
Over 3.0 up to and including 10.0	-	-	-	-	-	-
Over 10.0 up to and including 99.0	-	-	-	-	-	-
Default	-	-	-	-	-	-
Total	0.04	3,077	22.73	8.12	264	21
Total credit risk exposures subject to the internal ratings based approach		119,700			38,984	3,119

[1] The value of the scalar used in determining the risk weighted assets is 1.06 as required by the conditions of registration

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

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

	Undrawn Commitments and Other Off-balance Sheet Amounts		Market Related Contracts	
$ millions	**Value**	**EAD**	**Value**	**EAD**
Residential mortgages	11,377	8,515	-	-
Other retail	3,067	1,769	-	-
Small business	930	771	-	-
Corporate/Business lending	11,164	11,245	-	-
Sovereign	89	89	-	-
Bank	928	997	-	-
Total	**27,555**	**23,386**	-	-

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 Banking Group's valuation of the associated residential property at origination.

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

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

	THE BANKING GROUP					
	31 Mar 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**

Unaudited

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Specialised lending subject to the slotting approach

The Banking Group's specialised lending: Project and property finance credit risk exposures as at 31 March 2021

On-balance sheet exposures subject to the slotting approach	Total Exposures After Credit Risk Mitigation $ millions	Risk Weight %	Risk-weighted Assets[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Supervisory slotting grade				
Strong	5,342	70.00	3,963	317
Good	1,812	90.00	1,729	138
Satisfactory	160	115.00	195	16
Weak	251	250.00	665	53
Default	30	-	-	-
Total on-balance sheet exposures subject to the slotting approach	7,595	81.40	6,552	524

[1] The value of the scalar used in determining the risk weighted assets is 1.06 as required by the conditions of registration.

Off-balance sheet exposures subject to the slotting approach	EAD $ millions	Average Risk Weight %	Risk-weighted Assets[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Undrawn commitments and other off-balance sheet exposures	1,191	80.04	1,011	81
Total specialised lending exposures subject to the slotting approach	8,786	81.21	7,563	605

[1] The value of the scalar used in determining the risk weighted assets is 1.06 as required by the conditions of registration.

Credit risk exposures subject to the standardised approach

The Banking Group's credit risk exposures subject to the standardised approach as at 31 March 2021

Calculation of on-balance sheet exposures

	Total Exposure After Credit Risk Mitigation $ millions	Average Risk Weight %	Risk-weighted Exposure[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Other assets[2]	1,947	44.38	916	73
Total on-balance sheet exposures	1,947		916	73

[1] The value of the scalar used in determining the risk weighted assets is 1.06 as required by the conditions of registration.

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

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Calculation of off-balance sheet exposures

	Total Exposure or Principal Amount $ millions	Average Credit Conversion Factor %	Credit Equivalent Amount $ millions	Average Risk Weight %	Risk-weighted Exposure[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Market related contracts subject to the standardised approach						
Foreign exchange contracts	13,398	N/A	548	20.00	116	9
Interest rate contracts	38,506	N/A	70	20.00	15	1
Credit value adjustment	-	N/A	-	-	147	12
Total market related contracts subject to the standardised approach	51,904		618		278	22
Standardised subtotal (on and off-balance sheet)			2,565		1,194	95

[1] The value of the scalar used in determining the risk weighted assets is 1.06 as required by the conditions of registration.

Credit risk mitigation

The Banking Group uses a variety of techniques to reduce the credit risk arising from its lending activities (refer to Note 32.2.2 to the financial statements included in the Disclosure Statement for the year ended 30 September 2020 for further details). This includes the Banking Group establishing that it has direct, irrevocable and unconditional recourse to collateral and other credit enhancements through obtaining legally enforceable documentation.

The Banking Group includes the effect of credit risk mitigation through eligible guarantees within the calculation applied to LGD. Due to system limitations, the value of the guarantee is not always separately recorded, and therefore, neither this value nor a close alternative is available for disclosure, under Clause 7 of Schedule 11 to the Order.

Definitions of PD, LGD and EAD

- **Probability of default ('PD')**

  The PD is a through-the-cycle assessment of the likelihood of a customer defaulting on its financial obligations within one year.
- **Loss given default ('LGD')**

  The LGD represents an estimate of the expected severity of a loss to the Banking Group should a customer default occur during an economic downturn.
- **Exposure at default ('EAD')**

  EAD represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default.

Equity risk

The Banking Group's equity exposures as at 31 March 2021

Equity	Total Exposure $ millions	Risk Weight %	Risk-weighted Exposure[1] $ millions	Minimum Pillar 1 Capital Requirement $ millions
Equity holdings (not deducted from capital) that are publicly traded	-	300	-	-
All other equity holdings (not deducted from capital)	3	400	11	1

[1] The value of the scalar used in determining the risk weighted assets is 1.06 as required by the conditions of registration.

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Operational risk

Operational risk capital requirement

The following table sets out the Banking Group's implied risk-weighted exposures under the Advanced Measurement Approach ('**AMA**') methodology and the operational risk capital requirement.

	THE BANKING GROUP	
	31 Mar 21	
$ millions	Implied Risk-weighted Exposure	Total Operational Risk Capital Requirement
Advanced Measurement Approach		
Operational risk	**5,024**	**402**

Market risk

The Banking Group's aggregate market risk exposure is derived in accordance with BS2B and is calculated on a monthly basis. The end-of-period aggregate market risk exposure is calculated from the period end balance sheet information.

For each category of market risk, the Banking Group's peak end-of-day aggregate capital charge is derived by determining the maximum over the six months ended 31 March 2021 of the aggregate capital charge for that category of market risk at the close of each business day derived in accordance with BS2B.

The following table provides a summary of the 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:

	THE BANKING GROUP	
	31 Mar 21	
$ millions	Implied risk-weighted exposure	Aggregate capital charge
End-of-period		
Interest rate risk	**1,755**	**140**
Foreign currency risk	**-**	**-**
Equity risk	**-**	**-**
Peak end-of-day		
Interest rate risk	**3,706**	**296**
Foreign currency risk	**-**	**-**
Equity risk	**-**	**-**

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Total capital requirements

Banking Group Pillar 1 Total Capital Requirement

	THE BANKING GROUP		
	31 Mar 21		
$ millions	Total Exposure After Credit Risk Mitigation	Risk-weighted Exposure or Implied Risk-weighted Exposure	Total Capital Requirement
Credit risk			
Exposures subject to the internal ratings based approach	**119,700**	**38,984**	**3,119**
Equity exposures	**3**	**11**	**1**
Specialised lending subject to the slotting approach	**8,786**	**7,563**	**605**
Exposures subject to the standardised approach	**2,565**	**1,194**	**95**
Total credit risk (scaled)[1]	**131,054**	**47,752**	**3,820**
Operational risk	**N/A**	**5,024**	**402**
Market risk	**N/A**	**1,755**	**140**
Total	**131,054**	**54,531**	**4,362**

[1] The value of the scalar used in determining the credit risk weighted exposure is 1.06 as required by the conditions of registration.

Capital ratios

The following table is disclosed under the Reserve Bank's Basel III framework in accordance with Clause 15 of Schedule 11 to the Order and represents the capital adequacy calculation based on BS2B.

For the purposes of calculating the capital adequacy ratios for the Bank on a solo basis, wholly-owned and wholly-funded subsidiaries of the Banking Group are consolidated with the Bank. In this context, wholly-funded by the Bank means there are no liabilities (including off-balance sheet obligations) to anyone other than the Bank, the Inland Revenue or trade creditors, where aggregate exposure to trade creditors does not exceed 5% of the subsidiary's shareholder's equity. Wholly-owned by the Bank means that all equity issued by the subsidiary is held by the Bank or is ultimately owned by the Bank through a chain of ownership where each entity is 100% owned by its parent.

	THE BANKING GROUP			THE BANK	
%	Reserve Bank Minimum Ratios	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20
Common Equity Tier 1 capital ratio	4.5	**13.4**	11.4	**12.5**	10.6
Tier 1 capital ratio	6.0	**16.2**	14.1	**15.0**	13.1
Total capital ratio	8.0	**18.2**	15.9	**17.0**	14.8
Buffer ratio	2.5	**8.9**	6.9	**N/A**	N/A

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Capital for other material risks

The Banking Group's internal capital adequacy assessment process identifies, reviews and measures additional material risks that must be captured within the Banking Group's capital adequacy assessment process. The additional material risks considered are those not captured by Pillar 1 regulatory capital requirements and include compliance risk, conduct risk, liquidity risk, reputational risk, environmental, social and governance risk, business/strategic risk, other assets risk, model risk, deferred acquisition cost risk and subsidiary risk.

The Banking Group's internal capital allocation for 'other material risks' is $289 million as at 31 March 2021 (31 March 2020: $264 million).

Ultimate Parent Bank Group Basel III capital adequacy ratios

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

%	31 Mar 21	31 Mar 20
Ultimate Parent Bank 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
Ultimate Parent 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 Ultimate Parent Bank Group are publicly available in the Ultimate Parent Bank Group's Pillar 3 report. This information is made available to users via the Ultimate Parent Bank's website (www.westpac.com.au).

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

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

Under APRA's Prudential Standards, Australian Authorised Deposit-taking Institutions ('**ADI**'), including the Ultimate Parent Bank Group and the Ultimate Parent 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 Ultimate Parent Bank Group and the Ultimate Parent Bank are accredited by APRA to apply advanced models permitted by the Basel III global capital adequacy regime. The Ultimate Parent Bank Group and the Ultimate Parent Bank use the Advanced Internal Ratings Based ('**Advanced IRB**') approach for credit risk, the 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 BCBS, except where APRA has exercised certain discretions.

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

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

iv. Capital adequacy under the internal models based approach, and regulatory liquidity ratios (continued)

Regulatory liquidity ratios

The Bank calculates liquidity ratios in accordance with the Reserve Bank document entitled 'Liquidity Policy' (**'BS 13'**). Ratios are calculated daily and are part of the Bank's management of liquidity risk. Quarterly average ratios are produced in line with the Reserve Bank rules and guidance, noting the matters described below.

	THE BANKING GOUP	
%	**31 Mar 21**	31 Dec 20
Average for the three months ended		
One-week mismatch ratio	**4.5**	5.3
One-month mismatch ratio	**3.5**	4.7
Core funding ratio	**80.9**	82.7

In February 2021, the Bank notified the Reserve Bank of non-compliance with BS13 relating to a coding error in the BS13 liquidity model which impacted the aggregation of customer deposits. The non-compliance is being remediated by the Bank. The Bank has adjusted the one-week and one-month mismatch ratios in the table above in respect of the quarters ended 31 December 2020 and 31 March 2021 to reflect the impact of the non-compliance. The adjustment reduced the one-week and one-month mismatch ratios for the quarter ended 31 December 2020 by 0.4%, the one-week mismatch ratio for the quarter ended 31 March 2021 by 0.5%, and the one-month mismatch ratio for the quarter ended 31 March 2021 by 0.4%.

In addition, the liquidity ratios for the quarters ended 31 December 2020 and 31 March 2021 are not adjusted to reflect the potential non-compliance with BS13 identified in the Reserve Bank's thematic review of compliance with its Liquidity Policy (BS13), as the Reserve Bank's final determination in respect of BS13 compliance is pending. Refer to Conditions of Registration section on page 49 for further details. However, with effect from 31 March 2021, the Reserve Bank amended the Bank's conditions of registration to apply an overlay to the Bank's mismatch ratios which will remain in place until the Reserve Bank is satisfied that its concerns regarding liquidity risk controls have been resolved and sufficient progress has been made to address the risk culture issues. The overlay is specified by the Reserve Bank as an adjustment to liquid assets of 114 percent (requiring the Bank to discount the value of its liquid assets by approximately $2.3 billion). Refer to Other material matters on page 25 for further detail.

v. Concentration of credit exposures to individual counterparties

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

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

	THE BANKING GROUP	
	31 Mar 21	
% of Banking Group's Common Equity Tier 1 Capital	Bank Counterparties[1] Long-term credit rating A- or A3 and above	Non-bank Counterparties[2] Long-term credit rating A- or A3 and above
As at 31 March 2021[3]		
Exceeds 10% and not 15%	-	**1**
Exceeds 15% and not 20%	-	**1**
Peak end-of-day aggregate credit exposure for the six months ended 31 March 2021[3]		
Exceeds 10% and not 15%	-	-
Exceeds 15% and not 20%	-	**2**

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

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

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

Unaudited

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

The peak end-of-day aggregate credit exposure to each individual counterparty (which are not members of a group of closely related counterparties) or a group of closely related counterparties has been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure over the relevant six-month period, and then dividing that amount by the Banking Group's Common Equity Tier 1 capital as at 31 March 2021.

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

vi. Insurance business

The Banking Group does not conduct any insurance business (as that term is defined in the Order).

vii. Risk management policies

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

Conditions of registration

Material non-compliance with 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 the Bank with preliminary review findings in relation to the Bank, including that it considers that there has been potential non-compliance with BS13 by the Bank. 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 the Bank's conditions of registration, including the materiality of any such non-compliance. Any material non-compliance with the Bank'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 the Bank in accordance with the Order.

BS2B non-compliance

During the reporting period, the Bank was non-compliant with condition of registration 1B (which requires the Bank to comply with aspects of BS2B) in relation to the matters disclosed below. The Bank 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.

- The Bank 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. The Bank has submitted this model to the Reserve Bank for approval.
- The Bank 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.
- The Bank 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

The Bank 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 Bank 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 the Bank's online services with critical frontline applications.

These support contracts were necessary to ensure the Bank 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 the Bank's Condition of Registration 22.

Despite not having adequate support contracts in place, the Bank 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, the Bank 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 the Bank may not have been able to restore the relevant services within the Bank's recovery time objectives. This would, in turn, impact the Bank'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 the Bank's website such that transactions were prevented from completing.

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

Conditions of registration

Changes to conditions of registration

The Reserve Bank amended the Bank's conditions of registration during the reporting period:

- With effect from 1 March 2021, restrictions on the Bank's new residential mortgage lending at high loan-to-valuation ('LVR') ratios have been reinstated. 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).
- With effect from 31 March 2021, an overlay has been applied to the Bank's mismatch ratios until such time as the Reserve Bank is satisfied that the Bank's actions to improve liquidity risk and risk culture is complete and effective.

The Reserve Bank also notified the Bank of changes to its conditions of registration which will take effect after the reporting period:

- With effect from 1 May 2021, the Reserve Bank's Liquidity Policy Annex: Liquid Assets ('BS13A') raised Residential Mortgage Backed Securities (RMBS) eligibility to 5% of total assets for lower levels of asset encumbrance, but constrained eligibility of RMBS at higher levels of asset encumbrance.
- 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).
- 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.

Independent auditor's review report

To the shareholder of Westpac New Zealand Limited

Report on the Disclosure Statement

Our conclusions

We have reviewed pages 6 to 23 and pages 27 to 48 of the Disclosure Statement for the six months ended 31 March 2021 (the "Disclosure Statement") of Westpac New Zealand Limited (the "Bank") and its controlled entities (the "Banking Group"), which includes the condensed consolidated interim financial statements (the "financial statements") required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information required by Schedules 5, 7, 11, 13, 16 and 18 of the Order.

The financial statements on pages 6 to 23 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 vii 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 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, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those schedules; and

c) supplementary information relating to capital adequacy and regulatory liquidity requirements that is required to be disclosed under Schedule 11 of the Order, is not, in all material respects, disclosed in accordance with Schedule 11 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 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 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 agreed upon procedures over regulatory liquidity returns and the provision of comfort letters and agreed upon procedures reports for debt issuance programmes. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and these relationships have not impaired our independence

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Emphasis of Matter

We draw attention to note iv of the Registered bank disclosures on page 47 of the Disclosure Statement, in which the Bank has disclosed a matter of non-compliance as well as other potential matters of non-compliance with Liquidity Policy (BS13).

The matter of non-compliance was due to a coding error in the BS13 liquidity model which impacted the aggregation of customer deposits. The one-week and one-month mismatch ratios as disclosed in the Regulatory liquidity ratios have been adjusted to reflect the impact of the non-compliance. Furthermore, with effect from 31 March 2021, the Bank's conditions of registration were amended to apply an overlay to the mismatch ratios, discounting the value of the Bank's liquid assets, until such time as the Reserve Bank is satisfied its concerns regarding liquidity risk controls have been resolved.

Our conclusion on the supplementary information relating to capital adequacy and regulatory liquidity requirements is not modified in respect of this matter.

Other Matter

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

- the Bank 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 25; and
- the Bank has identified material matters of non-compliance with aspects of its conditions of registration, as referred to within Conditions of registration on page 49.

Directors' responsibility for the Disclosure Statement

The Directors of the Bank (the "Directors") are responsible on behalf of the Bank for the preparation and fair presentation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 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 the Bank, for the preparation and fair presentation of the supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 11, 13, 16 and 18 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 capital adequacy and regulatory liquidity requirements), taken as a whole, does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order; and
- the supplementary information relating to capital adequacy and regulatory liquidity requirements, taken as a whole, is not, in all material respects, disclosed in accordance with Schedule 11 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.

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Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
Auckland, New Zealand
20 May 2021