

ASX Release

Level 18, 275 Kent Street
Sydney, NSW, 2000

4 November 2024

Westpac New Zealand Limited Disclosure Statement

Westpac Banking Corporation (“Westpac”) today provides the attached Westpac New Zealand Limited Disclosure Statement for the year ended 30 September 2024.

For further information:

Hayden Cooper
Group Head of Media Relations
0402 393 619

Justin McCarthy
General Manager, Investor Relations
0422 800 321

This document has been authorised for release by Tim Hartin, Company Secretary.



WESTPAC NEW ZEALAND LIMITED

Annual Report and Disclosure Statement.
For the year ended 30 September 2024.



This page has been intentionally left blank

Contents

Annual report	5
Directors' statement	6
Financial statements	
Income statement	7
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Statement of cash flows	10
Note 1 Financial statements preparation	11
Note 2 Net interest income	14
Note 3 Non-interest income	15
Note 4 Operating expenses	16
Note 5 Auditor's remuneration	16
Note 6 Impairment charges/(benefits)	17
Note 7 Income tax expense	18
Note 8 Imputation credit account	18
Note 9 Trading securities and financial assets measured at FVIS	19
Note 10 Investment securities	19
Note 11 Loans	20
Note 12 Provision for expected credit losses	21
Note 13 Credit risk management	29
Note 14 Other financial assets	36
Note 15 Deferred tax assets	37
Note 16 Intangible assets	38
Note 17 Deposits and other borrowings	39
Note 18 Other financial liabilities	40
Note 19 Debt issues	41
Note 20 Provisions	42
Note 21 Loan capital	43
Note 22 Shareholders' equity	44
Note 23 Related entities	47
Note 24 Derivative financial instruments	50
Note 25 Fair values of financial assets and financial liabilities	56
Note 26 Offsetting financial assets and financial liabilities	60
Note 27 Credit related commitments, contingent assets and contingent liabilities	62
Note 28 Segment reporting	63
Note 29 Securitisation, covered bonds and other transferred assets	65
Note 30 Structured entities	66
Note 31 Capital management	67
Note 32 Risk management, funding and liquidity risk and market risk	69
Note 33 Notes to the statement of cash flows	79
Registered bank disclosures	
i. General information	80
ii. Additional financial disclosures	85
iii. Asset quality	87
iv. Capital adequacy and regulatory liquidity ratios	92
v. Concentration of credit exposures to individual counterparties	101
vi. Credit exposures to connected persons	102
vii. Insurance business, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products	102
viii. Risk management policies	103
Conditions of registration	109
Independent auditor's report	114
Independent assurance report	121

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**'). Controlled entities of the Bank as at 30 September 2024 are set out in Note 23;
- Westpac Banking Corporation (otherwise referred to as the '**Ultimate Parent Bank**');
- Ultimate Parent Bank and its controlled entities (otherwise referred to as the '**Ultimate Parent Bank Group**'); and
- New Zealand Branch of the Ultimate Parent Bank (otherwise referred to as the '**NZ Branch**').

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

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

ADI	Authorised deposit-taking institution	FX	Foreign exchange
ALCO	Asset and Liability Committee	GDP	Gross domestic product
ALM	Asset and liability risk management	GST	Goods and services tax
AMA	Advanced Measurement Approach	IAP	Individually assessed provisions
ANZSIC	Australian and New Zealand Standard Industrial Classification	ICAAP	Internal capital adequacy assessment process
APRA	Australian Prudential Regulation Authority	IRB	Internal Rating Based
APS 222	APRA's Prudential Standard APS 222 Associations with Related Entities	IRRBB	Interest rate risk in the banking book
ASX	Australian Securities Exchange	LGD	Loss given default
ATI	Additional Tier 1 capital	LVR	Loan-to-value ratio
BKBM	Bank bill benchmark rate	Moody's	Moody's Investors Services
Board	Board of Directors of the Bank	NaR	Net interest income-at-risk
BPRs	Banking Prudential Requirements	NII	Net interest income
BRCC	Board Risk and Compliance Committee	NZ IAS	New Zealand equivalent to International Accounting Standard
BS13	Reserve Bank document 'Liquidity Policy'	NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
CAP	Collectively assessed provisions	NZX	New Zealand's Exchange
CB	Covered bonds	OCI	Other comprehensive income
CCCFA	Credit Contracts and Consumer Finance Act 2003	PD	Probability of default
CCF	Credit Conversion Factor	PIE	Portfolio investment entities
CGU	Cash generating unit	PPS	Perpetual preference shares
CREDCO	Credit Risk Committee	Reserve Bank	Reserve Bank of New Zealand
CRG	Customer risk grade	RISKCO	Executive Risk Committee
EAD	Exposure at default	RMBS	Residential mortgage-backed securities
ECL	Expected credit losses	RWA/RWE	Risk weighted assets or risk weighted exposures
ELE	Extended licensed entity	S&P	S&P Global Ratings
ESG	Environmental, social and governance	SME	Small and medium-sized enterprises
Financial statements	Consolidated financial statements	SPPI	Solely payments of principal and interest
Fitch	Fitch Ratings	SPV	Special purpose vehicle
FVIS	Fair value through income statement	VaR	Value-at-Risk
FVOCI	Fair value through other comprehensive income	XRB	External Reporting Board

Annual report

Pursuant to section 211(3) of the Companies Act 1993, the holder of 100% of the voting shares (within the meaning of section 198) in Westpac New Zealand Limited, has agreed that the Annual Report of Westpac New Zealand Limited need not comply with the requirements of paragraphs (a), and (e) to (j) of subsection (1) and subsection (2) of section 211.

Accordingly, there is no information to be included in the Annual Report other than the financial statements for the year ended 30 September 2024 and the independent auditor's report on those financial statements.

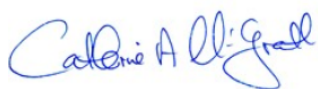
For and on behalf of the Board of Directors:



Philippa Greenwood

Chair

3 November 2024



Catherine McGrath

Chief Executive

3 November 2024

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 year ended 30 September 2024:

- (a) except as noted on page 113, the Bank has complied in all material respects with each condition of registration that applied during that period;
- (b) credit exposures to connected persons were not contrary to the interests of the Banking Group; and
- (c) the Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement has been signed by all the Directors:

Philippa Greenwood

Catherine McGrath

Debra Birch

David Green

Robert Hamilton

David Havercroft

Ian Samuel Knowles

Christine Parker

Michael Rowland

Dated this 3rd day of November 2024

Income statement

for the year ended 30 September 2024

\$ millions	Note	THE BANKING GROUP	
		2024	2023
Interest income:			
Calculated using the effective interest method	2	7,384	6,116
Other	2	141	127
Total interest income	2	7,525	6,243
Interest expense	2	(4,686)	(3,590)
Net interest income		2,839	2,653
Non-interest income			
Net fees and commissions	3	247	234
Other	3	9	14
Total non-interest income		256	248
Net operating income		3,095	2,901
Operating expenses	4	(1,365)	(1,291)
Impairment (charges)/benefits	6	(27)	(135)
Profit before income tax expense		1,703	1,475
Income tax expense	7	(477)	(416)
Profit after income tax expense		1,226	1,059

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

Statement of comprehensive income

for the year ended 30 September 2024

\$ millions	THE BANKING GROUP	
	2024	2023
Profit after income tax expense	1,226	1,059
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) recognised in equity on:		
Investment securities	239	(3)
Cash flow hedging instruments	(376)	(95)
Transferred to income statement:		
Cash flow hedging instruments	(75)	32
Income tax on items taken to or transferred from equity:		
Investment securities	(67)	1
Cash flow hedging instruments	127	18
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit obligation recognised in equity (net of tax)	(1)	4
Net other comprehensive income/(expense) for the year (net of tax)	(153)	(43)
Total comprehensive income for the year	1,073	1,016

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

Balance sheet as at 30 September 2024

\$ millions	Note	THE BANKING GROUP	
		2024	2023
Assets			
Cash and balances with central banks	33	7,456	9,233
Collateral paid		76	33
Trading securities and financial assets measured at FVIS	9	2,372	2,661
Derivative financial instruments	24	225	312
Investment securities	10	7,535	6,651
Loans	11,12	102,150	99,328
Other financial assets	14	461	314
Due from related entities	23	1,189	2,578
Property and equipment		449	396
Deferred tax assets	15	187	77
Intangible assets	16	939	934
Other assets		157	123
Total assets		123,196	122,640
Liabilities			
Collateral received		156	303
Deposits and other borrowings	17	81,539	82,196
Other financial liabilities	18	4,257	6,172
Derivative financial instruments	24	199	71
Due to related entities	23	2,070	2,733
Debt issues	19	21,619	18,597
Current tax liabilities		188	199
Provisions	20	217	229
Other liabilities		364	330
Loan capital	21	1,710	2,666
Total liabilities		112,319	113,496
Net assets		10,877	9,144
Shareholders' equity			
Ordinary share capital	22	7,300	7,300
Perpetual preference shares	22	1,369	-
Reserves		(62)	90
Retained profits		2,270	1,754
Total shareholders' equity		10,877	9,144

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

Signed on behalf of the Board of Directors.

Philippa Greenwood
Chair of Board
3 November 2024

David Green
Chair of Board Audit Committee
3 November 2024

Statement of changes in equity for the year ended 30 September 2024

THE BANKING GROUP

\$ millions	Ordinary Share Capital (Note 22)	Perpetual Preference Shares (Note 22)	Reserves		Retained Profits	Total Shareholders' Equity
			Investment Securities Reserve	Cash Flow Hedge Reserve		
As at 30 September 2022	7,300	-	(285)	422	1,343	8,780
Year ended 30 September 2023						
Profit after income tax expense	-	-	-	-	1,059	1,059
Net gains/(losses) from changes in fair value	-	-	(3)	(95)	-	(98)
Income tax effect	-	-	1	27	-	28
Transferred to income statement	-	-	-	32	-	32
Income tax effect	-	-	-	(9)	-	(9)
Remeasurement of defined benefit obligations	-	-	-	-	6	6
Income tax effect	-	-	-	-	(2)	(2)
Total comprehensive income/(expense) for the year ended 30 September 2023	-	-	(2)	(45)	1,063	1,016
Transactions with equity holders:						
Dividends paid on ordinary shares	-	-	-	-	(652)	(652)
As at 30 September 2023	7,300	-	(287)	377	1,754	9,144
Year ended 30 September 2024						
Profit after income tax expense	-	-	-	-	1,226	1,226
Net gains/(losses) from changes in fair value	-	-	239	(376)	-	(137)
Income tax effect	-	-	(67)	106	-	39
Transferred to income statement	-	-	-	(75)	-	(75)
Income tax effect	-	-	-	21	-	21
Remeasurement of defined benefit obligations	-	-	-	-	(1)	(1)
Income tax effect	-	-	-	-	-	-
Total comprehensive income/(expense) for the year ended 30 September 2024	-	-	172	(324)	1,225	1,073
Transactions with equity holders:						
PPS issued (net of issue costs)	-	1,369	-	-	-	1,369
Dividends paid on ordinary shares	-	-	-	-	(657)	(657)
Dividends paid on PPS	-	-	-	-	(52)	(52)
Supplementary dividends paid on PPS	-	-	-	-	(9)	(9)
Tax credit on supplementary dividends	-	-	-	-	9	9
As at 30 September 2024	7,300	1,369	(115)	53	2,270	10,877

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

Statement of cash flows

for the year ended 30 September 2024

		THE BANKING GROUP	
\$ millions	Note	2024	2023
Cash flows from operating activities			
Interest received		7,538	6,218
Interest paid		(4,749)	(3,051)
Non-interest income received		270	232
Operating expenses paid		(1,216)	(1,178)
Income tax paid		(510)	(290)
Cash flows from operating activities before changes in operating assets and liabilities		1,333	1,931
Net (increase)/decrease in:			
Collateral paid		(43)	9
Trading securities and financial assets measured at FVIS		314	(550)
Loans		(2,582)	(2,327)
Other financial assets		(123)	27
Due from related entities ¹		736	(684)
Other assets		(4)	(2)
Net increase/(decrease) in:			
Collateral received		(147)	221
Deposits and other borrowings		(649)	1,348
Other financial liabilities		(1,961)	1,130
Due to related entities		(634)	(167)
Other liabilities		2	9
Net movement in external and related entity derivative financial instruments ¹		654	498
Net cash provided by/(used in) operating activities	33	(3,104)	1,443
Cash flows from investing activities			
Proceeds from investment securities		1,529	547
Purchase of investment securities		(1,930)	(1,633)
Purchase of intangible assets		(118)	(209)
Purchase of property and equipment		(74)	(77)
Net cash provided by/(used in) investing activities		(593)	(1,372)
Cash flows from financing activities			
Proceeds from debt issues	19	10,060	7,827
Repayments of debt issues	19	(7,453)	(9,290)
Payments for the principal portion of lease liabilities		(51)	(47)
Issue of loan capital (net of issue costs)	21	-	592
Issue of perpetual preference shares (net of issue costs)	22	369	-
Dividends paid on ordinary shares	22	(657)	(652)
Dividends paid on perpetual preference shares	22	(61)	-
Net movement in due to related entities		(30)	29
Net cash provided by/(used in) financing activities		2,177	(1,541)
Net increase/(decrease) in cash and cash equivalents		(1,520)	(1,470)
Cash and cash equivalents at the beginning of the year ¹		9,772	11,248
Effect of exchange rate changes on cash and cash equivalents ¹		(9)	(6)
Cash and cash equivalents at the end of the year¹	33	8,243	9,772

¹ Comparatives have been revised to align to the current year presentation of cash held with related entities as cash and cash equivalents, resulting in a \$111 million decrease in net increase in due from related entities, a \$428 million increase in cash and cash equivalents at the beginning of the year, and a \$539 million increase in cash and cash equivalents at the end of the year. Comparatives have also been revised to present the impact of foreign exchange on cash and cash equivalents, resulting in a \$6 million increase in net movement in external and related entity derivative financial instruments and a corresponding decrease in effect of exchange rate changes on cash and cash equivalents.

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

Details of the reconciliation of net cash provided by/(used in) operating activities to Profit after income tax expense are provided in Note 33.

Notes to the financial statements

Note 1 Financial statements preparation

The Bank was incorporated as Westpac New Zealand Limited under the Companies Act 1993 (Company Number 1763882) on 14 February 2006. The head office of the Bank is situated at Westpac on Takutai Square, 16 Takutai Square, Auckland 1010, New Zealand and the address for service of process on the Bank is Stephen O'Brien - General Counsel, Westpac on Takutai Square, 53 Galway Street, Auckland 1010, New Zealand.

The Bank is a locally incorporated subsidiary of the Ultimate Parent Bank providing consumer and business banking to New Zealand customers. The Ultimate Parent Bank has shares listed on the ASX and NZX, and is classified as a foreign exempt issuer under the NZX Listing Rules.

The financial statements are for the Banking Group.

These financial statements were authorised for issue by the Board of Directors of the Bank on 3 November 2024. The Board has the power to amend and reissue the financial statements.

The material accounting policies are set out below and in the relevant notes to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

(i) Basis of accounting

These financial statements are general purpose financial statements prepared in accordance with:

- the requirements of the Financial Markets Conduct Act 2013; and
- the requirements of the Order.

These financial statements comply with Generally Accepted Accounting Practice, applicable NZ IFRS and other authoritative pronouncements of the XRB, as appropriate for for-profit entities. These financial statements also comply with International Financial Reporting Standards Accounting Standards, as issued by the International Accounting Standards Board.

All amounts in these financial statements have been rounded to the nearest million dollars unless otherwise stated.

(ii) Historical cost convention

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

(iii) Comparative revisions

Comparative information has been revised where appropriate to conform to changes in presentation in the current year and 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 the relevant section.

(iv) Standards adopted during the year ended 30 September 2024

International Tax Reform – Pillar Two Model rules (Amendments to NZ IAS 12 *Income Taxes*) was issued in July 2023 as a result of the Organisation for Economic Co-operation and Development's (OECD) international tax reform, known as Pillar Two. The amendments introduced:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the implementation of Pillar Two, which has been applied by the Banking Group; and
- disclosure requirements for impacted entities to help financial statement users better understand the Banking Group's exposure to Pillar Two income taxes.

Pillar Two introduces new 'top-up' taxes for multinational enterprises ('MNEs') within the scope of the rules to ensure that these MNEs pay a minimum effective rate of tax of 15% on profits in all jurisdictions.

The Banking Group is part of a MNE group under the Ultimate Parent Bank that falls within the OECD Pillar Two model rules. Pillar Two legislation has been enacted in New Zealand and will take effect from the Banking Group's financial year beginning 1 October 2025.

The Banking Group has performed an assessment of its potential exposure to Pillar Two income taxes based on the most recent tax filings and financial statements for its constituent entities. Based on the assessment performed, the Banking Group does not expect a material exposure, if any, to Pillar Two top-up taxes. The impact of the Pillar Two legislation on future financial performance will continue to be assessed.

(v) Business combinations

Business combinations are accounted for using the acquisition method of accounting. Acquisition cost is measured as the aggregate of the fair value at the date of acquisition of the assets given, equity instruments issued or liabilities incurred or assumed. Acquisition-related costs are expensed as incurred (except for those costs arising on the issue of equity instruments which are recognised directly in equity).

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. Goodwill is measured as the excess of the acquisition cost, the amount of any non-controlling interest and the fair value of any previous Banking Group's equity interest in the acquiree, over the fair value of the identifiable net assets acquired.

(vi) Foreign currency translation

Functional and presentation currency

The financial statements are presented in New Zealand dollars which is the Banking Group's functional and presentation currency.

Notes to the financial statements

Note 1 Financial statements preparation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. FX gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in OCI for qualifying cash flow hedges.

(vii) 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 FX 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 of.

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.

b. Principles of consolidation

The Banking Group subsidiaries are entities which the Bank controls and consolidates as it is exposed to, or has rights to, variable returns from its involvement with the entities, and can affect those returns through its power over the entities.

All transactions between entities within the Banking Group are eliminated. Subsidiaries are fully consolidated from the date on which control commences and are de-consolidated from the date that control ceases.

c. Financial assets and financial liabilities

(i) Recognition

Financial assets and financial liabilities, other than regular way transactions, are recognised when the Banking Group becomes a party to the terms of the contract, which is generally on the settlement date (the date payment is made or cash advanced). Purchases and sales of financial assets in regular way transactions are recognised on the trade date (the date on which the Banking Group commits to purchase or sell an asset).

(ii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or when the Banking Group has either transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full under a 'pass through' arrangement and transferred substantially all the risks and rewards of ownership.

There may be situations where the Banking Group has partially transferred the risks and rewards of ownership but has neither transferred nor retained substantially all the risks and rewards of ownership. In such situations, the asset continues to be recognised on the balance sheet to the extent of the Banking Group's continuing involvement in the asset.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in the income statement.

The terms are deemed to be substantially different if the discounted present value of the cash flows under the new terms (discounted using the original effective interest rate) is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Qualitative factors such as a change in the currency the instrument is denominated in, a change in the interest rate from fixed to floating and conversion features are also considered.

(iii) Classification and measurement basis

Financial assets

Financial assets are grouped into the following classes: cash and balances with central banks, collateral paid, trading securities and financial assets measured at FVIS, derivative financial instruments, investment securities, loans, other financial assets and due from related entities.

Financial assets are classified based on a) the business model within which the assets are managed, and b) whether the contractual cash flows of the instrument represent SPPI.

The Banking Group determines the business model at the level that reflects how groups of financial assets are managed. When assessing the business model the Banking Group considers factors including how performance and risks are managed, evaluated and reported and the frequency and volume of, and reason for, sales in previous periods and expectations of sales in future periods.

When assessing whether contractual cash flows are SPPI, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that they may not meet the SPPI criteria include contingent and leverage features, non-recourse arrangements, and features that could modify the time value of money.

Debt instruments

If the debt instruments have contractual cash flows which represent SPPI on the principal balance outstanding they are classified at:

Notes to the financial statements

Note 1 Financial statements preparation (continued)

- amortised cost if they are held within a business model whose objective is achieved through holding the financial asset to collect these cash flows; or
- FVOCI if they are held within a business model whose objective is achieved both through collecting these cash flows and selling the financial asset; or
- FVIS if they are held within a business model whose objective is achieved through selling the financial asset.

Debt instruments are classified and measured at FVIS where the contractual cash flows do not represent SPPI on the principal balance outstanding or where it is designated at FVIS to eliminate or reduce an accounting mismatch.

Debt instruments at amortised cost are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. They are presented net of any provision for ECL determined using the ECL model. Refer to Notes 6 and 12 for further details.

Debt instruments at FVOCI are measured at fair value with unrealised gains and losses recognised in OCI except for interest income, impairment charges and FX gains and losses, which are recognised in the income statement. Impairment on debt instruments at FVOCI is determined using the ECL model and is recognised in the income statement with a corresponding amount in OCI. There is no reduction of the carrying value of the debt security which remains at fair value.

The cumulative gain or loss recognised in OCI is subsequently recognised in the income statement when the instrument is derecognised.

Debt instruments at FVIS are measured at fair value with subsequent changes in fair value recognised in the income statement.

Financial liabilities

Financial liabilities are grouped into the following classes: collateral received, deposits and other borrowings, other financial liabilities, derivative financial instruments, due to related entities, debt issues and loan capital.

Financial liabilities are measured at amortised cost if they are not held for trading or designated at FVIS, otherwise they are measured at FVIS.

Financial assets and financial liabilities measured at FVIS are recognised initially at fair value. All other financial assets and financial liabilities are recognised initially at fair value plus or minus directly attributable transaction costs respectively.

Further details of the accounting policy for each category of financial asset or financial liability mentioned above are set out in the note for the relevant item.

The Banking Group's policies for determining the fair value of financial assets and financial liabilities are set out in Note 25.

d. Critical accounting assumptions and estimates

Applying the Banking Group's accounting policies requires the use of judgement, assumptions and estimates which impact the financial information. The significant assumptions and estimates used are discussed in the relevant notes below.

- Note 7 Income tax expense
- Note 12 Provision for expected credit losses
- Note 15 Deferred tax assets
- Note 16 Intangible assets
- Note 20 Provisions
- Note 25 Fair values of financial assets and financial liabilities

Impact of climate-related risks

The Banking Group has considered the potential risk of climate change on its financial statements. Refer to Note 32 for further details.

e. Future developments in accounting standards

NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (NZ IFRS 18) was issued in May 2024 and will be effective for the 30 September 2028 year end unless early adopted. NZ IFRS 18 will replace NZ IAS 1 *Presentation of Financial Statements*. This standard will not change the recognition and measurement of items in the financial statements, but will impact the presentation and disclosure in the financial statements, including:

- New categories and subtotals in the income statement to enhance comparability;
- Enhancing the disclosure of management defined performance measures; and
- Changes to the grouping of information in the financial statements to provide more useful information.

The Banking Group is continuing to assess the impact of adopting NZ IFRS 18.

Amendments to the Classification and Measurement of Financial Instruments was issued in June 2024 and amends NZ IFRS 7 *Financial Instruments: Disclosures* and NZ IFRS 9 *Financial Instruments*. It is effective for the 30 September 2027 year end unless early adopted.

The amendments include:

- Changes to disclosures for investments in equity instruments designated at FVOCI and additional disclosures for financial instruments with contingent features that do not relate directly to basic lending risks and costs;
- Guidance on derecognition of financial liabilities criteria when using an electronic payments system; and
- Guidance on assessing contractual cash flow characteristics of financial assets with ESG and similar features.

Notes to the financial statements

Note 1 Financial statements preparation (continued)

The amendments are not expected to have a material impact on the Banking Group.

Other new standards and amendments to existing standards that are not yet effective are not expected to have a material impact on the Banking Group.

Note 2 Net interest income

Accounting policy

Interest income and interest expense for all interest earning financial assets and interest bearing financial liabilities at amortised cost or FVOCI, detailed within the table below, are recognised using the effective interest method. Net income from Treasury's interest rate and liquidity management activities is included in net interest income.

The effective interest method calculates the amortised cost of a financial instrument by discounting the financial instrument's estimated future cash receipts or payments to their present value and allocates the interest income or interest expense, including any fees, costs, premiums or discounts integral to the instrument, over its expected life.

Interest income is calculated based on the gross carrying amount of financial assets in stages 1 and 2 of the Banking Group's ECL model and on the carrying amount net of the provision for ECL for financial assets in stage 3.

\$ millions	Note	THE BANKING GROUP	
		2024	2023
Interest income			
Calculated using the effective interest method			
Cash and balances with central banks		509	533
Collateral paid		2	3
Investment securities		218	161
Loans		6,647	5,419
Due from related entities	23	8	-
Total interest income calculated using the effective interest method		7,384	6,116
Other			
Trading securities and financial assets measured at FVIS		137	107
Due from related entities	23	4	20
Total other		141	127
Total interest income		7,525	6,243
Interest expense			
Calculated using the effective interest method			
Collateral received		17	9
Deposits and other borrowings		3,339	2,523
Due to related entities	23	41	47
Debt issues		420	265
Loan capital		150	175
Other financial liabilities		241	234
Total interest expense calculated using the effective interest method		4,208	3,253
Other			
Deposits and other borrowings		153	147
Due to related entities	23	28	12
Debt issues		122	170
Other interest expense ¹		175	8
Total other		478	337
Total interest expense		4,686	3,590
Net interest income		2,839	2,653

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

Notes to the financial statements

Note 3 Non-interest income

Accounting policy

Non-interest income includes net fees and commissions income and other income.

Net fees and commissions income

When another party is involved in providing goods or services to a Banking Group customer, the Banking Group assesses whether the nature of the arrangement with its customer is as a principal provider or an agent of another party. Where the Banking Group is acting as an agent for another party, the income earned by the Banking Group is the net consideration received (i.e. the gross amount received from the customer less amounts paid to a third party provider). As an agent, the net consideration represents fees and commissions income for facilitating the transaction between the customer and the third party provider with primary responsibility for fulfilling the contract.

Fees and commissions income

Fees and commissions income is recognised when the performance obligation is satisfied by transferring the promised good or service to the customer. Fees and commissions income includes facility fees, transaction fees and commissions and other non-risk fee income. Commissions income includes commissions received for the distribution of general and life insurance products.

Facility fees include certain line fees, annual credit card fees and fees for providing customer bank accounts. They are recognised over the term of the facility/period of service on a straight line basis.

Transaction fees and commissions are earned for facilitating banking transactions such as FX and telegraphic transfers. Fees and commissions for these one-off transactions are recognised once the transaction has been completed. Transaction fees and commissions are also recognised for credit card transactions including interchange fees net of scheme charges. These are recognised once the transaction has been completed, however, a component of interchange fees received is deferred as unearned income as the Banking Group has a future service obligation to customers under the Banking Group's credit card reward programmes.

Other non-risk fee income includes advisory and underwriting fees which are recognised when the related service is completed.

Income which forms an integral part of the effective interest rate of a financial instrument is recognised using the effective interest method and recorded in interest income (for example, loan origination fees).

Fees and commissions expenses

Fees and commissions expenses include incremental external costs that vary directly with the provision of goods or services to customers. An incremental cost is one that would not have been incurred if a specific good or service had not been provided to a specific customer. Fees and commissions expenses which form an integral part of the effective interest rate of a financial instrument are recognised using the effective interest method and recorded in net interest income. Fees and commissions expenses include the costs associated with credit card loyalty programmes which are recognised as an expense when the services are provided on the redemption of points.

	THE BANKING GROUP	
\$ millions	2024	2023
Net fees and commissions		
Facility fees	51	44
Transaction fees and commissions ¹	251	249
Other non-risk fee income ²	21	15
Fees and commissions income	323	308
Credit card loyalty programmes	(31)	(35)
Transaction fees and commissions related expenses	(45)	(39)
Fees and commissions expenses	(76)	(74)
Net fees and commissions	247	234
Other		
Net ineffectiveness on qualifying hedges	(6)	-
Other ³	15	14
Total other	9	14
Total non-interest income	256	248

¹ Includes transaction fees and commissions due from related entities. Refer to Note 23.

² Includes management fees due from related entities. Refer to Note 23.

³ Includes operational cost recharges due from related entities. Refer to Note 23.

Deferred income in relation to the credit card loyalty programmes for the Banking Group was \$24 million as at 30 September 2024 (30 September 2023: \$27 million). This will be recognised as fees and commissions income as the credit card reward points are redeemed.

There were no other material contract assets or contract liabilities for the Banking Group.

Notes to the financial statements

Note 4 Operating expenses

\$ millions	Note	THE BANKING GROUP	
		2024	2023
Staff expenses		724	686
Lease expenses		15	24
Depreciation		99	82
Technology services and telecommunications ¹		244	233
Purchased services ¹		43	62
Software amortisation		113	60
Related entities - management fees	23	9	5
Other ²		118	139
Total operating expenses		1,365	1,291

¹ Comparative amounts have been revised to align to the current year presentation, resulting in a \$20 million increase in Technology services and telecommunications and a corresponding decrease in Purchased services.

² 'Other' includes expenses such as advertising, property related costs, postage and freight and non-lending losses.

Note 5 Auditor's remuneration

\$'000s	THE BANKING GROUP	
	2024	2023
Audit and audit related services		
Audit and review of financial statements ¹	3,244	3,075
Other audit related services ^{2,3}	772	821
Total remuneration for audit and other audit related services	4,016	3,896
Other services ⁴	75	303
Total remuneration for non-audit services	75	303
Total remuneration for audit, other audit related services and non-audit services	4,091	4,199

¹ Fees for the annual audit of the financial statements, the review procedures performed on the interim financial statements, Sarbanes-Oxley reporting undertaken in the role of the auditor and limited assurance over compliance with the information required on capital adequacy and regulatory liquidity requirements.

² Assurance or agreed upon procedures for the issue of comfort letters and work on the Banking Group's debt issuance programmes.

³ As at 30 September 2024, \$260,311 was paid to PwC Australia for the issue of comfort letters and work on the Banking Group's 'debt issuance programmes' (30 September 2023: \$304,514).

⁴ Fees for the year ended 30 September 2024 relate to an assessment of whether preconditions for assurance exist in preparation for assurance over greenhouse gas disclosures. Fees for the year ended 30 September 2023 related to a system pre-implementation and data migration assessment.

It is the Banking Group's policy to engage the external auditor on assignments additional to their statutory audit duties only if their independence is not impaired or seen to be impaired, and where their expertise and experience with the Banking Group is important.

Notes to the financial statements

Note 6 Impairment charges/(benefits)

Accounting policy

Impairment charges are based on an expected loss model which measures the difference between the current carrying amount and the present value of expected future cash flows taking into account past experience, current conditions and multiple probability-weighted macroeconomic scenarios for reasonably supportable future economic conditions. Further details of the calculation of ECL and the critical accounting assumptions and estimates relating to impairment charges are included in Note 12.

Impairment charges are recognised in the income statement, with a corresponding amount recognised as follows:

- Loans at amortised cost: as a reduction of the carrying value of the financial asset through an offsetting provision account (refer to Note 12);
- Investment securities: in reserves in OCI with no reduction of the carrying value of the debt security (refer to the statement of changes in equity); and
- Credit commitments: as a provision (refer to Note 20).

Uncollectable loans

A loan may become uncollectable in full or part if, after following the Banking Group's loan recovery procedures, the Banking Group remains unable to collect that loan's contractual repayments. Uncollectable amounts are written off against their related provision for ECL, after all possible repayments have been received.

Where loans are secured, amounts are generally written off after receiving the proceeds from the security, or in certain circumstances, where the net realisable value of the security has been determined and this indicates that there is no reasonable expectation of full recovery, write-off may be earlier. Unsecured consumer loans are generally written off after 180 days past due.

The Banking Group may subsequently be able to recover cash flows from loans written off. In the period which these recoveries are made, they are recognised in the income statement.

\$ millions	THE BANKING GROUP	
	2024	2023
Provisions raised/(released):		
Performing	(20)	78
Non-performing	36	46
Bad debts written-off/(recovered) directly to the income statement	11	11
Impairment charges/(benefits)	27	135
<i>of which relates to:</i>		
Loans and credit commitments	27	135
Impairment charges/(benefits)	27	135

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

Notes to the financial statements

Note 7 Income tax expense

Accounting policy

The income tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in OCI, in which case it is recognised in the statement of comprehensive income.

Current tax is the tax payable for the year using enacted or substantively enacted tax rates and laws. Current tax also includes adjustments to tax payable for previous years.

Goods and services tax

Revenue, expenses and assets are recognised net of GST except to the extent that GST is not recoverable from the New Zealand Inland Revenue. In these circumstances, GST is recognised as part of the expense or the cost of the asset.

Critical accounting assumptions and estimates

Significant judgement is required in determining the current tax liability. There may be transactions with uncertain tax outcomes and provisions are determined based on the expected outcomes.

\$ millions	THE BANKING GROUP	
	2024	2023
Income tax expense		
Current tax:		
Current year	458	437
Prior year adjustments	2	1
Deferred tax (refer to Note 15):		
Current year	18	(21)
Prior year adjustments	(1)	(1)
Total income tax expense	477	416
Profit before income tax expense	1,703	1,475
Tax calculated at tax rate of 28%	477	413
Expenses not deductible for tax purposes	(1)	3
Prior year adjustments	1	-
Total income tax expense	477	416

The effective tax rate for the year ended 30 September 2024 was 28.0% (30 September 2023: 28.2%).

Note 8 Imputation credit account

\$ millions	THE BANKING GROUP	
	2024	2023
Imputation credits available for use in subsequent reporting periods	301	100

Notes to the financial statements

Note 9 Trading securities and financial assets measured at FVIS

Accounting policy

Trading securities

Trading securities include actively traded debt (government and other) and those acquired for sale in the near term. The instruments are measured at fair value.

Reverse repurchase agreements

Securities purchased under these agreements are not recognised on the balance sheet, as the Banking Group has not obtained the risks and rewards of ownership. The cash consideration paid is recognised as a reverse repurchase agreement, which forms part of a trading portfolio that is measured at fair value.

Fair value gains and losses on these financial assets are recognised in the income statement. Interest earned from debt securities is recognised in interest income (refer to Note 2).

\$ millions	THE BANKING GROUP	
	2024	2023
Government and semi-government securities	1,425	1,114
Other debt securities	947	1,503
Reverse repurchase agreements	-	44
Total trading securities and financial assets measured at FVIS	2,372	2,661

Note 10 Investment securities

Accounting policy

Investment securities include debt securities (government and other) that are measured at FVOCI. These instruments are classified based on the criteria disclosed under the heading "Financial assets and financial liabilities" in Note 1.

Debt securities measured at FVOCI

Includes debt instruments that have contractual cash flows which represent SPPI on the principal balance outstanding and they are held within a business model whose objective is achieved both through collecting these cash flows or selling the financial asset.

These securities are measured at fair value with unrealised gains and losses recognised in OCI except for interest income, impairment charges and FX gains and losses and fair value hedge adjustments which are recognised in the income statement.

Impairment is measured using the same ECL model applied to financial assets measured at amortised cost. Impairment is recognised in the income statement with a corresponding amount in OCI with no reduction of the carrying value of the debt security which remains at fair value. Refer to Note 12 for further details.

The cumulative gain or loss recognised in OCI is subsequently recognised in the income statement when the instrument is disposed.

\$ millions	THE BANKING GROUP	
	2024	2023
Government and semi-government securities	5,011	4,088
Other debt securities	2,524	2,563
Total investment securities	7,535	6,651

Notes to the financial statements

Note 11 Loans

Accounting policy

Loans are financial assets initially recognised at fair value plus directly attributable transaction costs and fees.

Loans are subsequently measured at amortised cost using the effective interest method where they have contractual cash flows which represent SPPI on the principal balance outstanding and they are held within a business model whose objective is achieved through holding the loans to collect these cash flows. They are presented net of any provision for ECL.

Loan products that have both mortgage and deposit facilities are presented gross on the balance sheet, segregating the asset and liability component, because they do not meet the criteria to be offset. Interest earned on these products is presented on a net basis in the income statement as this reflects how the customer is charged.

The following table shows loans disaggregated by types of credit exposure:

	THE BANKING GROUP	
\$ millions	2024	2023
Residential mortgages	68,028	65,766
Other retail	2,563	2,648
Corporate	31,764	31,222
Other	293	194
Total gross loans	102,648	99,830
Provision for ECL on loans (refer to Note 12)	(498)	(502)
Total net loans	102,150	99,328

Notes to the financial statements

Note 12 Provision for expected credit losses

Accounting policy

Note 6 provides details of impairment charges/(benefits).

Impairment applies to all financial assets at amortised cost, debt securities measured at FVOCI and credit commitments.

The ECL is recognised as follows:

- Loans at amortised cost: as a reduction of the carrying value of the financial asset through an offsetting provision account (refer to Note 11);
- Investment securities: in reserves in OCI with no reduction of the carrying value of the debt security itself (refer to the statement of changes in equity); and
- Credit commitments: as a provision (refer to Note 20).

Measurement

The Banking Group calculates the provision for ECL based on a three stage approach. The provision for ECL is a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe. They are determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The models use three main components to determine the ECL (as well as the time value of money) including:

- PD: the probability that a counterparty will default;
- LGD: the loss that is expected to arise in the event of a default; and
- EAD: the estimated outstanding amount of credit exposure at the time of the default.

Model stages

The three stages are as follows:

Stage 1: 12 months ECL - performing

For financial assets where there has been no significant increase in credit risk since origination a provision for 12 months ECL is recognised.

Stage 2: Lifetime ECL - performing

For financial assets where there has been a significant increase in credit risk since origination but where the asset is still performing a provision for lifetime ECL is recognised. The indicators of a significant increase in credit risk are described on the following page.

Stage 3: Lifetime ECL - non-performing

Financial assets in Stage 3 are those that are in default. A default occurs when:

- The Banking Group considers that the customer is unable to repay its credit obligations in full, irrespective of recourse by the Banking Group to action such as realising security. Indicators include a breach of contract with the Banking Group such as a default on interest or principal payments, a borrower experiencing significant financial difficulties or observable economic conditions that correlate to defaults on an individual basis; or
- The customer is more than 90 days past due on any material credit obligation.

A provision for lifetime ECL is recognised on these financial assets.

Collective and individual assessment

Financial assets that are in Stages 1 and 2 are assessed on a collective basis. This means that they are grouped in pools of similar assets with similar credit risk characteristics including the type of product and CRG. Financial assets in Stage 3 are assessed on an individual basis and calculated collectively for those below a specified threshold.

Expected life

In considering the lifetime timeframe for ECL in Stages 2 and 3, the standard generally requires use of the remaining contractual life adjusted, where appropriate, for prepayments, extension and other options. For certain revolving credit facilities which include both a drawn and undrawn component (e.g. credit cards and revolving lines of credit), the Banking Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. For these facilities, lifetime is based on historical behaviour.

Movement between stages

Financial assets may move in both directions through the stages of the impairment model. Financial assets previously in Stage 2 may move back to Stage 1 if it is no longer considered that there has been a significant increase in credit risk. Similarly, financial assets in Stage 3 may move back to Stage 1 or Stage 2 if they are no longer assessed to be non-performing.

Notes to the financial statements

Note 12 Provision for expected credit losses (continued)

Accounting policy (continued)

Critical accounting assumptions and estimates

Key judgements include when a significant increase in credit risk has occurred, the estimation of forward-looking macroeconomic information and overlays. Other factors which can impact the provision include the borrower's financial situation, the realisable value of collateral, the Banking Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of recovering the loan.

Significant increase in credit risk

Determining when a financial asset has experienced a significant increase in credit risk since origination is a critical accounting judgement which is based on the change in the PD since origination. In determining whether a change in PD represents a significant increase in risk, relative changes in PD and absolute PD thresholds are both considered based on the portfolio of the exposure.

The Banking Group does not rebut the presumption that instruments that are 30 days past due have experienced a significant increase in credit risk, but this is used as a backstop rather than the primary indicator.

Forward-looking macroeconomic information

The measurement of ECL for each stage and the assessment of significant increase in credit risk consider information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation of forward-looking information is a critical accounting judgement. The Banking Group considers three future macroeconomic scenarios including a base case scenario along with upside and downside scenarios.

The macroeconomic variables used in these scenarios, based on current economic forecasts, include (but are not limited to) unemployment rates, real gross domestic product growth rates, base interest rates and residential property price indices.

- Base case scenario
This scenario utilises the internal Westpac Economic forecasts used for strategic decision making and forecasting.
- Upside scenario
This scenario represents a modest improvement on the base case scenario.
- Downside scenario
The downside scenario is a more severe scenario with ECL higher than those under the base case scenario. This scenario assumes a recession with a combination of negative GDP growth, declines in residential property prices and an increase in the unemployment rate, which simultaneously impact ECL across all portfolios from the reporting date.

The three macroeconomic scenarios are probability weighted and together represent the Banking Group's view of the forward-looking distribution of potential loss outcomes. The weighting applied to each of the three macroeconomic scenarios takes into account historical frequency, current trends, and forward-looking conditions.

The macroeconomic variables and probability weightings of the three macroeconomic scenarios are subject to the approval of the Banking Group's Chief Financial Officer and Chief Risk Officer with oversight from the Board of Directors (and its Committees).

Portfolio overlays

Where appropriate, adjustments will be made to modelled outcomes to reflect reasonable and supportable information not already incorporated in the models. These adjustments (overlays) may be an increase or decrease in the provision for ECL.

Judgements can change with time as new information becomes available which could result in changes to the provision for ECL.

Notes to the financial statements

Note 12 Provision for expected credit losses (continued)

Loans and credit commitments

The following tables reconcile the provisions for ECL on loans and credit commitments by stage for the Banking Group.

THE BANKING GROUP										
\$ millions	2024				Total	2023				Total
	Performing		Non-performing			Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3		Stage 1	Stage 2	Stage 3	Stage 3	
	CAP	CAP	CAP	IAP		CAP	CAP	CAP	IAP	
Provision for ECL on loans										
Residential mortgages	29	148	49	21	247	37	139	61	10	247
Other retail	9	31	11	4	55	11	34	12	1	58
Corporate	26	112	22	36	196	28	123	34	12	197
Total provision for ECL on loans (refer to Note 11)	64	291	82	61	498	76	296	107	23	502
Provision for ECL on credit commitments¹										
Residential mortgages	4	11	-	-	15	5	8	-	-	13
Other retail	3	6	-	-	9	4	8	-	-	12
Corporate	5	17	-	11	33	6	18	-	-	24
Total provision for ECL on credit commitments (refer to Note 20)	12	34	-	11	57	15	34	-	-	49
Total provision for ECL on loans and credit commitments	76	325	82	72	555	91	330	107	23	551
Gross loans	79,638	22,021	799	190	102,648	76,135	22,924	709	62	99,830
Credit commitments	24,801	3,690	21	20	28,532	25,376	3,800	25	1	29,202
Gross loans and credit commitments	104,439	25,711	820	210	131,180	101,511	26,724	734	63	129,032
Coverage ratio on loans (%)	0.08	1.32	10.26	32.11	0.49	0.10	1.29	15.09	37.10	0.50
Coverage ratio on loans and credit commitments (%)	0.07	1.26	10.00	34.29	0.42	0.09	1.23	14.58	36.51	0.43

¹ Includes provision for ECL on related entity credit commitments of \$4 million (30 September 2023: \$5 million) classified as Due to Related Entities in the Balance Sheet.

Movements in components of loss allowance

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

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

Notes to the financial statements

Note 12 Provision for expected credit losses (continued)

\$ millions	THE BANKING GROUP				Total
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
	CAP	CAP	CAP	IAP	
Provision for ECL on loans and credit commitments as at 30 September 2023	91	330	107	23	551
Transfers to Stage 1	108	(103)	(5)	-	-
Transfers to Stage 2	(19)	76	(57)	-	-
Transfers to Stage 3 CAP	-	(65)	69	(4)	-
Transfers to Stage 3 IAP	-	(12)	(26)	38	-
Reversals of previously recognised impairment charges	-	-	-	(25)	(25)
New financial assets originated	23	-	-	-	23
Financial assets derecognised during the year	(12)	(59)	(52)	-	(123)
Changes in CAP due to amounts written off	-	-	(25)	-	(25)
Other charges/(credits) to the income statement	(115)	158	71	52	166
Total charges/(credits) to the income statement for ECL	(15)	(5)	(25)	61	16
Amounts written off from IAP	-	-	-	(12)	(12)
Total provision for ECL on loans and credit commitments as at 30 September 2024	76	325	82	72	555

\$ millions	THE BANKING GROUP				Total
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
	CAP	CAP	CAP	IAP	
Provision for ECL on loans and credit commitments as at 30 September 2022	103	240	69	27	439
Transfers to Stage 1	96	(90)	(6)	-	-
Transfers to Stage 2	(31)	67	(36)	-	-
Transfers to Stage 3 CAP	-	(37)	41	(4)	-
Transfers to Stage 3 IAP	-	(2)	(14)	16	-
Reversals of previously recognised impairment charges	-	-	-	(9)	(9)
New financial assets originated	12	-	-	-	12
Financial assets derecognised during the year	(7)	(45)	(23)	-	(75)
Changes in CAP due to amounts written off	-	-	(24)	-	(24)
Other charges/(credits) to the income statement	(82)	197	100	5	220
Total charges/(credits) to the income statement for ECL	(12)	90	38	8	124
Amounts written off from IAP	-	-	-	(12)	(12)
Total provision for ECL on loans and credit commitments as at 30 September 2023	91	330	107	23	551

The attribution of amounts disclosed in the movement schedule has been revised to better reflect the nature of the changes in the provision for ECL. Comparatives have been revised for consistency.

Notes to the financial statements

Note 12 Provision for expected credit losses (continued)

Movements in components of loss allowance – by types of credit exposure

The provision for ECL on loans and credit commitments can be further disaggregated into the following types of credit exposure:

\$ millions	THE BANKING GROUP				Total
	Performing		Non-performing		
	Stage 1 CAP	Stage 2 CAP	Stage 3 CAP	Stage 3 IAP	
Residential mortgages					
Balance as at 30 September 2023	42	147	61	10	260
Transfers to Stage 1	45	(43)	(2)	-	-
Transfers to Stage 2	(6)	37	(31)	-	-
Transfers to Stage 3 CAP	-	(14)	16	(2)	-
Transfers to Stage 3 IAP	-	-	(19)	19	-
Reversals of previously recognised impairment charges	-	-	-	(11)	(11)
New financial assets originated	7	-	-	-	7
Financial assets derecognised during the year	(1)	(11)	(20)	-	(32)
Changes in CAP due to amounts written off	-	-	-	-	-
Other charges/(credits) to the income statement	(54)	43	44	11	44
Total charges/(credits) to the income statement for ECL	(9)	12	(12)	17	8
Amounts written off from IAP	-	-	-	(6)	(6)
Balance as at 30 September 2024	33	159	49	21	262
Other retail					
Balance as at 30 September 2023	15	42	12	1	70
Transfers to Stage 1	47	(45)	(2)	-	-
Transfers to Stage 2	(6)	12	(6)	-	-
Transfers to Stage 3 CAP	-	(13)	13	-	-
Transfers to Stage 3 IAP	-	-	(1)	1	-
Reversals of previously recognised impairment charges	-	-	-	(1)	(1)
New financial assets originated	5	-	-	-	5
Financial assets derecognised during the year	(2)	(7)	(2)	-	(11)
Changes in CAP due to amounts written off	-	-	(23)	-	(23)
Other charges/(credits) to the income statement	(47)	48	20	5	26
Total charges/(credits) to the income statement for ECL	(3)	(5)	(1)	5	(4)
Amounts written off from IAP	-	-	-	(2)	(2)
Balance as at 30 September 2024	12	37	11	4	64
Corporate					
Balance as at 30 September 2023	34	141	34	12	221
Transfers to Stage 1	16	(15)	(1)	-	-
Transfers to Stage 2	(7)	27	(20)	-	-
Transfers to Stage 3 CAP	-	(38)	40	(2)	-
Transfers to Stage 3 IAP	-	(12)	(6)	18	-
Reversals of previously recognised impairment charges	-	-	-	(13)	(13)
New financial assets originated	11	-	-	-	11
Financial assets derecognised during the year	(9)	(41)	(30)	-	(80)
Changes in CAP due to amounts written off	-	-	(2)	-	(2)
Other charges/(credits) to the income statement	(14)	67	7	36	96
Total charges/(credits) to the income statement for ECL	(3)	(12)	(12)	39	12
Amounts written off from IAP	-	-	-	(4)	(4)
Balance as at 30 September 2024	31	129	22	47	229

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.

Notes to the financial statements

Note 12 Provision for expected credit losses (continued)

\$ millions	THE BANKING GROUP				Total
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
	CAP	CAP	CAP	IAP	
Residential mortgages					
Balance as at 30 September 2022	46	91	43	9	189
Transfers to Stage 1	22	(20)	(2)	-	-
Transfers to Stage 2	(7)	29	(22)	-	-
Transfers to Stage 3 CAP	-	(6)	8	(2)	-
Transfers to Stage 3 IAP	-	-	(9)	9	-
Reversals of previously recognised impairment charges	-	-	-	(5)	(5)
New financial assets originated	2	-	-	-	2
Financial assets derecognised during the year	(1)	(5)	(12)	-	(18)
Changes in CAP due to amounts written off	-	-	-	-	-
Other charges/(credits) to the income statement	(20)	58	55	4	97
Total charges/(credits) to the income statement for ECL	(4)	56	18	6	76
Amounts written off from IAP	-	-	-	(5)	(5)
Balance as at 30 September 2023	42	147	61	10	260
Other retail					
Balance as at 30 September 2022	17	43	13	1	74
Transfers to Stage 1	57	(54)	(3)	-	-
Transfers to Stage 2	(10)	18	(8)	-	-
Transfers to Stage 3 CAP	-	(13)	13	-	-
Transfers to Stage 3 IAP	-	-	(1)	1	-
Reversals of previously recognised impairment charges	-	-	-	(1)	(1)
New financial assets originated	4	-	-	-	4
Financial assets derecognised during the year	(2)	(12)	(3)	-	(17)
Changes in CAP due to amounts written off	-	-	(23)	-	(23)
Other charges/(credits) to the income statement	(51)	60	24	-	33
Total charges/(credits) to the income statement for ECL	(2)	(1)	(1)	-	(4)
Amounts written off from IAP	-	-	-	-	-
Balance as at 30 September 2023	15	42	12	1	70
Corporate					
Balance as at 30 September 2022	40	106	13	17	176
Transfers to Stage 1	17	(16)	(1)	-	-
Transfers to Stage 2	(14)	20	(6)	-	-
Transfers to Stage 3 CAP	-	(18)	20	(2)	-
Transfers to Stage 3 IAP	-	(2)	(4)	6	-
Reversals of previously recognised impairment charges	-	-	-	(3)	(3)
New financial assets originated	6	-	-	-	6
Financial assets derecognised during the year	(4)	(28)	(8)	-	(40)
Changes in CAP due to amounts written off	-	-	(1)	-	(1)
Other charges/(credits) to the income statement	(11)	79	21	1	90
Total charges/(credits) to the income statement for ECL	(6)	35	21	2	52
Amounts written off from IAP	-	-	-	(7)	(7)
Balance as at 30 September 2023	34	141	34	12	221

The attribution of amounts disclosed in the movement schedule has been revised to better reflect the nature of the changes in the provision for ECL. Comparatives have been revised for consistency.

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.

Notes to the financial statements

Note 12 Provision for expected credit losses (continued)

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

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

Portfolio overlays are used to capture areas of potential risk and uncertainty in the portfolio that are not captured in the underlying modelled ECL. These risks may result in under or overestimation of the modelled provision for ECL.

\$ millions	THE BANKING GROUP	
	2024	2023
Modelled provision for ECL on loans and credit commitments	588	505
Overlays	(33)	46
Total provision for ECL on loans and credit commitments	555	551

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

Modelled provision for ECL on loans and credit commitments

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

The base case scenario uses the following Westpac Economic forecasts:

Key economic assumptions for base case scenario	30 September 2024	30 September 2023
Annual GDP	Forecast growth of 0.1% for calendar year 2024 and 2.0% for calendar year 2025.	Forecast growth of 0.8% for calendar year 2023 and 0.2% for calendar year 2024.
Residential property prices	Forecast annual price appreciation of +0.7% for calendar year 2024 and +6.4% for calendar year 2025.	Forecast annual price contraction of -1.0% for calendar year 2023 and price appreciation of +7.7% for calendar year 2024.
Cash rate	Forecast cash rate of 4.75% at December 2024 and 3.75% at December 2025.	Forecast cash rate of 5.75% at December 2023 and 5.25% at December 2024.
Unemployment rate	Forecast rate of 5.3% at December 2024 and 5.6% at December 2025.	Forecast rate of 4.3% at December 2023 and 5.2% at December 2024.

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

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

\$ millions	THE BANKING GROUP	
	2024	2023
Reported probability-weighted ECL	555	551
100% base case ECL	341	417
100% downside ECL	850	719

Notes to the financial statements

Note 12 Provision for expected credit losses (continued)

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

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

	THE BANKING GROUP	
Macroeconomic scenario weightings (%)	2024	2023
Upside	5.0	5.0
Base	52.5	50.0
Downside	42.5	45.0

Portfolio overlays

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

The Banking Group's total portfolio overlays as at 30 September 2024 were \$(33) million (30 September 2023: \$46 million).

An overlay of \$(33) million on the provision for ECL for residential mortgages was recognised at 30 September 2024 to adjust for observed conservatism in the modelled outcome identified through model monitoring.

Overlays held at 30 September 2023 have been released on the basis that these are now considered to be reflected in the modelled outcome.

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

- Stage 1 gross carrying amount had a net increase of \$3.5 billion (30 September 2023: decreased by \$9.2 billion), primarily driven by new lending during the period, partially offset by underlying portfolio movement from the residential mortgages and corporate portfolios, including derecognitions and repayments. The Stage 1 ECL decrease is in line with Stage 1 exposure movement to Stage 2, primarily driven by underlying portfolio movements and a more negative economic outlook.
- Stage 2 gross carrying amount decreased by \$0.9 billion (30 September 2023: increased by \$11.6 billion), primarily driven by derecognitions and repayments, partially offset by underlying portfolio movement from the residential mortgages and corporate portfolios. The Stage 2 ECL decrease is in line with Stage 2 exposure movement, partially offset by underlying portfolio movements and a more negative economic outlook from the residential mortgages and corporate portfolios.
- Stage 3 gross carrying amount increased by \$0.2 billion (30 September 2023: increased by \$0.2 billion), driven by increases in 90 days past due exposures from the residential mortgages portfolio and customer downgrades from the corporate portfolio, partially offset by derecognitions and repayments and releases due to write-offs from the other retail portfolio. The Stage 3 ECL increases are in line with the increase in Stage 3 exposures.

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

Write-offs still under enforcement activity

The amount of current year write-offs which remain subject to enforcement activity was \$30 million (30 September 2023: \$23 million).

Notes to the financial statements

Note 13 Credit risk management

Index	Note name	Note number
Credit risk	Credit risk management framework	13.1
The risk of financial loss where a customer or counterparty fails to meet their financial obligations to the Banking Group.	Credit risk ratings system	13.2
	Credit concentrations and maximum exposure to credit risk	13.3
	Credit quality of financial assets	13.4
	Credit risk mitigation, collateral and other credit enhancements	13.5

13.1 Credit risk management framework

Please refer to Note 32.1 for details of the Banking Group's overall Risk Management Framework.

- The Banking Group maintains a Credit Risk Management Framework, a Credit Risk Management Strategy, and a Credit Risk Appetite Statement, and a number of supporting policies that define roles and responsibilities, acceptable practices, limits and key controls.
- The Banking Group's Credit Risk Management Framework describes the principles, methodologies, systems, roles and responsibilities, reports and key controls for managing credit risk.
- The BRCC, RISKCO and CREDCO monitor the risk profile, performance and management of the Banking Group's credit portfolio on at least a quarterly basis, and the development and review of key credit risk policies on at least an annual basis; other management reviews occur monthly or more frequently.
- The Banking Group's Credit Risk Rating System Policy describes the credit risk rating system philosophy, design, key features and uses of rating outcomes.
- All models materially impacting the risk rating process are periodically reviewed in accordance with the Banking Group's model risk policies.
- An annual review is performed of the Credit Risk Rating System for approval by the Banking Group's Chief Risk Officer and noting by the BRCC. The Credit Risk Rating System Policy is annually approved by the BRCC.
- Specific credit risk estimates (including PD, LGD and EAD) are reviewed by CREDCO and are overseen, reviewed annually and approved by the Banking Group's Chief Risk Officer.
- In determining the provision for ECL, the forward-looking economic inputs and the probability weightings of the forward-looking scenarios as well as any adjustments made to the modelled outcomes are subject to the approval of the Banking Group's Chief Financial Officer and the Chief Risk Officer with oversight from the Board (and its Committees).
- Policies for delegating credit approval authorities and formal limits for the extension of credit are established throughout the Banking Group.
- Credit policies are established and maintained throughout the Banking Group. They include policies governing the origination, evaluation, approval, documentation, settlement and ongoing management of credit risks.
- Sector policies guide credit extension where industry-specific guidelines are considered necessary (e.g. acceptable financial ratios or permitted collateral).
- The Ultimate Parent Bank's Related Entity Risk Management Policy and supporting policies govern credit exposures to related entities to minimise the spread of credit risk between the Ultimate Parent Bank Group entities to comply with the Ultimate Parent Bank's prudential requirements prescribed by APRA.
- Climate change-related credit risks are considered in line with the Ultimate Parent Bank's Climate Change Position Statement and Action Plan. Climate change risks are managed in line with the Banking Group's Risk Management Framework which is supported by the Banking Group's Sustainability Risk Management Framework, the Bank's Climate Risk Policy, the Banking Group's ESG Credit Risk Policy and the Bank's Board Risk Appetite Statements. Where appropriate, these are applied at the portfolio, customer, and transaction level.
- CREDCO oversees work to identify and manage the potential impact on credit exposures from climate change-related transition and physical risks across the Banking Group.
- The Banking Group's ESG Credit Risk Policy details the overall approach to managing ESG risks in the credit risk process for applicable transactions.

Notes to the financial statements

Note 13 Credit risk management (continued)

13.2 Credit risk ratings system

The principal objective of the credit risk rating system is to reliably assess the credit risk to which the Banking Group is exposed. The Banking Group has two main approaches to this assessment:

Transaction-managed customers

Transaction managed customers are generally customers with business lending exposures. They are individually assigned a CRG, corresponding to their expected PD. Each facility is assigned an LGD. The Banking Group's risk rating system has a tiered scale of risk grades for both non-defaulted customers and defaulted customers. Non-defaulted CRGs are mapped to Moody's and S&P external senior ranking unsecured ratings.

The following table shows the Banking Group's high level CRGs for transaction-managed portfolios mapped to the Banking Group's credit quality disclosure categories and to their corresponding external rating.

Financial Statement Disclosure	Banking Group's CRG	Transaction-managed	
		Moody's Rating	S&P Rating
Strong	A	Aaa – Aa3	AAA – AA-
	B	A1 – A3	A+ – A-
	C	Baa1 – Baa3	BBB+ – BBB-
Good/satisfactory	D	Ba1 – B1	BB+ – B+
Weak		Banking Group Rating	
	E	Watchlist	
	F	Special Mention	
	G	Substandard/Default	
	H	Doubtful/Default	

Program-managed portfolio

The program-managed portfolio generally includes retail products such as mortgages, personal lending (including credit cards) and certain SME lending. These credit exposures are grouped into pools of similar risk based on analysis of characteristics that have historically predicted the likelihood of default, and a PD is assigned relative to the credit exposure's pool. The exposure is then assigned to strong, good/satisfactory or weak by benchmarking that PD against the Banking Group's CRGs, which are in turn mapped to external ratings as per the above table. In addition, any program-managed exposures that are past due are classified as weak.

Notes to the financial statements

Note 13 Credit risk management (continued)

13.3 Credit concentrations and maximum exposure to credit risk

Credit risk is concentrated when a number of counterparties are engaged in similar activities, or have similar economic characteristics, and thus may be similarly affected by changes in economic or other conditions.

The Banking Group monitors its credit portfolio to allow it to manage risk concentrations and rebalance the portfolio.

Individual customers or groups of related customers

The Banking Group has large exposure limits governing the aggregate size of credit exposure normally acceptable to individual customers and groups of related customers. These limits are tiered by CRG.

Specific industries

Exposures to businesses, governments and other financial institutions are classified into a number of industry clusters based on related ANZSIC codes and are monitored against the Banking Group's industry risk appetite limits.

Individual countries

The Banking Group has limits governing risks related to individual countries, such as political situations, government policies and economic conditions that may adversely affect either a customer's ability to meet its obligations to the Banking Group, or the Banking Group's ability to realise its assets in a particular country.

Maximum exposure to credit risk

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

\$ millions	THE BANKING GROUP	
	2024	2023
Financial assets		
Cash and balances with central banks	7,456	9,233
Collateral paid	76	33
Trading securities and financial assets measured at FVIS	2,372	2,661
Derivative financial instruments	225	312
Investment securities	7,535	6,651
Loans	102,150	99,328
Other financial assets	461	314
Due from related entities	1,189	2,578
Total financial assets	121,464	121,110
Undrawn credit commitments		
Letters of credit and guarantees	1,631	1,614
Commitments to extend credit	26,901	27,588
Total undrawn credit commitments	28,532	29,202
Total maximum credit risk exposure	149,996	150,312

Notes to the financial statements

Note 13 Credit risk management (continued)

Concentration of credit exposures

\$ millions	THE BANKING GROUP	
	2024	2023
Analysis of on-balance sheet credit exposures by geographical areas		
New Zealand	117,730	117,230
Overseas	4,232	4,382
Subtotal	121,962	121,612
Provision for ECL on loans	(498)	(502)
Total on-balance sheet credit exposures	121,464	121,110
Analysis of on-balance sheet credit exposures by industry sector		
Accommodation, cafes and restaurants	367	384
Agriculture	8,856	9,083
Construction	424	445
Finance and insurance	7,517	7,439
Forestry and fishing	313	436
Government, administration and defence	14,718	15,468
Manufacturing	1,880	2,230
Mining	165	168
Property	9,007	8,254
Property services and business services	1,114	1,133
Services	1,922	1,562
Trade	1,992	2,224
Transport and storage	726	888
Utilities	2,322	2,257
Retail lending	69,246	66,978
Subtotal	120,569	118,949
Provision for ECL on loans	(498)	(502)
Due from related entities	1,189	2,578
Other financial assets	204	85
Total on-balance sheet credit exposures	121,464	121,110
Analysis of off-balance sheet credit exposures by geographical areas		
New Zealand	28,004	28,691
Overseas	528	511
Total off-balance sheet credit exposures	28,532	29,202
Analysis of off-balance sheet credit exposures by industry sector		
Accommodation, cafes and restaurants	89	55
Agriculture	561	607
Construction	613	528
Finance and insurance	1,999	2,595
Forestry and fishing	143	134
Government, administration and defence	866	834
Manufacturing	1,618	1,574
Mining	138	79
Property	1,398	1,503
Property services and business services	474	527
Services	827	1,144
Trade	1,895	1,865
Transport and storage	371	451
Utilities	1,529	1,697
Retail lending	16,011	15,609
Total off-balance sheet credit exposures	28,532	29,202

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

Notes to the financial statements

Note 13 Credit risk management (continued)

13.4 Credit quality of financial assets

The following table shows the credit quality of gross credit risk exposures measured at amortised cost or at FVOCI to which the impairment requirements of NZ IFRS 9 apply. The credit quality is determined by reference to the credit risk ratings system (refer to Note 13.2) and expectations of future economic conditions under multiple scenarios:

\$ millions	2024				2023 ¹			
	Stage 1	Stage 2	Stage 3	Total ²	Stage 1	Stage 2	Stage 3	Total ²
Loans - Residential mortgages								
Strong	7,519	150	-	7,669	7,612	179	-	7,791
Good/satisfactory	45,435	12,953	-	58,388	42,596	13,700	-	56,296
Weak	301	961	709	1,971	291	879	509	1,679
Total Loans - Residential mortgages	53,255	14,064	709	68,028	50,499	14,758	509	65,766
Loans - Other retail								
Strong	910	62	-	972	929	80	-	1,009
Good/satisfactory	907	508	-	1,415	909	545	-	1,454
Weak	22	97	57	176	26	100	59	185
Total Loans - Other retail	1,839	667	57	2,563	1,864	725	59	2,648
Loans - Corporate								
Strong	11,436	1,262	-	12,698	12,064	843	-	12,907
Good/satisfactory	12,885	4,609	-	17,494	11,514	5,403	-	16,917
Weak	-	1,349	223	1,572	-	1,195	203	1,398
Total Loans - Corporate	24,321	7,220	223	31,764	23,578	7,441	203	31,222
Loans - Other								
Strong	223	70	-	293	194	-	-	194
Good/satisfactory	-	-	-	-	-	-	-	-
Weak	-	-	-	-	-	-	-	-
Total Loans - Other	223	70	-	293	194	-	-	194
Investment securities								
Strong	7,535	-	-	7,535	6,651	-	-	6,651
Good/satisfactory	-	-	-	-	-	-	-	-
Weak	-	-	-	-	-	-	-	-
Total Investment securities	7,535	-	-	7,535	6,651	-	-	6,651
All other financial assets								
Strong	8,602	4	-	8,606	9,960	3	-	9,963
Good/satisfactory	148	45	-	193	126	44	-	170
Weak	1	6	2	9	1	5	2	8
Total all other financial assets	8,751	55	2	8,808	10,087	52	2	10,141
Undrawn credit commitments								
Strong	12,949	722	-	13,671	14,001	866	-	14,867
Good/satisfactory	11,847	2,763	-	14,610	11,368	2,685	-	14,053
Weak	5	205	41	251	7	249	26	282
Total undrawn credit commitments	24,801	3,690	41	28,532	25,376	3,800	26	29,202
Total strong	49,174	2,270	-	51,444	51,411	1,971	-	53,382
Total good/satisfactory	71,222	20,878	-	92,100	66,513	22,377	-	88,890
Total weak	329	2,618	1,032	3,979	325	2,428	799	3,552
Total on- and off-balance sheet	120,725	25,766	1,032	147,523	118,249	26,776	799	145,824

¹ In 2024, the Banking Group revised the methodology that it uses to classify exposures as strong, good/satisfactory or weak in order to better align the mapping of program-managed exposures to transaction-managed exposures. This is a change in disclosure methodology only and does not represent a change in underlying credit quality of the Banking Group's credit exposures, or a change in ECL. Comparatives have been revised accordingly.

² This credit quality disclosure differs to that of credit concentration (refer to Note 13.3) as it relates only to financial assets measured at amortised costs or at FVOCI and therefore excludes trading securities and financial assets measured at FVIS, and derivative financial instruments.

Details of collateral held in support of these balances are provided in Note 13.5.

Notes to the financial statements

Note 13 Credit risk management (continued)

13.5 Credit risk mitigation, collateral and other credit enhancements

The Banking Group uses a variety of techniques to reduce the credit risk arising from its lending activities.

This includes the Banking Group having processes in place to ensure 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.

Collateral

The table below describes the nature of collateral or security held for each relevant class of financial asset:

Loans – residential mortgages¹	Housing loans are secured by a mortgage over property and additional security may take the form of guarantees and deposits.
Loans – other retail¹	Personal lending (including credit cards and overdrafts) is predominantly unsecured. Where security is taken, it is restricted to eligible motor vehicles, caravans, campers, motor homes and boats. SME loans may be secured, partially secured or unsecured. Security is typically taken by way of a mortgage over property and/or a general security agreement over business assets or other assets.
Loans – corporate¹	Business loans may be secured, partially secured or unsecured. Security is typically taken by way of a mortgage over property and/or a general security agreement over business assets or other assets. Other security such as guarantees or standby letters of credit may also be taken as collateral, if appropriate.
Trading securities and financial assets measured at FVIS, due from related entities and derivative financial instruments	These exposures are carried at fair value which reflects the credit risk. For trading securities, no collateral is sought directly from the issuer or counterparty; however this may be implicit in the terms of the instrument (such as an asset-backed security). The terms of debt securities may include collateralisation. Master netting agreements are typically used to enable the effects of derivative assets and derivative liabilities with the same counterparty to be offset when measuring these exposures. Additionally, collateralisation agreements are also typically entered into with major institutional counterparties to avoid the potential build-up of excessive mark-to-market positions.

¹ This includes collateral held in relation to associated credit commitments.

Notes to the financial statements

Note 13 Credit risk management (continued)

Management of risk mitigation

The Banking Group mitigates credit risk through controls covering:

Collateral and valuation management	<p>The Ultimate Parent Bank manages collateral under collateralisation agreements centrally for all branches of the Ultimate Parent Bank and the Bank.</p> <p>The Banking Group revalues collateral related to financial markets positions on a daily basis and has formal processes in place to promptly call for collateral top-ups, if required. These processes include margining for non-centrally cleared customer derivatives where required under APRA Prudential Standard CPS226. The collateralisation arrangements are documented via the Credit Support Annex of the International Swaps and Derivatives Association dealing agreements and Global Master Repurchase Agreements for repurchase transactions.</p> <p>The estimated realisable value of collateral held in support of loans is based on a combination of:</p> <ul style="list-style-type: none"> • formal valuations currently held for such collateral; and • management's assessment of the estimated realisable value of all collateral held. <p>This analysis also takes into consideration any other relevant knowledge available to management at the time. Updated valuations are obtained when appropriate.</p>
Other credit enhancements	<p>The Banking Group only recognises guarantees, standby letters of credit, or credit derivative protection from entities meeting minimum eligibility requirements (provided they are not related to the entity with which the Banking Group has a credit exposure) including but not limited to:</p> <ul style="list-style-type: none"> • Sovereign; • Australia and New Zealand public sector; • Authorised deposit-taking institutions and overseas banks with a minimum risk grade equivalent of A3 / A-; and • Other entities with a minimum risk grade equivalent of A3 / A-. <p>Credit Portfolio Management manages the Banking Group's corporate, sovereign and bank credit portfolios through monitoring the exposure and any offsetting hedge positions.</p>
Offsetting	<p>Creditworthy customers domiciled in New Zealand may enter into formal agreements with the Banking Group, permitting the Banking Group to set-off gross credit and debit balances in their nominated accounts. Cross-border set-offs are not permitted.</p> <p>Close-out netting is undertaken with counterparties with whom the Banking Group has entered into a legally enforceable master netting agreement for their off-balance sheet financial market transactions in the event of default.</p> <p>Further details of offsetting are provided in Note 26.</p>
Central clearing	<p>The Banking Group increasingly executes derivative transactions through central clearing counterparties. Central clearing counterparties mitigate risk through stringent membership requirements, the collection of margin against all trades placed, the default fund, and an explicitly defined order of priority of payments in the event of default.</p>

Collateral held against loans

The Banking Group analyses the coverage of the loan portfolio which is secured by the collateral that it holds. Coverage is measured as follows:

Coverage	Secured loan to collateral value ratio
Fully secured	Less than or equal to 100%
Partially secured	Greater than 100% but not more than 150%
Unsecured	Greater than 150%, or no security held (e.g. can include credit cards, personal loans, and exposure to highly rated corporate entities)

Notes to the financial statements

Note 13 Credit risk management (continued)

The Banking Group's loan portfolio has the following coverage from collateral held:

THE BANKING GROUP										
2024						2023				
%	Residential Mortgages ¹	Other Retail	Corporate	Other	Total	Residential Mortgages ¹	Other Retail	Corporate	Other	Total
Performing Loans										
Fully secured	100	45	73	49	90	100	46	70	56	89
Partially secured	-	3	8	-	3	-	2	9	1	3
Unsecured	-	52	19	51	7	-	52	21	43	8
Total	100	100	100	100	100	100	100	100	100	100
Non-performing Loans										
Fully secured	89	56	36	-	74	94	62	57	-	82
Partially secured	11	8	35	-	17	6	7	28	-	12
Unsecured	-	36	29	-	9	-	31	15	-	6
Total	100	100	100	-	100	100	100	100	-	100

¹ For the purposes of collateral classifications, residential mortgages are classified as fully secured, unless they are non-performing in which case they may be classified as partially secured. Refer to Note iv. Additional mortgage information of the Registered bank disclosures for LVR analysis of residential mortgages.

Details of the carrying value and associated provision for ECL are disclosed in Note 11, Note iii. Asset quality of the Registered bank disclosures and Note 12 respectively. The credit quality of loans is disclosed in Note 13.4.

Collateral held against financial assets other than loans

THE BANKING GROUP		
\$ millions	2024	2023
Cash, primarily for derivatives	156	303
Securities under reverse repurchase agreements ¹	-	786
Total other collateral held	156	1,089

¹ Securities received as collateral are not recognised on the Banking Group's balance sheet.

Note 14 Other financial assets

THE BANKING GROUP		
\$ millions	2024	2023
Accrued interest receivable	257	229
Trade debtors	1	2
Other	203	83
Total other financial assets	461	314

Notes to the financial statements

Note 15 Deferred tax assets

Accounting policy

Deferred tax accounts for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their values for taxation purposes.

Deferred tax is determined using the enacted or substantively enacted tax rates and laws which are expected to apply when the assets will be realised or the liabilities settled.

Deferred tax assets and liabilities have been offset where they relate to the same taxation authority, the same taxable entity or group and where there is a legal right and intention to settle on a net basis.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available to utilise the assets.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither the accounting nor taxable profit or loss; and
- the initial recognition of goodwill in a business combination.

Critical accounting assumptions and estimates

On a similar basis to that described in Note 7, determining deferred tax assets and liabilities is considered one of the Banking Group's critical accounting assumptions and estimates.

	THE BANKING GROUP	
\$ millions	2024	2023
Deferred tax assets/(liabilities) comprise the following temporary differences:		
Provision for ECL on loans	139	140
Provision for ECL on credit commitments	16	14
Cash flow hedges	(20)	(147)
Provision for employee entitlements	20	20
Compliance, regulation and remediation provisions	8	12
Software, property and equipment	(57)	(33)
Lease liabilities	72	64
Other temporary differences	9	7
Net deferred tax assets	187	77
The deferred tax (charge)/credit in income tax expense comprises the following temporary differences:		
Provision for ECL on loans	(1)	29
Provision for ECL on credit commitments	2	2
Provision for employee entitlements	-	2
Compliance, regulation and remediation provisions	(4)	(6)
Software, property and equipment	(24)	10
Lease liabilities	8	(14)
Other temporary differences	2	(1)
Total deferred tax (charge)/credit in income tax expense	(17)	22
The deferred tax (charge)/credit in OCI comprises the following temporary differences:		
Cash flow hedges	127	18
Provision for employee entitlements	-	(2)
Total deferred tax (charge)/credit in OCI	127	16

Notes to the financial statements

Note 16 Intangible assets

Accounting policy

Indefinite life intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost, generally being the excess of:

- i. the consideration paid; over
- ii. the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Subsequently, goodwill is not amortised but rather tested for impairment. Impairment is tested at least annually or whenever there is an indication of impairment. An impairment charge is recognised when a CGU's carrying value exceeds its recoverable amount. Recoverable amount means the higher of the CGU's fair value less costs to sell and its value-in-use.

The Banking Group's CGUs represent the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. They reflect the level at which the Banking Group monitors and manages its operations.

Finite life intangible assets

Finite life intangibles such as computer software which are recognised initially at cost and subsequently at amortised cost less any impairment.

Intangible	Useful life	Amortisation method
Goodwill	Indefinite	Not applicable
Computer software	3 to 5 years	Straight-line method

Critical accounting assumptions and estimates

Judgement is required in determining the fair value of assets and liabilities acquired in a business combination. A different assessment of fair values would have resulted in a different goodwill balance and different post-acquisition performance of the acquired entity.

When assessing impairment of intangible assets, significant judgement is needed to determine the appropriate cash flows and discount rates to be applied to the calculations. The significant assumptions applied to the value-in-use calculations are outlined below.

	THE BANKING GROUP	
\$ millions	2024	2023
Goodwill	477	477
Computer software	462	457
Total intangible assets	939	934

Goodwill has been allocated to the Consumer Banking and Wealth CGU, which is a single CGU.

Impairment testing and results

Impairment testing is performed at least once a year, or whenever there is an indication of impairment, by comparing the recoverable amount of each CGU with the carrying amount. The primary test for the recoverable amount is determined based on value-in-use which refers to the present value of expected cash flows under its current use.

Impairment testing in the current year confirmed that the Banking Group continues to have considerable headroom when determining whether goodwill is recoverable, and no impairment should be recognised.

Notes to the financial statements

Note 16 Intangible assets (continued)

Significant assumptions used in recoverable amount calculations

The assumptions made for goodwill impairment testing for the Consumer Banking and Wealth CGU are provided in the following table and are based on past experience and management's expectations for the future. In the current year and given the present economic environment, the Banking Group has reassessed these assumptions and revised them where necessary in order to provide a reasonable estimate of the value-in-use of the CGU.

	Discount rate		Cash flows	
	Equity rate / adjusted pre-tax equity rate		Forecast period / terminal growth rate	
	2024	2023	2024	2023
Consumer Banking and Wealth	11.7% / 15.4%	11.5% / 15.2%	3 years / 2%	3 years / 2%

The Banking Group discounts the projected cash flows by the adjusted pre-tax equity rate.

The cash flows used are based on management approved forecasts. These forecasts utilise information about current and future economic conditions, observable historical information and management expectations of future business performance. The terminal value growth rate represents the growth rate applied to extrapolate cash flows beyond the forecast period and reflects the midpoint of the Reserve Bank's inflation target over the medium term.

There are no reasonably possible changes in assumptions for Consumer Banking and Wealth CGU that would result in an indication of impairment or have a material impact on the Banking Group's reported results.

Note 17 Deposits and other borrowings

Accounting policy

Deposits and other borrowings are initially recognised at fair value and subsequently either measured at amortised cost using the effective interest method or at fair value.

Deposits and other borrowings are designated at fair value if they are managed on a fair value basis, reduce or eliminate an accounting mismatch, or contain an embedded derivative.

Where they are measured at fair value, any changes in fair value (except those due to changes in credit risk) are recognised in the income statement. The change in the fair value that is attributable to changes in credit risk is recognised in OCI except where it would create an accounting mismatch, in which case it is also recognised in the income statement.

Interest expense incurred is recognised in net interest income using the effective interest method.

Non-interest bearing relates to instruments which do not carry an entitlement to interest.

	THE BANKING GROUP	
\$ millions	2024	2023
Certificates of deposit	1,863	2,413
Non-interest bearing, repayable at call ¹	11,196	12,364
Other interest bearing:		
At call ¹	29,028	28,947
Term	39,452	38,472
Total deposits and other borrowings	81,539	82,196
Deposits at fair value	1,863	2,413
Deposits at amortised cost	79,676	79,783
Total deposits and other borrowings	81,539	82,196

¹ Comparative amounts have been revised to align to the current year presentation, resulting in a \$355 million increase in Non-interest bearing, repayable at call and a corresponding decrease in Other interest bearing at call.

Notes to the financial statements

Note 18 Other financial liabilities

Accounting policy

Other financial liabilities include liabilities measured at amortised cost as well as liabilities which are measured at FVIS. Financial liabilities measured at FVIS include liabilities designated at FVIS (i.e. certain repurchase agreements).

Repurchase agreements

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

The cash consideration received is recognised as a liability (repurchase agreements). Repurchase agreements are designated at fair value when 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, any changes in fair value (except those due to change in credit risk) are recognised in 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 in the income statement.

	THE BANKING GROUP	
\$ millions	2024	2023
Repurchase agreements ¹	3,023	5,094
Interbank placements	-	4
Accrued interest payable	911	853
Trade creditors and other accrued expenses	195	207
Other	128	14
Total other financial liabilities	4,257	6,172
Other financial liabilities at fair value	-	44
Other financial liabilities at amortised cost	4,257	6,128
Total other financial liabilities	4,257	6,172

¹ Repurchase agreements include those under the Funding for Lending Programme and Term Lending Facility. Refer to Note 32.2.2 for further details.

Notes to the financial statements

Note 19 Debt issues

Accounting policy

Debt issues are bonds, notes and commercial paper that have been issued by the Banking Group.

Debt issues are initially measured at fair value and subsequently either measured at amortised cost using the effective interest method or at fair value.

Debt issues are designated at fair value if they reduce or eliminate an accounting mismatch or contain an embedded derivative.

Where they are measured at fair value, any changes in fair value (except those due to changes in credit risk) are recognised in the income statement. The change in the fair value that is attributable to changes in credit risk is recognised in OCI except where it would create an accounting mismatch, in which case it is also recognised in the income statement.

Interest expense incurred is recognised within net interest income using the effective interest method.

In the following table, the distinction between short-term (12 months or less) and long-term (greater than 12 months) debt is based on the original maturity of the underlying security.

	THE BANKING GROUP	
\$ millions	2024	2023
Short-term debt		
Commercial paper	3,726	1,471
Total short-term debt	3,726	1,471
Long-term debt		
Non-domestic medium-term notes	9,795	8,564
Covered bonds	4,310	4,994
Domestic medium-term notes	3,788	3,568
Total long-term debt	17,893	17,126
Total debt issues	21,619	18,597
Debt issues at fair value	3,726	1,471
Debt issues at amortised cost	17,893	17,126
Total debt issues	21,619	18,597

	THE BANKING GROUP	
\$ millions	2024	2023
Movement reconciliation		
Balance at beginning of the year	18,597	19,933
Issuances	10,060	7,827
Maturities, repayments, buy-backs and reductions	(7,453)	(9,290)
Total cash movements	2,607	(1,463)
FX translation impact	(456)	(41)
Fair value adjustments	9	9
Fair value hedge accounting adjustments	726	59
Other ¹	136	100
Total non-cash movements	415	127
Balance at end of the year	21,619	18,597

¹ Includes items such as unwind of discount on issuance and amortisation of issue costs

Notes to the financial statements

Note 20 Provisions

Accounting policy

Provisions are recognised for present obligations arising from past events where a payment (or other economic transfer) is likely to be necessary to settle the obligation and can be reliably estimated.

Employee benefits – annual leave and other employee benefits

The provision for annual leave and other employee benefits (including long service leave, wages and salaries, inclusive of non-monetary benefits, and any associated on-costs (e.g. payroll tax)) is calculated based on expected payments.

Provision for ECL on credit commitments

The Banking Group is committed to provide facilities and guarantees as explained in Note 27. If it is probable that a facility will be drawn and the resulting asset will be less than the drawn amount then a provision for impairment is recognised. The provision for impairment is calculated using the same methodology as the provision for ECL (refer to Note 12).

Compliance, regulation and remediation provisions

The compliance, regulation and remediation provisions relate to matters pertaining to the provision of services to our customers identified both as a result of regulatory action and internal reviews. An assessment of the likely cost to the Banking Group of these matters (including applicable customer refunds) is made on a case-by-case basis and specific provisions are made where appropriate.

Critical accounting assumptions and estimates

The financial reporting of provisions for compliance, regulation and remediation involves a significant degree of judgement in relation to identifying whether a present obligation exists and also in estimating the probability, timing, nature and quantum of the outflows that may arise from past events. These judgements are made based on the specific facts and circumstances relating to the individual events. Specific judgements in respect of material items are included in the discussion below.

\$ millions	THE BANKING GROUP					Total
	Annual leave and other employee benefits	Provision for ECL on credit commitments (refer to Note 12)	Compliance, regulation and remediation provisions	Lease restoration obligations	Other	
Balance as at 30 September 2023	104	44	54	24	3	229
Additions	96	9	3	1	4	113
Utilisation	(92)	-	(4)	(2)	(3)	(101)
Reversal of unutilised provisions	(11)	-	(13)	-	-	(24)
Balance as at 30 September 2024	97	53	40	23	4	217

Compliance, regulation and remediation provisions

The compliance, regulation and remediation provisions relate to matters pertaining to the provision of services to our customers identified as a result of regulatory action and internal reviews, including the Banking Group's review of processes for some products relating to the requirements of the CCCFA.

All potential claims and other liabilities are assessed on a case-by-case basis. A provision has been recognised where the Banking Group has conducted an assessment which determines the likelihood of loss as probable and where its potential loss can be reliably estimated.

A number of different estimates and judgements have been applied in measuring the provision at 30 September 2024, including the number of impacted customers, the refund per customer and the additional costs to run the remediation programme. It is possible that the actual outcome for these matters may differ from the assumptions used in estimating the provision. Remediation processes may change over time as further facts emerge and such changes could result in a change to the final exposure.

Where a provision has not been recognised, a contingent liability may exist. Refer to Note 27 for further details on contingent liabilities.

Notes to the financial statements

Note 21 Loan capital

Accounting policy

Loan capital is comprised of debt instruments which qualify for inclusion as regulatory capital under the Reserve Bank BPRs. Loan capital is initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Interest expense incurred is recognised in net interest income.

\$ millions	THE BANKING GROUP	
	2024	2023
Additional Tier 1 loan capital - Convertible subordinated perpetual notes	498	1,494
Tier 2 loan capital - Subordinated notes	1,212	1,172
Total loan capital	1,710	2,666

\$ millions	Note	THE BANKING GROUP	
		2024	2023
Movement reconciliation			
Balance at beginning of the year		2,666	2,083
Issuances ¹		-	592
Maturities, repayments, buy-backs and reductions		-	-
Total cash movements		-	592
Fair value hedge accounting adjustments		42	(13)
Redemption of AT1 notes	22	(1,000)	-
Other (amortisation of bond issue costs, etc)		2	4
Total non-cash movements		(956)	(9)
Balance at end of the year ²		1,710	2,666

¹ Issuances in the year ended 30 September 2023 consisted of \$600 million in loan capital issuances and was net of \$8 million in issue costs.

² This balance excludes \$6 million of Tier 2 loan capital held by related entities as at 30 September 2024 (30 September 2023: nil), which is included within Due to Related Entities.

Additional Tier 1 loan capital (AT1 notes)

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

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

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

In accordance with the Reserve Bank BPRs, the Bank's AT1 notes are subject to a transitional phase-out from 1 January 2022 until 1 July 2028, with the maximum eligible amount declining by 12.5% each year. The base amount was fixed at the total nominal amount of the Bank's AT1 notes outstanding as at 30 September 2021, being \$1,500 million. The total value able to be recognised as AT1 capital is set out in BPR110, with the lower of the outstanding amount or 62.5% of the base amount able to be recognised between 1 January 2024 and 31 December 2024 (30 September 2023: 75.0% between 1 January 2023 and 31 December 2023) in line with the phase-out schedule. On 21 December 2023, the Bank exercised its option, for regulatory reasons, to redeem \$1,000 million of the AT1 notes for their face value, as approved by the Reserve Bank. The transaction was settled through the issuance of \$1,000 million of AT1 PPS to the NZ Branch on the same day, and did not require settlement in cash. Refer to Note 22. As at 30 September 2024, the remaining outstanding amount of \$500 million was able to be fully recognised as AT1 capital in accordance with the transitional phase-out schedule.

Interest payable

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

Redemption

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

Notes to the financial statements

Note 21 Loan capital (continued)

Conversion

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

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

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

Tier 2 loan capital

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

\$	Issue date	Counterparty	Interest rate	Maturity date	Optional redemption date
NZ\$600 million notes ¹	16 September 2022	External	Fixed at 6.19% p.a until 16 September 2027. Resets on 16 September 2027 to a floating rate: NZ 3 month bank bill rate + 2.10% p.a.	16 September 2032	16 September 2027 and every quarterly interest payment date thereafter
NZ\$600 million notes ¹	14 August 2023	External	Fixed at 6.73% p.a until 14 February 2029. Resets on 14 February 2029 to a floating rate: NZ 3 month bank bill rate + 2.00% p.a.	14 February 2034	14 February 2029 and every quarterly interest payment date thereafter

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

Common features of subordinated notes

Interest payable

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

Early redemption

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

Note 22 Shareholders' equity

Accounting policy

Ordinary shares

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

Perpetual preference shares

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

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

Notes to the financial statements

Note 22 Shareholders' equity (continued)

Ordinary share capital

Ordinary shares fully paid

	THE BANKING GROUP			
	2024	2023	2024	2023
	Number of Shares Issued	Number of Shares Issued	\$ millions	\$ millions
Ordinary share capital	7,300,001,000	7,300,001,000	7,300	7,300

In accordance with the Reserve Bank document 'Capital Definitions' (BPR110) dated 1 October 2023, 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.

On 23 February 2024 and 23 August 2024, the Bank declared and paid cash dividends of \$314 million and \$343 million respectively to its immediate parent company, Westpac New Zealand Group Limited, with imputation credits of \$122 million and \$133 million attached respectively (30 September 2023: \$326 million on 16 February 2023 and \$326 million on 17 August 2023 with nil and \$127 million imputation credits attached respectively).

AT1 Perpetual preference shares (AT1 PPS)

Perpetual preference shares fully paid

	THE BANKING GROUP			
	2024	2023	2024	2023
	Number of Shares Issued	Number of Shares Issued	\$ millions	\$ millions
Internal perpetual preference shares issued	1,000,000	-	1,000	-
Quoted perpetual preference shares issued ¹	375,000,000	-	369	-
Perpetual preference shares issued	376,000,000	-	1,369	-

¹ Net of \$6 million issue costs.

On 21 December 2023, the Bank issued two classes of AT1 PPS to the NZ Branch, totalling \$1,000 million ('**Internal PPS**') (30 September 2023: nil). The transactions were settled through the redemption of \$1,000 million of the \$1,500 million AT1 notes on the same day. None of those transactions required settlement in cash. Refer to Note 21.

On 13 September 2024, the Bank issued \$375 million of AT1 PPS, which are quoted on the NZX Debt Market ('**Quoted PPS**') (30 September 2023: nil).

The AT1 PPS qualify as AT1 capital under the Reserve Bank's capital adequacy framework. The AT1 PPS are classified as equity instruments as there is no contractual obligation for the Banking Group to either deliver cash or another financial instrument or to exchange financial instruments on a potentially unfavourable basis.

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

\$	Issue date	Counterparty	AT1 PPS dividend rate	Optional redemption date
Internal PPS				
NZ\$500 million	21 December 2023	NZ Branch	NZ 3 month bank bill rate + 3.9723% p.a.	21 December 2028 and each quarterly scheduled dividend payment date after that date
NZ\$500 million	21 December 2023	NZ Branch	NZ 3 month bank bill rate + 4.0219% p.a.	21 December 2029 and each quarterly scheduled dividend payment date after that date
Quoted PPS				
NZ\$375 million	13 September 2024	External	Fixed at 7.10% p.a. until 13 September 2029 (when it resets to a floating rate equal to the NZ 3 month bank bill rate + 3.50% p.a.)	13 September 2029 and each quarterly scheduled dividend payment date after that date

Notes to the financial statements

Note 22 Shareholders' equity (continued)

Ranking and rights in liquidation

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

AT1 PPS dividends payable

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

AT1 PPS dividends are non-cumulative. In respect of a class of AT1 PPS, if an AT1 PPS dividend 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 until a subsequent AT1 PPS dividend is paid in full on that class (except in limited circumstances).

The Bank paid quarterly AT1 PPS dividends on the Internal PPS to the NZ Branch on:

- 21 March 2024, comprising aggregate cash payments of \$20 million (including supplementary dividends of \$3 million) with total imputation credits attached of \$4 million;
- 21 June 2024, comprising aggregate cash payments of \$21 million (including supplementary dividends of \$3 million) with total imputation credits attached of \$4 million; and
- 23 September 2024, comprising aggregate cash payments of \$21 million (including supplementary dividends of \$3 million) with total imputation credits attached of \$4 million.

Redemption

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

Conversion

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

Notes to the financial statements

Note 23 Related entities

Related entities

The Banking Group's related parties are those it controls or can exert significant influence over. Examples include subsidiaries, associates, joint ventures and superannuation plans as well as key management personnel and their related parties.

Banking Group

The Bank is a controlled entity of Westpac New Zealand Group Limited. The ultimate parent bank of the Bank is Westpac Banking Corporation.

The Banking Group consists of the Bank and all its controlled entities. As at 30 September 2024, the Bank had the following controlled entities:

Name of entity	Principal activity	Notes
Westpac NZ Operations Limited ('WNZOL')	Holding company	
Number 120 Limited	Finance company, currently non-active	
Red Bird Ventures Limited ¹	Corporate venture capital company, currently non-active	
The Home Mortgage Company Limited	Residential mortgage company, currently non-active	
Westpac New Zealand Staff Superannuation Scheme Trustee Limited	Trustee company	
Westpac (NZ) Investments Limited ('WNZIL')	Property company	
Westpac Securities NZ Limited ('WSNZL')	Funding company	
Westpac Securitisation Management NZ Limited ('WSMNZL') ²	Securitisation management company	
Westpac NZ Covered Bond Holdings Limited ('WNZCBHL')	Holding company	9.5% owned ³
Westpac NZ Covered Bond Limited ('WNZCBL')	Guarantor	9.5% owned ³
Westpac NZ Securitisation Holdings Limited ('WNZSHL')	Holding company	9.5% owned ⁴
Westpac NZ Securitisation Limited ('WNZSL')	Funding company	9.5% owned ⁴
Westpac Cash PIE Fund	Portfolio investment entity	Not owned ⁵
Westpac Notice Saver PIE Fund	Portfolio investment entity	Not owned ⁵
Westpac Term PIE Fund	Portfolio investment entity	Not owned ⁵

¹ Red Bird Ventures Limited holds 34.54% diluted (36.56% undiluted) (30 September 2023: 35.03% diluted (37.1% undiluted)) equity in Akahu Technologies Limited, an associate, which is not a controlled entity.

² On 14 June 2023, WNZOL acquired all 1,000 shares in WSMNZL from WNZSHL, at which point WSMNZL became a wholly-owned subsidiary of WNZL. The Bank was previously considered to control WSMNZL based on contractual arrangements in place.

³ The Banking Group, through its subsidiary, WNZOL, has a qualifying interest of 9.5% in WNZCBHL and its wholly-owned subsidiary company, WNZCBL. The Bank is considered to control both WNZCBHL and WNZCBL based on contractual arrangements in place, and as such both WNZCBHL and WNZCBL are consolidated within the financial statements of the Banking Group.

⁴ The Banking Group, through its subsidiary WNZOL, has a qualifying interest of 9.5% in WNZSHL and its wholly-owned subsidiary company, WNZSL. The Bank is considered to control both WNZSHL and WNZSL based on contractual arrangements in place, and as such WNZSHL and WNZSL are consolidated within the financial statements of the Banking Group.

⁵ Westpac Term PIE Fund, Westpac Cash PIE Fund and Westpac Notice Saver PIE Fund (collectively referred to as the 'PIE Funds') were established as unit trusts. The PIE Funds are PIEs, where BT Funds Management (NZ) Limited ('BTNZ') (an indirectly wholly-owned subsidiary of the Ultimate Parent Bank) is the manager and issuer. The manager has appointed the Bank to perform all customer management and account administration for the PIE Funds. The Bank is the PIE Funds' registrar and administration manager. The Bank does not hold any units in the PIE Funds, however is considered to control them, and as such the PIE Funds are consolidated in the financial statements of the Banking Group.

Notes to the financial statements

Note 23 Related entities (continued)

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

Other than as disclosed above, there have been no changes in the ownership percentages since 30 September 2023.

All entities in the Banking Group are 100% owned unless otherwise stated. All the entities within the Banking Group have a balance date of 30 September and are incorporated in New Zealand except the PIE Funds which have a balance date of 31 March.

Nature of transactions

The Banking Group has transactions with members of the Ultimate Parent Bank Group on commercial terms, including the provision of management, distribution and administrative services.

Loan finance and current account banking facilities are provided by the Ultimate Parent Bank to members of the Banking Group on normal commercial terms. The interest earned on these loans and the interest paid on deposits are at market rates.

The NZ Branch provides financial market services, foreign currency, trade and interest rate risk products to the Banking Group and its customers, which includes derivative transactions (refer to Note 24).

Effective 1 October 2014, the Bank and the NZ Branch entered into an agreement whereby the Bank will reimburse the NZ Branch for any credit losses incurred by it due to certain customers of the Bank defaulting on certain financial market and international products. The Banking Group receives commission from the sale of these products to customers for providing this guarantee.

This is treated as a financial guarantee for accounting purposes. Financial guarantee contracts are recognised as financial liabilities (recorded within provisions) when a payment under a contract has become probable. The liability is initially measured at fair value and subsequently at the higher of the amount of the loss allowance determined in accordance with NZ IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

The value of the exposures guaranteed at 30 September 2024 is \$843 million (30 September 2023: \$902 million), for which a liability has been recognised of \$4 million (30 September 2023: \$5 million).

Refer to Note 21 and Note 22 for details of the loan capital and perpetual preference shares transactions undertaken by the Banking Group with related entities.

Transactions with related entities

\$ millions	Note	THE BANKING GROUP	
		2024	2023
Ultimate Parent Bank			
Interest income ¹	2	10	20
Interest expense:			
Loan capital		69	132
Other ²	2	61	59
Non-interest income:			
Commissions received		47	47
Management fees received		9	7
Operating expenses - management fees	4	9	5
Other ³		8	3
Dividends paid on perpetual preference shares	22	52	-
Immediate Parent Company			
Dividends paid on ordinary shares	22	657	652
Other controlled entities of the Ultimate Parent Bank			
Interest income ¹	2	2	-
Interest expense	2	8	-
Non-interest income:			
Distribution fees received on managed fund products		9	8
Management fees received		3	3
Operational cost recharges		8	4

¹ Includes interest income on reverse repurchase agreements.

² Includes interest expense on other funding provided by and repurchase agreements with the NZ Branch.

³ Includes capitalised issue costs on financial liability or equity instruments and costs capitalised as software.

Notes to the financial statements

Note 23 Related entities (continued)

Due from and to related entities

\$ millions	THE BANKING GROUP	
	2024	2023
Due from related entities		
Ultimate Parent Bank	1,185	2,569
Other controlled entities of the Ultimate Parent Bank	4	9
Total due from related entities	1,189	2,578
Due from related entities at fair value ¹	374	2,017
Due from related entities at amortised cost	815	561
Total due from related entities	1,189	2,578
Due to related entities		
Ultimate Parent Bank	1,917	2,569
Other controlled entities of the Ultimate Parent Bank	153	164
Total due to related entities	2,070	2,733
Due to related entities at fair value ²	1,059	1,180
Due to related entities at amortised cost	1,011	1,553
Total due to related entities	2,070	2,733

¹ Consists of nil reverse repurchase agreements (30 September 2023: \$742 million) and derivative financial instruments of \$374 million (30 September 2023: \$1,275 million) (refer to Note 24).

² Consists of repurchase agreements of \$273 million (30 September 2023: \$404 million) and derivative financial instruments of \$786 million (30 September 2023: \$776 million) (refer to Note 24).

Key management personnel compensation

Key management personnel are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Banking Group. This includes all Executive/Non-Executive Directors and members of the executive team.

\$'000s	THE BANKING GROUP	
	2024	2023
Salaries and other short-term benefits	9,325	9,366
Post-employment benefits	677	641
Termination benefits	344	-
Share-based payments ¹	2,340	1,631
Total key management personnel compensation	12,686	11,638
Loans to key management personnel	6,075	1,491
Deposits from key management personnel	3,183	6,135
Interest income on loans to key management personnel	263	73
Interest expense on deposits from key management personnel	23	146

¹ Equity-settled remuneration is based on the amortisation over the performance and vesting period (normally two to five years). It is calculated using the fair value at the grant date of hurdled and unhurdled share rights granted during the relevant periods up to 30 September 2024.

The Directors have received remuneration from the Banking Group and these amounts are included in the table above.

Loans and deposits with key management personnel

All loans and deposits are made in the ordinary course of business of the Banking Group. Loans are on terms that range between variable, fixed rate up to five years and interest only loans, all of which are in accordance with the Banking Group's lending policies.

As at 30 September 2024, no amounts have been written off and no individual provision has been recognised in respect of loans given to key management personnel and their related parties (30 September 2023: nil). These loans have been included within the loan portfolio when determining collectively assessed provisions.

Other key management personnel transactions

All other transactions with key management personnel, their related entities and other related parties are conducted in the ordinary course of business. These transactions principally involve the provision of financial, investment and insurance services.

Notes to the financial statements

Note 24 Derivative financial instruments

Accounting policy

Derivative financial instruments are instruments whose values are derived from the value of an underlying asset, reference rate or index and include forwards, futures, swaps and options. Derivatives with related parties are included in due from/due to related entities.

The Banking Group uses derivative financial instruments for our ALM activities.

Trading derivatives

Derivatives which are used in our ALM activities but are not designated into a hedge accounting relationship are considered economic hedges. These derivatives are measured at FVIS and are disclosed as trading derivatives in this note.

Hedging derivatives

Hedging derivatives are those which are used in our ALM activities and have also been designated into one of two hedge accounting relationships: fair value hedge; or cash flow hedge. These derivatives are measured at fair value. These hedge designations and the associated accounting treatment are detailed below.

For more details regarding the Banking Group's ALM activities, refer to Note 32.

Fair value hedges

Fair value hedges are used to hedge the exposure to changes in the fair value of an asset or liability.

Changes in the fair value of derivatives and the hedged asset or liability in fair value hedges are recognised in non-interest income. The carrying value of the hedged asset or liability is adjusted for the changes in fair value related to the hedged risk.

If a hedge is discontinued, any fair value adjustments to the carrying value of the asset or liability are amortised to net interest income over the period to maturity. If the asset or liability is sold, any unamortised adjustment is immediately recognised in net interest income.

Cash flow hedges

Cash flow hedges are used to hedge the exposure to variability of cash flows attributable to an asset, liability or future forecast transaction.

For effective hedges, changes in the fair value of derivatives are recognised in the cash flow hedge reserve through OCI and subsequently recognised in net interest income when the cash flows attributable to the asset or liability that was hedged impact the income statement.

For hedges with some ineffectiveness, the changes in the fair value of the derivatives relating to the ineffective portion are immediately recognised in non-interest income.

If a hedge is discontinued, any cumulative gain or loss remains in OCI. It is amortised to net interest income over the period which the asset or liability that was hedged also impacts the income statement.

If a hedge of a forecast transaction is no longer expected to occur, any cumulative gain or loss in OCI is immediately recognised in net interest income.

Notes to the financial statements

Note 24 Derivative financial instruments (continued)

The carrying values of derivative instruments are set out in the tables below:

THE BANKING GROUP						
2024						
\$ millions	Trading		Hedging		Total derivatives carrying value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate contracts						
Swap agreements	7	(17)	451	(556)	458	(573)
Total interest rate contracts	7	(17)	451	(556)	458	(573)
FX contracts						
Cross currency swap agreements (principal and interest)	-	(149)	141	(263)	141	(412)
Total FX contracts	-	(149)	141	(263)	141	(412)
Total of gross derivatives	7	(166)	592	(819)	599	(985)
Total of net derivatives	7	(166)	592	(819)	599	(985)
Consisting of:						
Derivatives held with external counterparties	2	(9)	223	(190)	225	(199)
Derivatives held with related parties	5	(157)	369	(629)	374	(786)

THE BANKING GROUP						
2023						
\$ millions	Trading		Hedging		Total derivatives carrying value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate contracts						
Swap agreements	31	(19)	1,115	(352)	1,146	(371)
Total interest rate contracts	31	(19)	1,115	(352)	1,146	(371)
FX contracts						
Cross currency swap agreements (principal and interest)	82	(5)	359	(471)	441	(476)
Total FX contracts	82	(5)	359	(471)	441	(476)
Total of gross derivatives	113	(24)	1,474	(823)	1,587	(847)
Total of net derivatives	113	(24)	1,474	(823)	1,587	(847)
Consisting of:						
Derivatives held with external counterparties	19	(18)	293	(53)	312	(71)
Derivatives held with related parties	94	(6)	1,181	(770)	1,275	(776)

Notes to the financial statements

Note 24 Derivative financial instruments (continued)

Hedge accounting

The Banking Group designates derivatives into hedge accounting relationships in order to manage the volatility in earnings and capital that would otherwise arise from interest rate and FX risks that may result from differences in the accounting treatment of derivatives and underlying exposures. These hedge accounting relationships and the risks they are used to hedge are described below.

The Banking Group enters into one-to-one hedge relationships to manage specific exposures where the terms of the hedged item significantly match the terms of the hedging instrument. The Banking Group also uses dynamic hedge accounting where the hedged items are part of a portfolio of assets and/or liabilities that frequently change. In this hedging strategy, the exposure being hedged and the hedging instruments may change frequently rather than there being a one-to-one hedge accounting relationship for a specific exposure.

Fair value hedges

Interest rate risk

The Banking Group hedges its interest rate risk to reduce exposure to changes in fair value due to interest rate fluctuations over the hedging period. Interest rate risk arising from fixed rate debt issuances and fixed rate bonds classified as investment securities at FVOCI is hedged with single currency fixed to floating interest rate derivatives. The Banking Group also hedges its benchmark interest rate risk from fixed rate foreign currency denominated debt issuances using cross currency swaps. In applying fair value hedge accounting the Banking Group primarily uses one-to-one hedge accounting to manage specific exposures.

The Banking Group also uses a dynamic hedge accounting strategy for fair value portfolio hedge accounting of some fixed rate mortgages to reduce exposure to changes in fair value due to interest rate fluctuations over the hedging period. These fixed rate mortgages are allocated to time buckets based on their expected repricing dates and the fixed-to-floating interest rate derivatives are designated according to the capacity in the relevant time buckets.

The Banking Group hedges the benchmark interest rate which generally represents the most significant component of the changes in fair value. The benchmark interest rate is a component of interest rate risk that is observable in the relevant financial markets, for example, Secured Overnight Financing Rate ('SOFR') for USD interest rates and BKBM for NZD interest rates. Ineffectiveness may arise from timing or discounting differences on repricing between the hedged item and the derivative. For portfolio hedge accounting, ineffectiveness also arises from prepayment risk (i.e. the difference between actual and expected prepayment of loans). In order to manage the ineffectiveness from early repayments and accommodate new originations the portfolio hedges are de-designated and redesignated periodically.

Cash flow hedges

Interest rate risk

The Banking Group's exposure to the volatility of interest cash flows from customer deposits and loans is hedged with interest rate derivatives using a dynamic hedge accounting strategy called macro cash flow hedges. Customer deposits and loans are allocated to time buckets based on their expected repricing dates. The interest rate derivatives are designated according to the gross asset or gross liability positions for the relevant time buckets. The Banking Group hedges the benchmark interest rate which generally represents the most significant component of the changes in fair value. The benchmark interest rate is a component of interest rate risk that is observable in the relevant financial markets, for example, Bank Bill Swap Rate for AUD interest rates, SOFR for USD interest rates and BKBM for NZD interest rates. Ineffectiveness may arise from timing or discounting differences on repricing between the hedged item and the interest rate derivative. Ineffectiveness also arises if the notional values of the interest rate derivatives exceed the aggregate notional exposure for the relevant time buckets. The hedge accounting relationship is reviewed on a monthly basis and the hedging relationships are de-designated and redesignated if necessary.

FX risk

The Banking Group's exposure to foreign currency principal and credit margin cash flows from fixed rate foreign currency debt issuances is hedged through the use of cross currency derivatives in a one-to-one hedging relationship to manage the changes between the foreign currency and NZD. In addition, for floating rate foreign currency debt issuances, the Banking Group hedges from foreign floating to NZD floating interest rates. Ineffectiveness may arise from timing or discounting differences on repricing between the hedged item and the cross currency derivative.

Economic hedges

As part of the Banking Group's ALM activities, economic hedges may be entered into to hedge long-term funding transactions for risk management purposes. These hedges do not qualify for hedge accounting and are therefore not included in the hedging instrument disclosures below.

Notes to the financial statements

Note 24 Derivative financial instruments (continued)

Hedging instruments

The following tables show the carrying value of hedging instruments and a maturity analysis of the notional amounts of the hedging instruments in one-to-one hedge relationships categorised by the types of hedge relationships and the hedged risk.

THE BANKING GROUP

2024								
\$ millions	Hedging instrument	Hedged risk	Notional amounts				Carrying value	
			Within 1 year	Over 1 year to 5 years	Over 5 years	Total	Assets	Liabilities
One-to-one hedge relationships								
Fair value hedges	Interest rate swap	Interest rate risk	478	5,260	225	5,963	169	(75)
	Cross currency swap	Interest rate risk	785	10,985	2,628	14,398	75	(245)
Cash flow hedges	Cross currency swap	FX risk	785	10,985	2,628	14,398	66	(18)
Total one-to-one hedge relationships			2,048	27,230	5,481	34,759	310	(338)
Macro hedge relationships								
Portfolio fair value hedges	Interest rate swap	Interest rate risk	N/A	N/A	N/A	21,200	1	(312)
Macro cash flow hedges	Interest rate swap	Interest rate risk	N/A	N/A	N/A	19,240	281	(169)
Total macro hedge relationships			N/A	N/A	N/A	40,440	282	(481)
Total of gross hedging derivatives			N/A	N/A	N/A	75,199	592	(819)
Impact of netting arrangements			N/A	N/A	N/A	N/A	-	-
Total of net hedging derivatives			N/A	N/A	N/A	N/A	592	(819)

THE BANKING GROUP

2023								
\$ millions	Hedging instrument	Hedged risk	Notional amounts				Carrying value	
			Within 1 year	Over 1 year to 5 years	Over 5 years	Total	Assets	Liabilities
One-to-one hedge relationships								
Fair value hedges	Interest rate swap	Interest rate risk	583	977	1,753	3,313	149	(14)
	Cross currency swap	Interest rate risk	3,867	10,202	459	14,528	(260)	(752)
Cash flow hedges	Cross currency swap	FX risk	3,934	10,202	459	14,595	619	281
Total one-to-one hedge relationships			8,384	21,381	2,671	32,436	508	(485)
Macro hedge relationships								
Portfolio fair value hedges	Interest rate swap	Interest rate risk	N/A	N/A	N/A	24,600	129	(57)
Macro cash flow hedges	Interest rate swap	Interest rate risk	N/A	N/A	N/A	22,604	837	(281)
Total macro hedge relationships			N/A	N/A	N/A	47,204	966	(338)
Total of gross hedging derivatives			N/A	N/A	N/A	79,640	1,474	(823)
Impact of netting arrangements			N/A	N/A	N/A	N/A	-	-
Total of net hedging derivatives			N/A	N/A	N/A	N/A	1,474	(823)

Notes to the financial statements

Note 24 Derivative financial instruments (continued)

The following table shows the weighted average exchange rate related to significant hedging instruments in one-to-one hedge relationships:

THE BANKING GROUP					
				Weighted average hedged rate	
	Hedging instrument	Hedged risk	Currency pair	2024	2023
Cash flow hedges	Cross currency swap	FX risk	CHF:NZD	N/A	0.6613
			EUR:NZD	0.5963	0.5943
			HKD:NZD	5.1114	5.1114
			USD:NZD	0.6252	0.6721

Impact of hedge accounting on the balance sheet and reserves

The following tables show the carrying amount of hedged items in a fair value hedge relationship and the component of the carrying amount related to accumulated fair value hedge accounting ('**FVHA**') adjustments.

THE BANKING GROUP				
2024			2023	
\$ millions	Carrying amount of hedged item	Accumulated FVHA adjustment included in carrying amount	Carrying amount of hedged item	Accumulated FVHA adjustment included in carrying amount
Interest rate risk				
Investment securities	4,146	140	2,585	(93)
Loans	21,324	124	24,417	(182)
Debt issues and loan capital	(15,820)	238	(14,664)	1,006

There were no accumulated FVHA adjustments (30 September 2023: nil) included in the above carrying amounts relating to hedged items that have ceased to be adjusted for hedging gains and losses.

The pre-tax impact of cash flow hedges on reserves is detailed below:

THE BANKING GROUP						
2024				2023		
\$ millions	Interest rate risk	FX risk	Total	Interest rate risk	FX risk	Total
Cash flow hedge reserve						
Balance at beginning of the year	584	(60)	524	603	(16)	587
Net gains/(losses) from changes in fair value	(163)	(213)	(376)	212	(307)	(95)
Transferred to net interest income	(277)	202	(75)	(231)	263	32
Balance at end of year	144	(71)	73	584	(60)	524

There were no balances remaining in the cash flow hedge reserve (30 September 2023: nil) relating to hedge relationships for which hedge accounting is no longer applied.

Notes to the financial statements

Note 24 Derivative financial instruments (continued)

Hedge effectiveness

Hedge effectiveness is tested prospectively at inception and during the lifetime of hedge relationships. For one-to-one hedge relationships this testing uses a qualitative assessment of matched terms where the critical terms of the derivatives used as the hedging instrument match the terms of the hedged item. In addition, a quantitative effectiveness test is performed for all hedges which could include regression analysis, dollar offset and/or sensitivity analysis.

Retrospective testing is also performed to determine whether the hedge relationship remains highly effective so that hedge accounting can continue to be applied and also to determine any ineffectiveness. These tests are performed using regression analysis and the dollar offset method.

The following tables provide information regarding the determination of hedge effectiveness:

THE BANKING GROUP

2024

\$ millions	Hedging instrument	Hedged risk	Change in fair value of hedging instrument used for calculating ineffectiveness	Change in value of the hedged item used for calculating ineffectiveness	Hedge ineffectiveness recognised in non-interest income
Fair value hedges	Interest rate swap	Interest rate risk	(491)	501	10
	Cross currency swap	Interest rate risk	724	(729)	(5)
Cash flow hedges	Interest rate swap	Interest rate risk	(451)	440	(11)
	Cross currency swap	FX risk	(11)	11	-
Total			(229)	223	(6)

THE BANKING GROUP

2023

\$ millions	Hedging instrument	Hedged risk	Change in fair value of hedging instrument used for calculating ineffectiveness	Change in value of the hedged item used for calculating ineffectiveness	Hedge ineffectiveness recognised in non-interest income
Fair value hedges	Interest rate swap	Interest rate risk	(130)	138	8
	Cross currency swap	Interest rate risk	62	(59)	3
Cash flow hedges	Interest rate swap	Interest rate risk	(28)	17	(11)
	Cross currency swap	FX risk	(45)	45	-
Total			(141)	141	-

Notes to the financial statements

Note 25 Fair values of financial assets and financial liabilities

Accounting policy

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, the transaction price generally represents the fair value of the financial instrument unless there is observable information from an active market to the contrary. Where significant unobservable information is used, the difference between the transaction price and the fair value (day one profit or loss) is recognised in the income statement over the life of the instrument or when the inputs become observable.

Critical accounting assumptions and estimates

The majority of valuation models used by the Banking Group employ only observable market data as inputs. However, for certain financial instruments, data may be employed which is not readily observable in current markets.

The availability of observable inputs is influenced by factors such as:

- product type;
- depth of market activity;
- maturity of market models; and
- complexity of the transaction.

Where unobservable market data is used, more judgement is required to determine fair value. The significance of these judgements depends on the significance of the unobservable input to the overall valuation. Unobservable inputs are generally derived from other relevant market data and adjusted against:

- standard industry practice;
- economic models; and
- observed transaction prices.

In order to determine a reliable fair value for a financial instrument, management may apply adjustments to the techniques previously described.

These adjustments reflect the Banking Group's assessment of factors that market participants would consider in setting the fair value.

These adjustments incorporate bid/offer spreads, credit valuation adjustments and funding valuation adjustments.

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:

Notes to the financial statements

Note 25 Fair values of financial assets and financial liabilities (continued)

Financial instruments measured at fair value

Level 1 instruments

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

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

Instrument	Balance sheet category	Includes	Valuation
Debt instruments	Trading securities and financial assets measured at FVIS	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.
	Investment securities		

Level 2 instruments

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

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

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

Notes to the financial statements

Note 25 Fair values of financial assets and financial liabilities (continued)

Level 3 instruments

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

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

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

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

THE BANKING GROUP								
\$ millions	2024				2023			
	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	469	1,903	-	2,372	79	2,582	-	2,661
Derivative financial instruments	-	225	-	225	-	312	-	312
Investment securities	3,211	4,324	-	7,535	2,287	4,364	-	6,651
Due from related entities	-	374	-	374	-	2,017	-	2,017
Total financial assets measured at fair value	3,680	6,826	-	10,506	2,366	9,275	-	11,641
Financial liabilities measured at fair value on a recurring basis								
Deposits and other borrowings at fair value ¹	-	1,863	-	1,863	-	2,413	-	2,413
Other financial liabilities ¹	-	-	-	-	-	44	-	44
Derivative financial instruments	-	199	-	199	-	71	-	71
Due to related entities	-	1,059	-	1,059	-	1,180	-	1,180
Debt issues at fair value ¹	-	3,726	-	3,726	-	1,471	-	1,471
Total financial liabilities measured at fair value	-	6,847	-	6,847	-	5,179	-	5,179

¹ There are no differences between the fair values disclosed and the contractual outstanding amount payable at maturity for these financial liabilities measured at fair value on a recurring basis.

Analysis of movements between fair value hierarchy levels

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

Financial instruments not measured at fair value

For financial instruments not measured at fair value on a recurring basis, fair value has been derived as follows:

Instrument	Valuation
Loans	Where available, the fair value of loans is based on observable market transactions; otherwise fair value is estimated using discounted cash flow models. For variable rate loans, the discount rate used is the current effective interest rate. The discount rate applied for fixed rate loans reflects the market rate for the maturity of the loan and the creditworthiness of the borrower.
Deposits and other borrowings	Fair values of deposit liabilities payable on demand (interest free, interest bearing and savings deposits) approximate their carrying value. Fair values for term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.
Due to related entities	The carrying value of due to related entities approximates the fair value. These items are either short-term in nature or re-price frequently, and are of a high credit rating.
Debt issues and loan capital	The fair values of these instruments are calculated based on quoted market prices, where available. Where quoted market prices are not available, fair values are calculated using a discounted cashflow model. The discount rates applied reflect the terms of the instruments and the timing of the estimated cash flows and are adjusted for any changes in the Banking Group's credit spreads.
All other financial assets and financial liabilities	For all other financial assets and financial liabilities, the carrying value approximates the fair value. These items are either short-term in nature or re-price frequently, and are of a high credit rating.

Notes to the financial statements

Note 25 Fair values of financial assets and financial liabilities (continued)

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

THE BANKING GROUP					
2024					
\$ millions	Carrying Amount	Level 1	Fair Value		Total
			Level 2	Level 3	
Financial assets not measured at fair value					
Cash and balances with central banks	7,456	7,456	-	-	7,456
Collateral paid	76	76	-	-	76
Loans	102,150	-	-	102,158	102,158
Other financial assets	461	-	-	461	461
Due from related entities	815	-	805	10	815
Total financial assets not measured at fair value	110,958	7,532	805	102,629	110,966
Financial liabilities not measured at fair value					
Collateral received	156	156	-	-	156
Deposits and other borrowings	79,676	-	78,291	1,488	79,779
Other financial liabilities	4,257	-	4,257	-	4,257
Due to related entities	1,011	-	1,011	-	1,011
Debt issues ¹	17,893	-	17,988	-	17,988
Loan capital ¹	1,710	-	1,252	506	1,758
Total financial liabilities not measured at fair value	104,703	156	102,799	1,994	104,949

THE BANKING GROUP					
2023					
\$ millions	Carrying Amount	Level 1	Fair Value		Total
			Level 2	Level 3	
Financial assets not measured at fair value					
Cash and balances with central banks	9,233	9,233	-	-	9,233
Collateral paid	33	33	-	-	33
Loans	99,328	-	-	98,254	98,254
Other financial assets	314	-	-	314	314
Due from related entities	561	-	554	7	561
Total financial assets not measured at fair value	109,469	9,266	554	98,575	108,395
Financial liabilities not measured at fair value					
Collateral received	303	303	-	-	303
Deposits and other borrowings	79,783	-	78,057	1,741	79,798
Other financial liabilities	6,128	-	6,128	-	6,128
Due to related entities	1,553	-	1,553	-	1,553
Debt issues ¹	17,126	-	16,962	-	16,962
Loan capital ¹	2,666	-	1,162	1,625	2,787
Total financial liabilities not measured at fair value	107,559	303	103,862	3,366	107,531

¹ The estimated fair value of debt issues and level 3 loan capital includes the impact of changes in the Banking Group's credit spreads since origination.

Notes to the financial statements

Note 26 Offsetting financial assets and financial liabilities

Accounting policy

Financial assets and financial liabilities are presented net on the balance sheet when the Banking Group has a legally enforceable right to offset them in all circumstances and there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The gross assets and liabilities behind the net amounts reported on the balance sheet are disclosed in the following table.

Some of the Banking Group's offsetting arrangements are not enforceable in all circumstances. The amounts in the tables below may not tie back to the balance sheet if there are balances which are not subject to offsetting or enforceable netting arrangements. The amounts presented in this note do not represent the credit risk exposure of the Banking Group. Refer to Note 13 for information on credit risk management. The offsetting and collateral arrangements and other credit risk mitigation strategies used by the Banking Group are further explained in the 'Management of risk mitigation' section under Note 13.5.

THE BANKING GROUP							
2024							
Amounts Subject to Enforceable Netting Arrangements							
\$ millions	Amounts Offset on the Balance Sheet			Amounts Not Offset on the Balance Sheet			
	Gross Amounts	Amounts Offset	Net Amounts Reported on the Balance Sheet	Other Recognised Financial Instruments	Cash Collateral	Financial Instrument Collateral	Net Amount
Assets							
Derivative financial instruments	225	-	225	-	(84)	-	141
Due from related entities - derivative financial instruments ¹	374	-	374	(374)	-	-	-
Total assets	599	-	599	(374)	(84)	-	141
Liabilities							
Repurchase agreements ²	3,023	-	3,023	-	-	(3,023)	-
Derivative financial instruments	199	-	199	-	(64)	(135)	-
Due to related entities - repurchase agreements ³	273	-	273	-	-	(273)	-
Due to related entities - derivative financial instruments ³	786	-	786	(374)	-	-	412
Total liabilities	4,281	-	4,281	(374)	(64)	(3,431)	412

¹ Forms part of due from related entities on the balance sheet (refer to Note 23).

² Forms part of other financial liabilities on the balance sheet (refer to Note 18).

³ Forms part of due to related entities on the balance sheet (refer to Note 23).

Notes to the financial statements

Note 26 Offsetting financial assets and financial liabilities (continued)

THE BANKING GROUP							
2023							
Amounts Subject to Enforceable Netting Arrangements							
\$ millions	Amounts Offset on the Balance Sheet			Amounts Not Offset on the Balance Sheet			
	Gross Amounts	Amounts Offset	Net Amounts Reported on the Balance Sheet	Other Recognised Financial Instruments	Cash Collateral	Financial Instrument Collateral	Net Amount
Assets							
Reverse repurchase agreements ¹	44	-	44	-	-	(44)	-
Derivative financial instruments	312	-	312	-	(303)	-	9
Due from related entities - reverse repurchase agreements ²	742	-	742	-	-	(742)	-
Due from related entities - derivative financial instruments ²	1,275	-	1,275	(776)	-	-	499
Total assets	2,373	-	2,373	(776)	(303)	(786)	508
Liabilities							
Repurchase agreements ³	5,094	-	5,094	-	-	(5,094)	-
Derivative financial instruments	71	-	71	-	(33)	(38)	-
Due to related entities - repurchase agreements ⁴	404	-	404	-	-	(404)	-
Due to related entities - derivative financial instruments ⁴	776	-	776	(776)	-	-	-
Total liabilities	6,345	-	6,345	(776)	(33)	(5,536)	-

¹ Forms part of trading securities and financial assets measured at FVIS (refer to Note 9).

² Forms part of due from related entities on the balance sheet (refer to Note 23).

³ Forms part of other financial liabilities on the balance sheet (refer to Note 18).

⁴ Forms part of due to related entities on the balance sheet (refer to Note 23).

Other recognised financial instruments

These financial assets and financial liabilities are subject to master netting agreements which are not enforceable in all circumstances, so they are recognised gross on the balance sheet. The offsetting rights of the master netting arrangements can only be enforced if a predetermined event occurs in the future, such as a counterparty defaulting.

Cash collateral and financial instrument collateral

These amounts are received or pledged under master netting arrangements against the gross amounts of assets and liabilities. Financial instrument collateral typically comprises securities which can be readily liquidated in the event of counterparty default. The offsetting rights of the master netting arrangement can only be enforced if a predetermined event occurs in the future, such as a counterparty defaulting.

Notes to the financial statements

Note 27 Credit related commitments, contingent assets and contingent liabilities

Accounting policy

Undrawn credit commitments

The Banking Group enters into various arrangements with customers which are only recognised on the balance sheet when called upon.

These arrangements include commitments to extend credit, bill endorsements, financial guarantees, standby letters of credit and underwriting facilities.

Contingent assets

Contingent assets are possible assets whose existence will be confirmed only by uncertain future events. Contingent assets are not recognised on the balance sheet but are disclosed if an inflow of economic benefits is probable.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

Undrawn credit commitments

Undrawn credit commitments expose the Banking Group to liquidity risk when called upon and also to credit risk if the customer fails to repay the amounts owed at the due date. The maximum exposure to credit loss is the contractual or notional amount of the instruments disclosed below. Some of the arrangements can be cancelled by the Banking Group at any time. The actual liquidity and credit risk exposure varies in line with drawings and may be less than the amounts disclosed. The Banking Group uses the same credit policies when entering into these arrangements as it does for on-balance sheet instruments. Refer to Note 13 and Note 32 for further details on credit risk management and liquidity risk.

\$ millions	THE BANKING GROUP	
	2024	2023
Letters of credit and guarantees ^{1,2}	1,631	1,614
Commitments to extend credit ³	26,901	27,588
Total undrawn credit commitments	28,532	29,202

¹ Standby letters of credit and guarantees are undertakings to pay, against presentation documents, an obligation in the event of a default by a customer. Guarantees are unconditional undertakings given to support the obligations of a customer to third parties. The Banking Group may hold cash as collateral for certain guarantees issued.

² Letters of credit and guarantees includes the value of exposures guaranteed by the Bank to NZ Branch, as disclosed in Note 23 Related entities.

³ Commitments to extend credit include all obligations on the part of the Banking Group to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

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

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

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

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

Guarantees

As disclosed in Note 23, the Bank has an agreement with the NZ Branch whereby the Bank will reimburse the NZ Branch for any credit losses incurred by it due to certain customers of the Bank defaulting on certain financial market and international products.

Notes to the financial statements

Note 28 Segment reporting

Accounting policy

Operating segments are presented on a basis that is consistent with information provided internally to the Banking Group's chief operating decision-maker and reflect the management of the business, rather than the legal structure of the Banking Group. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Banking Group has determined that the Bank's executive team is its chief operating decision-maker.

Inter-segment revenue and costs are eliminated at head office. Income and expenses directly associated with each segment are included in determining business segment performance.

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

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

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

Segment comparative information for the year ended 30 September 2023 has been revised to align to the current year's basis for reporting, provided internally to the Banking Group's chief operating decision-maker.

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

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

Reconciling items primarily represent:

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

Notes to the financial statements

Note 28 Segment reporting (continued)

\$ millions	THE BANKING GROUP			Total
	Consumer Banking and Wealth	Institutional and Business Banking	Reconciling Items	
Year ended 30 September 2024				
Net interest income	1,219	1,294	326	2,839
Net fees and commissions				
Facility fees	25	26	-	51
Transaction fees and commissions	172	78	1	251
Other non-risk fee income	5	13	3	21
Fees and commissions income	202	117	4	323
Fees and commissions expenses	(76)	-	-	(76)
Net fees and commissions	126	117	4	247
Other non-interest income	-	-	9	9
Total non-interest income	126	117	13	256
Net operating income	1,345	1,411	339	3,095
Operating expenses	(793)	(514)	(58)	(1,365)
Impairment (charges)/benefits	(19)	(8)	-	(27)
Profit before income tax expense	533	889	281	1,703
As at 30 September 2024				
Total gross loans	62,190	40,217	241	102,648
Total deposits and other borrowings	46,616	33,060	1,863	81,539
Year ended 30 September 2023 (revised)				
Net interest income	1,200	1,216	237	2,653
Net fees and commissions				
Facility fees	27	18	(1)	44
Transaction fees and commissions	165	83	1	249
Other non-risk fee income	5	12	(2)	15
Fees and commissions income	197	113	(2)	308
Fees and commissions expenses	(75)	-	1	(74)
Net fees and commissions	122	113	(1)	234
Other non-interest income	-	-	14	14
Total non-interest income	122	113	13	248
Net operating income	1,322	1,329	250	2,901
Operating expenses	(734)	(508)	(49)	(1,291)
Impairment (charges)/benefits	(77)	(58)	-	(135)
Profit before income tax expense	511	763	201	1,475
As at 30 September 2023				
Total gross loans	60,004	39,911	(85)	99,830
Total deposits and other borrowings	44,980	34,804	2,412	82,196

Notes to the financial statements

Note 29 Securitisation, covered bonds and other transferred assets

The Banking Group enters into transactions in the normal course of business by which financial assets, or an interest in such assets or cashflows arising from such assets, are transferred to counterparties or structured entities. Depending on the circumstances, these transfers may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the asset. For the Banking Group's accounting policy on derecognition of financial assets, refer to Note 1.

Securitisation

Securitisation is the process of selling a group of assets (or an interest in the assets or the cashflow arising from the assets) to a special purpose entity which then issues interest bearing debt securities for funding and liquidity purposes.

Securitisation of its own assets is used by the Banking Group as a funding and liquidity tool.

In October 2008, the Banking Group set up WNZSL as a structured entity for the purpose of structuring assets that are eligible for repurchase agreements with the Reserve Bank as part of the Bank's internal residential mortgage-backed securitisation programme.

Under the internal residential mortgage-backed securitisation programme, the Bank periodically sells the rights (but not the obligations) under eligible housing loans to WNZSL. The purchase by WNZSL of the housing loans is funded by the proceeds of the issuance of RMBS.

The Bank is obliged to repurchase any housing loan sold to and held by WNZSL where the housing loan does not meet the eligibility criteria of the programme. It is not envisaged that any liability resulting in material loss to the Banking Group will arise from these obligations.

Covered bonds

The Banking Group has a covered bond programme under which it may issue bonds (Covered Bonds). From time to time, the Banking Group transfers, via assignment, housing loans originated by the Bank to a bankruptcy remote structured entity, WNZCBL. WNZCBL is a special purpose entity which holds the rights to, but not the obligations under, the pool of housing loans held by it (the Portfolio). The payments of all amounts due in respect of the Covered Bonds have been unconditionally guaranteed by the Bank. In addition, WNZCBL (the CB Guarantor) has guaranteed payments of interest and principal under the Covered Bonds pursuant to a financial guarantee which is secured by WNZCBL granting security over the Portfolio and its other assets. Recourse against the CB Guarantor under its guarantee is limited to the Portfolio and such assets.

The intercompany loan made by the Bank to WNZCBL to fund the initial and all subsequent purchases of eligible housing loans and the liability representing the intercompany loan from WNZCBL to the Bank are fully eliminated in the Banking Group's financial statements.

The Banking Group is obliged to repurchase any housing loans sold to and held by WNZCBL (pursuant to the Bank's Global Covered Bond Programme) in certain circumstances including (but not limited to) where:

- it is discovered that there has been a material breach of a sale warranty (or any such sale warranty is materially untrue);
- the loan becomes materially impaired or is enforced prior to the second monthly covered bond payment date falling after the assignment of the loan; or
- at the cut-off date relating to the loan, there were arrears of interest and that loan subsequently becomes a delinquent loan prior to the second monthly covered bond payment date falling after the assignment of the loan.

It is not envisaged that any liability resulting in material loss to the Banking Group will arise from these obligations.

Repurchase agreements

Where securities are sold subject to an agreement to repurchase at a predetermined price, they remain recognised on the balance sheet in their original category (i.e. trading securities and financial assets measured at FVIS or investment securities). Repurchase agreements are designated at fair value when they are managed as part of a trading portfolio, otherwise they are measured on an amortised cost basis.

The cash consideration received is recognised as a liability (repurchase agreements). Refer to Note 18 for further details.

Notes to the financial statements

Note 29 Securitisation, covered bonds and other transferred assets (continued)

The following table presents the Banking Group's assets transferred and their associated liabilities:

THE BANKING GROUP					
For those liabilities that only have recourse to the transferred assets:					
\$ millions	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net fair value position
2024					
Securitisation - own assets ¹	15,122	15,090	15,102	15,090	12
Covered bonds ²	7,545	4,353	n/a	n/a	n/a
Repurchase agreements	4,312	3,296	n/a	n/a	n/a
Total	26,979	22,739	15,102	15,090	12
2023					
Securitisation - own assets ¹	15,096	15,098	15,105	15,098	7
Covered bonds ²	7,540	5,045	n/a	n/a	n/a
Repurchase agreements	6,993	5,498	n/a	n/a	n/a
Total	29,629	25,641	15,105	15,098	7

¹ The most senior rated securities at 30 September 2024 of \$13,800 million (30 September 2023: \$13,800 million) qualify as eligible collateral for repurchase agreements with the Reserve Bank. The Bank complies with the Reserve Bank's guidelines for its overnight reverse repurchase agreement facility and open market operations, which allows banks in New Zealand to offer RMBS as collateral for the Reserve Bank's repurchase agreements.

² The difference between the carrying values of the covered bonds and the assets pledged allows for the immediate issuance of additional covered bonds if required. These additional assets can be repurchased by the Bank at its discretion, subject to the conditions set out in the transaction documents. The Portfolio is comprised of housing loans up to a value of \$7,500 million as at 30 September 2024 (30 September 2023: \$7,500 million). Over time, the composition of the Portfolio will include, in addition to housing loans, accrued interest (representing accrued and unpaid interest on the outstanding housing loans) and cash (representing collections of principal and interest from the underlying housing loans).

Note 30 Structured entities

Accounting policy

Structured entities are generally created to achieve a specific, defined objective and their operations are restricted such as to only purchasing specific assets. Structured entities are commonly financed by debt or equity securities that are collateralised by and/or indexed to their underlying assets. The debt and equity securities issued by structured entities may include tranches with varying levels of subordination.

Structured entities are classified as subsidiaries and consolidated if they meet the definition in Note 1. If the Banking Group does not control a structured entity then it will not be consolidated.

The Banking Group engages in various transactions with both consolidated and unconsolidated structured entities that are mainly involved in securitisations, asset backed structures and managed funds.

Consolidated structured entities

Securitisation and covered bonds

The Banking Group uses structured entities to securitise its financial assets through the Covered Bond Programme and the Bank's internal residential mortgage-backed securitisation programme. Refer to Note 29 for further details.

Funds managed by a member of the Ultimate Parent Bank Group

As disclosed in Note 23, the PIE Funds are consolidated within the financial statements of the Banking Group.

Non-contractual financial support

The Banking Group does not provide non-contractual financial support to these consolidated structured entities.

Notes to the financial statements

Note 30 Structured entities (continued)

Unconsolidated structured entities

The Banking Group has interests in various unconsolidated structured entities including debt instruments, liquidity arrangements, lending, loan commitments and certain derivatives.

Interests exclude non-complex derivatives (e.g. interest rate swap agreements) and lending to a structured entity with recourse to a wider operating entity, not just the structured entity.

The Banking Group's main interests in unconsolidated structured entities, which arise in the normal course of business, are loans and other credit commitments. The Banking Group lends to unconsolidated structured entities, subject to the Banking Group's collateral and credit approval processes, in order to earn interest and fees and commissions income. The structured entities are mainly securitisation entities.

The following table shows the Banking Group's interests in unconsolidated structured entities and its maximum exposure to loss in relation to those interests. The maximum exposure does not take into account any collateral or hedges that will reduce the risk of loss.

- For on-balance sheet instruments, including debt instruments in and loans to unconsolidated structured entities, the maximum exposure to loss is the carrying value; and
- For off-balance sheet instruments, including liquidity facilities and loan and other credit commitments, the maximum exposure to loss is the notional amounts.

THE BANKING GROUP		
	2024	2023
\$ millions	Financing to Securitisation Vehicles	Financing to Securitisation Vehicles
Assets		
Loans	4,662	4,368
Total on-balance sheet exposures	4,662	4,368
Total notional amounts of off-balance sheet exposures	1,267	1,777
Maximum exposure to loss	5,929	6,145
Size of structured entities¹	5,929	6,145

¹ Represented by the total assets or market capitalisation of the entity, or if not available, the Banking Group's total committed exposure (for lending arrangements and external debt holdings).

Non-contractual financial support

The Banking Group does not provide non-contractual financial support to these unconsolidated structured entities.

Note 31 Capital management

The primary objectives of the Banking Group's capital management activities are to ensure that the Banking Group complies with the regulatory capital requirements prescribed by the Reserve Bank, maintains strong credit ratings and a strong capital position to support its business objectives and maximises shareholder value.

The Banking Group manages and adjusts its capital structure in light of changing economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Banking Group may adjust the amount of dividend payments to its shareholders, reduce discretionary expenditure, return or issue capital to its shareholders or issue capital securities.

Three independent processes, undertaken by Directors and senior management of the Bank, are designed to manage the Banking Group's capital adequacy to support its current and future activities:

1. The Banking Group actively monitors its capital adequacy as part of the annual Banking Group ICAAP and reports this to senior management and the Bank's Board. This process supports the Board approved risk appetite statement which outlines the target capital ratios. The Bank sets its target capital ratios at a higher level than required by the regulator, which reduces the risk of breaching the conditions of registration.
2. The Banking Group calculates the capital required to be held for its current risk profile and forecasts the estimated capital position based on expected future activities. The forecast capital required is assessed against the target ranges that have been approved by the Board in regard to capital ratios. The Banking Group also reviews its capital positions in this process against other stakeholder requirements to ensure capital efficiency.
3. The Ultimate Parent Bank Group takes capital considerations into account during its Board Strategy Review, which is an annual process where the current strategic direction of the Ultimate Parent Bank Group is reviewed and refined.

Notes to the financial statements

Note 31 Capital management (continued)

The following tables show the Banking Group's capital summary and capital ratios.

\$ millions	Note	THE BANKING GROUP	
		2024 Unaudited	2023 Unaudited
Tier 1 capital			
Common Equity Tier 1 capital			
Paid-up ordinary shares issued by the Bank plus related share premium	22	7,300	7,300
Retained earnings (net of appropriations)		2,270	1,754
Accumulated other comprehensive income and other disclosed reserves		(62)	90
Less deductions from Common Equity Tier 1 capital		(1,248)	(1,422)
Total Common Equity Tier 1 capital		8,260	7,722
Additional Tier 1 loan capital ¹	21	500	1,125
Perpetual preference shares ¹	22	1,375	-
Total Tier 1 capital		10,135	8,847
Tier 2 loan capital ¹	21	1,200	1,204
Total Tier 2 capital		1,200	1,204
Total capital		11,335	10,051

¹ Excludes capitalised transaction costs.

%	Reserve Bank Minimum Ratios	THE BANKING GROUP	
		2024 Unaudited	2023 Unaudited
Capital ratios			
Common Equity Tier 1 capital ratio	4.5	11.8	11.1
Tier 1 capital ratio	7.0	14.4	12.7
Total capital ratio	9.0	16.2	14.4
Buffer Trigger Ratio			
Prudential capital buffer ratio	4.5	7.2	6.4

The above table shows the capital adequacy ratios for the Banking Group based on the BPRs. Refer to Note iv. Capital adequacy and regulatory liquidity ratios of the Registered bank disclosures for further details.

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) requiring:

- Progressively increasing the total capital requirements to 18% of RWA for domestic systemically important banks (including the Bank) and 16% for all other banks over a seven-year period ending 1 July 2028, including:
 - Increasing the Tier 1 capital requirement from 8.5% to 16% of RWA for domestic systemically important banks;
 - Increasing the AT1 limit from 1.5% to 2.5% of the Tier 1 capital requirement; and
 - Maintaining the existing Tier 2 capital limit of 2% of the total capital requirement.

These ratios include the minimum capital ratios that banks must maintain and the prudential capital buffer above the minimum capital ratios that banks must maintain to avoid restrictions on distributions (among other things).

- Eligible Tier 1 capital under the new framework comprises common equity and redeemable perpetual preference shares. Existing, non-qualifying AT1 instruments are being progressively phased out by 1 July 2028;

The increases in the required level of bank capital started to come into effect on 1 July 2022 and will be fully implemented on 1 July 2028. The minimum Tier 1 capital ratio and total capital ratio increased from 6.0% to 7.0% and from 8.0% to 9.0% respectively on 1 July 2024.

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk

Financial instruments are fundamental to the Banking Group's business of providing banking and financial services. The associated financial risks (including credit risk, funding and liquidity risk and market risk) are a significant proportion of the total risks faced by the Banking Group.

This note details the financial risk management policies, practices and quantitative information of the Banking Group's principal financial risk exposures.

Principal risks	Note name	Note number
Overview	Risk management frameworks	32.1
Credit risk	Refer to Note 13 Credit risk management	13
Funding and liquidity risk	Liquidity modelling	32.2.1
	Sources of funding	32.2.2
The risk that the Banking Group cannot meet its payment obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.	Assets pledged as collateral	32.2.3
	Contractual maturity of financial liabilities	32.2.4
	Expected maturity	32.2.5
Market risk	VaR	32.3.1
The risk of an adverse impact on the Banking Group's financial performance or financial position resulting from changes in market factors, such as FX rates, commodity prices and equity prices, credit spreads and interest rates. This includes interest rate risk in the banking book which is the risk of loss in earnings or economic value in the banking book as a consequence of movements in interest rates.	Non-traded market risk	32.3.2

32.1 Risk management frameworks

The Board is responsible for approving the Banking Group's Risk Appetite Statement and, through the BRCC, the Risk Management Framework and the Risk Management Strategy. The Board is also responsible for monitoring the effectiveness of risk management by the Banking Group. The Banking Group is wholly owned by the Ultimate Parent Bank and, therefore, a member of the group of companies comprising the Ultimate Parent Bank Group. Accordingly, the Banking Group's Risk Management Framework is closely aligned with the Ultimate Parent Bank's Risk Management Framework.

The Board has delegated authority to the BRCC to:

- review and recommend the Banking Group's Risk Appetite Statement to the Board for approval;
- approve the Banking Group's Risk Management Framework and Risk Management Strategy;
- review and monitor the risk profile and controls of the Banking Group consistent with the Banking Group's Risk Appetite Statement; and
- approve frameworks, policies and processes for managing risk (consistent with the Banking Group's Risk Management Framework, Risk Management Strategy and Risk Appetite Statement).

For each of its primary financial risks, the Banking Group maintains risk management frameworks and a number of supporting policies that define roles and responsibilities, acceptable practices, limits and key controls:

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk (continued)

Risk	Risk management framework and controls
Funding and liquidity risk	<ul style="list-style-type: none"> - Funding and liquidity risk is measured and managed in accordance with the policies and processes defined in the BRCC approved Liquidity Risk Management Framework which is part of the Banking Group's Board-approved Risk Management Framework. - Responsibility for managing the Banking Group's liquidity and funding positions in accordance with the Liquidity Risk Management Framework is delegated to Treasury, under the oversight of the Banking Group's ALCO and the Financial Markets and Treasury Risk unit. - The Banking Group's Liquidity Risk Management Framework sets out the Banking Group's funding and liquidity risk appetite, roles and responsibilities of key people managing funding and liquidity risk within the Banking Group, risk reporting and control processes and limits and targets used to manage the Banking Group's balance sheet. - Treasury undertakes an annual funding review that outlines the Banking Group's balance sheet funding strategy over a three year period. This review encompasses trends in global markets, peer analysis, wholesale funding capacity, expected funding requirements and a funding risk analysis. This strategy is continuously reviewed to take account of changing market conditions, investor sentiment and estimations of asset and liability growth rates. This review is subsequently submitted to the BRCC for approval. <ul style="list-style-type: none"> - The Banking Group monitors the composition and stability of its funding to allow it to remain within the Banking Group's funding risk appetite and comply with regulatory requirements. - The Banking Group holds a portfolio of liquid assets for several purposes, including as a buffer against unforeseen funding requirements. The level of liquid assets held takes into account the liquidity requirements of the Banking Group's balance sheet under normal and stress conditions. - Treasury also maintains a contingent funding plan that outlines the steps that should be taken by the Banking Group in the event of an emerging 'funding crisis'. The plan is aligned with the Banking Group's broader Liquidity Crisis Management Policy which is approved by the BRCC. - Daily liquidity risk reports are reviewed by Treasury and the Financial Markets and Treasury Risk unit. Liquidity reports are presented to ALCO monthly and to the RISKCO and BRCC quarterly.
Market risk	<ul style="list-style-type: none"> - Market risk is measured and managed in accordance with the policies and processes defined in the BRCC approved Market Risk Management Framework which is part of the Banking Group's Board-approved Risk Management Framework. - Responsibility for managing the Banking Group's non-traded market risk in accordance with the Market Risk Management Framework is delegated to Treasury, under the oversight of the Banking Group's ALCO and the Financial Markets and Treasury Risk unit. - The Banking Group's Market Risk Management Framework sets out the Banking Group's market risk appetite, roles and responsibilities of key people managing market risk within the Banking Group, risk reporting and control processes and limits and targets used to manage market risk. - The Banking Group's Market Risk Management Framework makes a distinction between traded and non-traded market risk for the purposes of risk management, measurement and reporting. <ul style="list-style-type: none"> - The Banking Group's Market Risk Management Framework does not allow for traded market risk, including equity and commodity price risks. Any traded market risk activities are conducted by the Ultimate Parent Bank's financial markets business through its NZ Branch and in accordance with the Ultimate Parent Bank's Market Risk Management Framework. - Non-traded market risk arises from banking book activities and is primarily comprised of IRRBB. The Banking Group does not carry material foreign exchange risks due to the risks being hedged. - Market risk is managed using VaR limit, NaR and structural risk limits (including credit spread and interest rate basis point value limits) as well as scenario analysis and stress testing. - Daily market risk reports are reviewed by Treasury, and the Financial Markets and Treasury Risk unit. Key market risk metrics are presented to ALCO monthly and to RISKCO and BRCC quarterly.

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk (continued)

Climate change risk

The Banking Group recognises climate change as a major threat to our collective wellbeing and is committed to transparency and action across its business to address climate change. While this is not a material financial risk as at 30 September 2024 (30 September 2023: not a material financial risk), climate change risk is evolving and is expected to have a more significant impact on the Banking Group's material financial risks in the future.

The two main sources of financial risks arising from climate change are physical risks and transition risks. Physical risks emanating from climate change can be event-driven (acute) such as increased severity and frequency of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns or other long-term changes such as sea level rise. Transition risks are risks associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.

The Banking Group seeks to understand the potential for climate-related transition and physical risks to impact its business, including their possible impact on credit risk, regulatory and reporting obligations, and our reputation.

In December 2022, the XRB published climate standards ('**XRB climate standards**') for mandatory climate-related disclosures, taking effect for accounting periods commencing from 1 January 2023. The XRB climate standards establish disclosure requirements for climate reporting entities, including large registered banks, and are aligned to the recommendations of the Task Force on Climate-related Financial Disclosures. The Bank is a climate reporting entity. Its first XRB climate standards-compliant report (which will be unaudited) for the year ended 30 September 2024 is scheduled to be published on or before 31 January 2025, and will be available on the Bank's website (www.westpac.co.nz/about-us/legal-information-privacy/disclosure-statements/).

The Banking Group has considered the impact of climate-related risks on its financial position and performance and while the effects of climate change represent a source of uncertainty, the Banking Group has concluded that climate-related risks do not have a material impact on the judgements, assumptions and estimates for the year ended 30 September 2024 (30 September 2023: no material impact). Refer to Note 13.1 for further information on how climate change risk is considered as part of credit risk.

32.2 Funding and liquidity risk

The Banking Group aims to maintain a mix of retail and wholesale funding, with emphasis on the value of core funding consistent with the principles inherent in BS13.

32.2.1 Liquidity modelling

The Banking Group is subject to the conditions of BS13. The following metrics are calculated and reported on a daily basis in accordance with BS13:

- the level of liquid assets held;
- the one-week mismatch ratio;
- the one-month mismatch ratio; and
- the one-year core funding ratio.

In addition, the Banking Group calculates the following liquidity ratios in accordance with the Ultimate Parent Bank's liquidity risk framework under APRA Prudential Standard APS 210 Liquidity:

- liquidity coverage ratio; and
- net stable funding ratio.

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk (continued)

32.2.2 Sources of funding

Sources of funding are regularly reviewed to maintain a wide diversification by currency, geography, product and term. Sources include, but are not limited to:

- deposits;
- debt issues;
- loan capital;
- proceeds from sale of marketable securities;
- repurchase agreements with central banks;
- related entities;
- principal repayments on loans;
- interest income; and
- fees and commissions income.

Term Lending Facility and Funding for Lending Programme

From 26 May 2020 until the extended date of 28 July 2021, the Reserve Bank made available a Term Lending Facility ('TLF'), to offer loans for a maximum term of five years at the rate of the Official Cash Rate, with access to the funds linked to banks' lending under the TLF Scheme. As at 30 September 2024, the Banking Group has a balance of \$42 million under the TLF (30 September 2023: \$69 million).

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 eligible loans (as defined by the Reserve Bank). 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 ran from 7 December 2020 to 6 June 2022 for the initial allocations and ended on 6 December 2022 for the additional allocations. The FLP term sheet is available on the Reserve Bank's website. As at 30 September 2024, the Banking Group has a balance of \$2,981 million under the FLP (30 September 2023: \$4,981 million).

Liquid assets

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

\$ millions	THE BANKING GROUP	
	2024	2023
Cash and balances with central banks	7,456	9,233
Receivables due from the NZ Branch	21	-
Supranational securities	2,242	2,335
NZ Government securities	3,469	2,490
NZ public securities	2,706	3,059
NZ corporate securities	1,237	1,738
Total on-balance sheet liquid assets	17,131	18,855

In addition, the Banking Group has \$8,203 million (30 September 2023: \$6,161 million) of own originated loans that are self-securitised via the Bank's internal residential mortgage-backed securitisation programme. The AAA rated internal RMBS held are eligible for repurchase agreements with the Reserve Bank under certain circumstances.

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk (continued)

Concentration of funding

\$ millions	THE BANKING GROUP	
	2024	2023
Funding consists of		
Collateral received	156	303
Deposits and other borrowings	81,539	82,196
Other financial liabilities ¹	3,023	5,098
Due to related entities ²	1,258	1,922
Debt issues ³	21,619	18,597
Loan capital	1,710	2,666
Total funding	109,305	110,782
Analysis of funding by geographical areas³		
New Zealand	87,289	91,749
Overseas	22,016	19,033
Total funding	109,305	110,782
Analysis of funding by industry sector⁵		
Accommodation, cafes and restaurants	325	319
Agriculture	1,183	1,383
Construction	1,909	2,160
Finance and insurance	38,659	40,027
Forestry and fishing	136	142
Government, administration and defence	3,468	3,537
Manufacturing	1,652	1,687
Mining	30	51
Property services and business services	6,707	6,759
Services	5,436	5,973
Trade	1,562	1,926
Transport and storage	972	909
Utilities	788	1,047
Households	41,093	39,282
Other ⁴	4,127	3,658
Subtotal	108,047	108,860
Due to related entities ²	1,258	1,922
Total funding	109,305	110,782

¹ Other financial liabilities, as presented above, are in respect of repurchase agreements and interbank placements.

² Amounts due to related entities, as presented above, are in respect of deposits and borrowings and exclude amounts which relate to derivative financial instruments and other liabilities.

³ The geographic region used for debt issues is based on the nature of the debt programmes. The nature of the debt programmes is used as a proxy for the location of the original purchaser.

⁴ Includes deposits from non-residents.

⁵ Comparatives have been revised to correctly reflect the split of funding by industry sector. The restatement of 2023 comparative results in a \$2,771 million increase in "Households" and a corresponding decrease in other industry sectors.

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

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk (continued)

32.2.3 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 Covered Bond Programme disclosed in Note 29, the carrying value of these financial assets pledged as collateral is:

\$ millions	THE BANKING GROUP	
	2024	2023
Cash	76	33
Securities pledged as collateral for derivative contracts:		
Investment securities	166	77
Securities pledged under repurchase agreements:		
Trading securities and financial assets measured at FVIS ¹	-	14
Investment securities ²	273	433
Residential mortgage-backed securities ³	4,039	6,469
Total amount pledged to secure liabilities (excluding Covered Bond Programme)	4,554	7,026

¹ As at 30 September 2024, no trading securities were pledged as collateral to the NZ Branch, with the repurchase amount recorded within due to related entities on the balance sheet (30 September 2023: \$14 million).

² As at 30 September 2024, \$273 million of investment securities were pledged as collateral to the NZ Branch, with the repurchase amount recorded within due to related entities on the balance sheet (30 September 2023: \$389 million) and no investment securities were pledged to third parties, with the repurchase amount recorded within other financial liabilities on the balance sheet (30 September 2023: \$44 million).

³ As at 30 September 2024, the Banking Group has undertaken repurchase agreements with the Reserve Bank, under the FLP and TLF, using RMBS. For the FLP, the repurchase cash amount as at 30 September 2024 is \$2,981 million (30 September 2023: \$4,981 million), which is recorded within other financial liabilities on the balance sheet, with underlying securities to the value of \$3,989 million provided under the arrangement (30 September 2023: \$6,387 million). For the TLF, the repurchase cash amount at 30 September 2024 is \$42 million (30 September 2023: \$69 million), which is recorded within other financial liabilities on the balance sheet, with underlying securities to the value of \$50 million provided under the arrangement (30 September 2023: \$82 million).

32.2.4 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 in hedge accounting relationships and used as economic hedges are expected to be held for their remaining contractual lives, and reflect gross cash flows over the remaining contractual term.

Derivatives held for trading (excluding economic hedges) 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 the up to 1 month column. Only the liabilities that the Banking Group manages based on their contractual maturity are presented on a contractual undiscounted basis in the following table.

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk (continued)

THE BANKING GROUP							
2024							
\$ 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	-	156	-	-	-	-	156
Deposits and other borrowings	40,682	6,687	10,847	22,399	2,378	-	82,993
Other financial liabilities	120	62	8	2,213	1,359	2	3,764
Derivative financial instruments:							
Held for hedging purposes (net settled)	-	(1)	7	(2)	72	7	83
Held for hedging purposes (gross settled):							
Cash outflow	-	11	158	248	6,026	362	6,805
Cash inflow	-	-	(73)	(293)	(5,884)	(367)	(6,617)
Due to related entities:							
Non-derivative balances	933	273	34	2	41	-	1,283
Derivative financial instruments:							
Held for hedging purposes (net settled)	-	34	128	158	188	-	508
Held for hedging purposes (gross settled):							
Cash outflow	-	895	959	3,219	4,355	-	9,428
Cash inflow	-	(863)	(882)	(2,981)	(4,243)	-	(8,969)
Debt issues	-	22	932	4,399	17,892	367	23,612
Loan capital	-	-	19	58	299	1,959	2,335
Total undiscounted financial liabilities	41,735	7,276	12,137	29,420	22,483	2,330	115,381
Total contingent liabilities and commitments							
Letters of credit and guarantees	1,631	-	-	-	-	-	1,631
Commitments to extend credit	26,901	-	-	-	-	-	26,901
Total undiscounted contingent liabilities and commitments	28,532	-	-	-	-	-	28,532

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk (continued)

THE BANKING GROUP							
2023							
\$ 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	-	303	-	-	-	-	303
Deposits and other borrowings	39,788	7,257	12,709	21,808	2,014	-	83,576
Other financial liabilities	4	265	-	2,273	3,440	-	5,982
Derivative financial instruments:							
Held for hedging purposes (net settled) ¹	-	-	6	7	(3)	1	11
Held for hedging purposes (gross settled):							
Cash outflow	-	-	21	908	82	389	1,400
Cash inflow	-	-	(6)	(885)	(22)	(375)	(1,288)
Due to related entities:							
Non-derivative balances	1,503	404	32	-	18	-	1,957
Derivative financial instruments:							
Held for hedging purposes (net settled) ¹	-	46	140	(4)	174	-	356
Held for hedging purposes (gross settled): ¹							
Cash outflow	-	1,185	67	272	6,044	101	7,669
Cash inflow	-	(1,159)	(6)	(19)	(5,531)	(109)	(6,824)
Debt issues	-	354	729	5,584	13,691	484	20,842
Loan capital	-	-	19	58	304	3,119	3,500
Total undiscounted financial liabilities	41,295	8,655	13,711	30,002	20,211	3,610	117,484
Total contingent liabilities and commitments							
Letters of credit and guarantees	1,614	-	-	-	-	-	1,614
Commitments to extend credit	27,588	-	-	-	-	-	27,588
Total undiscounted contingent liabilities and commitments	29,202	-	-	-	-	-	29,202

¹ In 2024, the methodology for the contractual maturity disclosure was revised so that held for hedging derivatives (net and gross settled) include both derivatives in hedge accounting relationships as well as derivatives which are considered economic hedges and used in our ALM activities but which are not designated into a hedge accounting relationship as this better reflects how these derivatives are managed. Previously, only hedge accounting derivatives were included in these lines. Comparatives have been revised to align to current year presentation.

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk (continued)

32.2.5 Expected maturity

The following table presents the balance sheet based on expected maturity dates. The liability balances in the following table will not agree to the contractual maturity tables due to the analysis below being based on expected rather than contractual maturities, the impact of discounting and the exclusion of interest accruals beyond the reporting period. Deposits are presented in the following table on a contractual basis, however as part of our normal banking operations, the Banking Group expects a large proportion of these balances to be retained.

	THE BANKING GROUP					
	2024			2023		
\$ millions	Due within 12 months	Greater than 12 months	Total	Due within 12 months	Greater than 12 months	Total
Assets						
Cash and balances with central banks	7,456	-	7,456	9,233	-	9,233
Collateral paid	76	-	76	33	-	33
Trading securities and financial assets measured at FVIS	1,439	933	2,372	1,675	986	2,661
Derivative financial instruments	3	222	225	127	185	312
Investment securities	922	6,613	7,535	1,475	5,176	6,651
Loans	12,336	89,814	102,150	15,509	83,819	99,328
Due from related entities	899	290	1,189	1,713	865	2,578
All other assets	802	1,391	2,193	497	1,347	1,844
Total assets	23,933	99,263	123,196	30,262	92,378	122,640
Liabilities						
Collateral received	156	-	156	303	-	303
Deposits and other borrowings	79,341	2,198	81,539	80,346	1,850	82,196
Derivative financial instruments	2	197	199	9	62	71
Due to related entities	1,641	429	2,070	2,033	700	2,733
Debt issues	4,774	16,845	21,619	6,166	12,431	18,597
Loan capital	-	1,710	1,710	-	2,666	2,666
All other liabilities	3,491	1,535	5,026	3,502	3,428	6,930
Total liabilities	89,405	22,914	112,319	92,359	21,137	113,496

Notes to the financial statements

Note 32 Risk management, funding and liquidity risk and market risk (continued)

32.3 Market risk

32.3.1 VaR

The Banking Group uses VaR as one of the mechanisms for controlling non-traded market risk.

VaR is a statistical estimate of the potential loss in earnings over a specified period of time and to a given level of confidence based on historical market movements. The confidence level indicates the probability that the loss will not exceed the VaR estimate on any given day.

VaR seeks to take account of all material market variables that may cause a change in the value of the portfolio, including interest rates, FX rates, price changes, volatility and the correlations between these variables. Daily monitoring of current exposures and VaR and structural limit utilisation is conducted independently by the Financial Markets and Treasury Risk unit.

Daily stress testing and backtesting of VaR results are performed to support model integrity and to analyse extreme or unexpected movements. A review of the potential profit and loss outcomes is also undertaken to monitor any skew created by the historical data.

The key parameters of VaR are:

Holding period	1 day
Confidence level	99%
Period of historical data used	1 year

32.3.2 Non-traded market risk

Non-traded market risk includes IRRBB – the risk to interest income from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities.

NII sensitivity is managed in terms of the NaR. A simulation model is used to calculate the Banking Group's potential NaR. This combines the underlying balance sheet data with assumptions about run off and new business, expected repricing behaviour and changes in wholesale market interest rates.

To provide a series of potential future NII outcomes, simulations use a range of interest rate scenarios over one to three year time horizons. This includes 100 and 200 basis point shifts up and down from the current market yield curves in Australia and New Zealand. Additional stressed interest rate scenarios are also considered and modelled.

A comparison between the NII outcomes from these modelled scenarios indicates the sensitivity to interest rate changes.

Net interest income-at-Risk

The following table depicts potential NII outcomes assuming a worst case 100 basis point rate shock (up and down) with a 12 month time horizon (expressed as a percentage of reported NII):

THE BANKING GROUP								
% (increase)/decrease in NII	2024				2023			
	As at	Maximum Exposure	Minimum Exposure	Average Exposure	As at	Maximum Exposure	Minimum Exposure	Average Exposure
NaR	3.10	3.23	2.35	2.83	2.52	2.52	0.84	1.69

VaR – IRRBB¹

The table below depicts VaR for IRRBB:

THE BANKING GROUP								
\$ millions	2024				2023			
	As at	Maximum Exposure	Minimum Exposure	Average Exposure	As at	Maximum Exposure	Minimum Exposure	Average Exposure
Interest rate risk	1.1	3.6	0.3	1.7	1.7	2.9	1.2	2.0

¹ IRRBB VaR includes interest rate risk and other basis risks used for internal management purposes.

Risk mitigation

IRRBB stems from the ordinary course of banking activities, including structural interest rate risk (the mismatch between the duration of assets and liabilities) and capital management.

The Banking Group hedges its exposure to such interest rate risk using derivatives. Further details on the Banking Group's use of hedge accounting are discussed in Note 24.

Notes to the financial statements

Note 33 Notes to the statement of cash flows

Accounting policy

Cash and cash equivalents include cash held at branches and in ATMs, balances with overseas banks in their local currency, balances with central banks and balances with other financial institutions.

Cash and cash equivalents

\$ millions	THE BANKING GROUP	
	2024	2023
Cash and cash equivalents comprise:		
Cash and balances with central banks:		
Cash on hand	180	202
Balances with central banks	7,276	9,031
Total cash and balances with central banks	7,456	9,233
Amounts due from related entities classified as cash and cash equivalents ¹	787	539
Cash and cash equivalents at end of the year	8,243	9,772

¹ Comparatives have been revised to align to the current year presentation of cash held with related entities as cash and cash equivalents, resulting in a \$539 million increase in total cash and cash equivalents at end of the year.

Reconciliation of net cash provided by/(used in) operating activities to Profit after income tax expense

\$ millions	THE BANKING GROUP	
	2024	2023
Profit after income tax expense	1,226	1,059
Adjustments:		
Impairment charges/(benefits)	27	135
Computer software amortisation costs	113	60
Depreciation	99	82
(Gain)/loss from hedging ineffectiveness	6	-
Movement in accrued interest receivable	(43)	(85)
Movement in accrued interest payable	121	611
Movement in current and deferred tax	(33)	126
Share-based payments	4	3
Other non-cash items	(187)	(60)
Cash flows from operating activities before changes in operating assets and liabilities	1,333	1,931
Movement in collateral paid	(43)	9
Movement in trading securities and financial assets measured at FVIF	314	(550)
Movement in loans	(2,582)	(2,327)
Movement in other financial assets	(123)	27
Movement in due from related entities ¹	736	(684)
Movement in other assets	(4)	(2)
Movement in collateral received	(147)	221
Movement in deposits and other borrowings	(649)	1,348
Movement in other financial liabilities	(1,961)	1,130
Movement in due to related entities	(634)	(167)
Movement in other liabilities	2	9
Net movement in external and related entity derivative financial instruments ¹	654	498
Net cash provided by/(used in) operating activities	(3,104)	1,443

¹ Comparatives have been revised to align to the current year presentation of cash held with related entities as cash and cash equivalents, resulting in a \$111 million decrease in movement in due from related entities. Comparatives have also been revised to present the impact of foreign exchange on cash and cash equivalents, resulting in a \$6 million increase in net movement in external and related entity derivative financial instruments.

Registered bank disclosures

This section contains the additional disclosures required by the Order.

i. General information (Unaudited)

Ultimate Parent Bank

The Ultimate Parent Bank is incorporated in Australia under the Australian Corporations Act 2001 and its address for service of process is Level 18, Westpac Place, 275 Kent Street, Sydney, New South Wales 2000, Australia.

Limits on material financial support by the Ultimate Parent Bank

The Ultimate Parent Bank is an ADI under the Banking Act 1959 (Commonwealth of Australia) ('**Australian Banking Act**') and, as such, is subject to prudential regulation and supervision by APRA. APRA has the power to prescribe prudential requirements which may affect the ability of the Ultimate Parent Bank to provide material financial support to the Bank. Pursuant to current APRA requirements, and unless APRA provides otherwise, the Ultimate Parent Bank must comply with, among other prudential requirements, APS 222.

APS 222 includes the following prudential requirements:

- the Ultimate Parent Bank's exposure to the Bank (being an overseas equivalent of an ADI as defined in APS 222) must not exceed 25% of the Ultimate Parent Bank's Level 1 capital base (as defined in APS 222);
- the Ultimate Parent Bank must not hold unlimited exposures to the Bank;
- the Ultimate Parent Bank must not enter into cross-default provisions whereby a default by the Bank on an obligation (whether financial or otherwise) triggers or is deemed to trigger a default of the Ultimate Parent Bank in its obligations; and
- when determining limits on acceptable levels of exposure to the Bank, the Ultimate Parent Bank must have regard to:
 - the level of exposures that would be approved for unrelated entities of broadly equivalent credit status; and
 - the impact on the Ultimate Parent Bank's stand-alone capital and liquidity positions in the event of a failure of the Bank or any other related entity to which it is exposed.

Under APS 222, APRA has the ability to set specific limits on the Ultimate Parent Bank's exposure to related entities, which include the Bank.

The Ultimate Parent Bank complies with the requirements set by APRA in respect of the extent of financial support that is provided to the Bank.

Section 13A(3) of the Australian Banking Act provides that, in the event that the Ultimate Parent Bank becomes unable to meet its obligations or suspends payment, the assets of the Ultimate Parent Bank in Australia are to be available to satisfy the liabilities of the Ultimate Parent Bank in the following order:

- first, certain obligations of the Ultimate Parent Bank to APRA (if any) arising under Division 2AA of Part II of the Australian Banking Act in respect of amounts payable by APRA to holders of 'protected accounts' (as defined in Australian Banking Act) as part of the Financial Claims Scheme for the Australian Government guarantee of 'protected accounts' (including most deposits) up to A\$250,000 per account holder in the winding-up of the Ultimate Parent Bank;
- second, APRA's costs (if any) in exercising its powers and performing its functions relating to the Ultimate Parent Bank in connection with the Financial Claims Scheme;
- third, the Ultimate Parent Bank's liabilities (if any) in Australia in relation to 'protected accounts' that account-holders keep with the Ultimate Parent Bank;
- fourth, the Ultimate Parent Bank's debts (if any) to the Reserve Bank of Australia;
- fifth, the Ultimate Parent Bank's liabilities (if any) under an emergency financial 'industry support contract' that is certified by APRA in accordance with the Australian Banking Act; and
- sixth, the Ultimate Parent Bank's other liabilities (if any) in the order of their priority apart from the above.

Under section 16 of the Australian Banking Act, on the winding-up of an ADI, APRA's cost of being in control of an ADI's business, or having an administrator in control of an ADI's business, is a debt due to APRA. Debts due to APRA shall have, subject to section 13A(3) of the Australian Banking Act, priority over all other unsecured debts of that ADI.

APRA requires that the ELE of the Ultimate Parent Bank limit its non-equity exposures to New Zealand banking subsidiaries to 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.

Registered bank disclosures

i. General information (Unaudited) (continued)

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 30 September 2024, 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.

Voting securities and power to appoint directors

The Bank is a subsidiary of Westpac New Zealand Group Limited, a New Zealand incorporated company, which is a wholly-owned subsidiary of Westpac Overseas Holdings No. 2 Pty Limited, an Australian incorporated company. Westpac Overseas Holdings No. 2 Pty Limited is, in turn, a wholly-owned subsidiary of the Ultimate Parent Bank.

At 30 September 2024, Westpac New Zealand Group Limited has a direct qualifying interest in 100% of the voting securities of the Bank. Westpac Overseas Holdings No. 2 Pty Limited and the Ultimate Parent Bank have an indirect qualifying interest in 100% of the voting securities of the Bank.

The Ultimate Parent Bank has the power under the Bank's constitution to directly appoint up to 100% of the Board from time to time by giving written notice to the Bank.

Priority of financial liabilities in the event of liquidation

In the unlikely event that the Bank was put into liquidation or ceased to trade, claims of secured creditors and those classes of creditors set out in Schedule 7 of the Companies Act 1993 would rank ahead of the claims of unsecured creditors in accordance with the priorities set out in that Schedule. Deposits from customers are unsecured and rank equally with other unsecured unsubordinated liabilities of the Bank, and such liabilities would rank ahead of any subordinated instruments issued by the Bank to the extent of any such subordination.

Guarantee arrangements

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

Neither Westpac New Zealand Group Limited nor the Ultimate Parent Bank guarantees any of the obligations of the Bank or any member of the Banking Group.

Directorate

The Directors of the Bank at the time this Disclosure Statement was signed were:

Name: Philippa Mary Greenwood, LLB	External Directorships: Director of Fisher & Paykel Healthcare Corporation Limited, The A2 Milk Company Limited and ALP Studios Limited.
Non-executive: Yes	
Country of Residence: New Zealand	
Primary Occupation: Director	
Secondary Occupations: None	
Board Audit Committee Member: No	
Independent Director: Yes	
Name: Catherine Anne McGrath, LLB, BCom	External Directorships: Director of BT Funds Management (NZ) Limited.
Non-executive: No	
Country of Residence: New Zealand	
Primary Occupation: Chief Executive, Westpac New Zealand Limited	
Secondary Occupations: Director	
Board Audit Committee Member: No	
Independent Director: No	
Name: Debra Birch CMIInstD, AIF®	External Directorships: Miraka Brands Limited, Miraka Limited, Miraka Holdings Limited, Tuaropaki Kaitiaki Limited, Port of Napier Limited, Napier Port Holdings Limited, Hawke's Bay Regional Investment Company Limited, Eastland Group Limited, Te Puia Tapapa GP Limited and Birch & Associates Limited
Non-executive: Yes	
Country of Residence: New Zealand	
Primary Occupation: Director	
Secondary Occupations: None	
Board Audit Committee Member: Yes	
Independent Director: Yes	

Registered bank disclosures

i. General information (Unaudited) (continued)

Name: David John Green, FCA Non-executive: Yes Country of Residence: New Zealand Primary Occupation: Director Secondary Occupations: None Board Audit Committee Member: Yes Independent Director: Yes	External Directorships: Director of Casa Verde Investments Limited, Abner & Hobson Limited, MyFarm UF1 GP Limited, BT Funds Management (NZ) Limited and EROAD Limited.
Name: Robert David Hamilton, BSc, BCom Non-executive: Yes Country of Residence: New Zealand Primary Occupation: Director Secondary Occupations: None Board Audit Committee Member: Yes Independent Director: Yes	External Directorships: Director of Tourism Holdings Limited, Oceania Healthcare Limited, Stelvio Consulting Limited and Kamari Consulting Limited
Name: David Thomas Havercroft, BA (Hons) Non-executive: Yes Country of Residence: New Zealand Primary Occupation: Director Secondary Occupations: None Board Audit Committee Member: No Independent Director: Yes	External Directorships: Director of DJH Corporate Trustees Limited, Reflect Limited, The Guitar Gallery Limited, W3 Capital Limited, Spark New Zealand Limited and Tait Systems NZ Limited.
Name: Ian Samuel Knowles, MSc, BSc, FlStD Non-executive: Yes Country of Residence: New Zealand Primary Occupation: Director Secondary Occupations: None Board Audit Committee Member: No Independent Director: Yes	External Directorships: Director of Adminis Limited, Adminis NZ Limited, Adminis Custodial Nominees Limited, Adminis Investors Nominees Limited, ACNL Nominees No. 1 Limited, Adminis Funds Limited, Leadly Limited, On-Brand Partners (NZ) Limited, Tohora Holding Limited, Rangatira Limited, Fire Security Services 2016 Limited, Montoux Limited, Software Innovation NZ Limited, Umajin Inc, Growthcom Limited, Com Investments Limited, Com Nominees Limited and TTSK Limited.
Name: Christine Joy Parker, BGDipBus (HRM) Non-executive: Yes Country of Residence: Australia Primary Occupation: Group Executive, Human Resources, Westpac Banking Corporation Secondary Occupations: Director Board Audit Committee Member: No Independent Director: No	External Directorships: Director of St. George Foundation Limited.
Name: Michael Campbell Rowland, B.Comm, FCA Non-executive: Yes Country of Residence: Australia Primary Occupation: Chief Financial Officer, Westpac Banking Corporation Secondary Occupations: Director Board Audit Committee Member: Yes Independent Director: No	External Directorships: Director of Rebalta Investments Pty Limited and Rebalta Pty Limited.

Changes to Directorate

There have been two changes to the Board of Directors of the Bank since 30 September 2023. Debra Birch was appointed as an independent Non-executive Director, effective 18 April 2024. Jonathan Mason, a Non-executive Director of the Bank, retired from the Board effective 17 June 2024.

Registered bank disclosures

i. General information (Unaudited) (continued)

Address for communications

All communications may be sent to the Directors at the head office of the Bank at Westpac on Takutai Square, 16 Takutai Square, Auckland 1010, New Zealand.

Board Audit Committee

There is a Board Audit Committee that covers audit matters, comprising four members, all of whom are non-executive directors and three of whom are independent directors.

Conflicts of Interest Policy

The Bank's Conflicts of Interest Policy establishes procedures to ensure that conflicts and potential conflicts of interest between the Directors' duty to the Bank and their personal, professional or business interests are managed appropriately.

Each Director must give notice to the Board of any direct or indirect interest in a matter relating to the affairs of the Bank as soon as practicable after the relevant facts have come to that Director's knowledge. Where a matter is to be considered at a Directors' meeting in which one or more Directors have an interest, the Board's practice is to manage any conflict of interest on a case-by-case basis, depending on the circumstances.

Transactions with directors

There is no transaction any Director, or any immediate relative or close business associate of any Director, has with any member of the Banking Group, that:

- Has been entered into on terms other than those which would, in the ordinary course of business of the Banking Group, be given to any other person of like circumstances or means; or
- Could otherwise be reasonably likely to influence materially the exercise of that Director's duties.

Information pertaining to loans to and other transactions with Directors is disclosed in Note 23 of this Disclosure Statement.

Auditor

PricewaterhouseCoopers

PwC Tower, Level 27
15 Customs Street West
Auckland, New Zealand

Pending proceedings or arbitration

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

Credit ratings

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

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

The Bank's ratings assigned by Fitch, Moody's and S&P have remained unchanged during the two years immediately preceding the signing date.

Registered bank disclosures

i. General information (Unaudited) (continued)

Descriptions of credit rating scales¹

	Fitch Ratings	Moody's	S&P Global Ratings
The following grades display investment grade characteristics:			
Capacity to meet financial commitments is extremely strong. This is the highest issuer credit rating	AAA	Aaa	AAA
Very strong capacity to meet financial commitments	AA	Aa	AA
Strong capacity to meet financial commitments although somewhat susceptible to adverse changes in economic, business or financial conditions	A	A	A
Adequate capacity to meet financial commitments, but adverse business or economic conditions are more likely to impair this capacity	BBB	Baa	BBB
The following grades have predominantly speculative characteristics:			
Significant ongoing uncertainties exist which could affect the capacity to meet financial commitments on a timely basis	BB	Ba	BB
Greater vulnerability and therefore greater likelihood of default	B	B	B
Likelihood of default now considered a real possibility. Capacity to meet financial commitments is dependent on favourable business, economic and financial conditions	CCC	Caa	CCC
Highest risk of default	CC to C	Ca	CC
Obligations currently in default	RD to D	C	SD to D

¹ This is a general description of the rating categories based on information published by Fitch, Moody's and S&P.

The rating scales for long-term ratings issued by S&P and Fitch range from AAA to D. S&P's and Fitch's credit ratings may be modified by the addition of a plus or minus sign to show the relative standing within the major rating categories. The rating scale for long-term ratings assigned by Moody's range from Aaa to C. Moody's applies numeric modifiers of 1, 2, and 3 to show the relative standing within the major rating categories with 1 indicating the higher end of the category and 3 indicating the lower end.

Historical summary of financial statements

	THE BANKING GROUP				
\$ millions	2024	2023	2022	2021	2020
Income statement					
Interest income	7,525	6,243	3,741	3,012	3,540
Interest expense	(4,686)	(3,590)	(1,450)	(946)	(1,665)
Net interest income	2,839	2,653	2,291	2,066	1,875
Non-interest income	256	248	268	240	243
Net operating income	3,095	2,901	2,559	2,306	2,118
Operating expenses	(1,365)	(1,291)	(1,131)	(1,099)	(1,030)
Impairment (charges)/benefits	(27)	(135)	27	84	(320)
Profit before income tax expense	1,703	1,475	1,455	1,291	768
Income tax expense	(477)	(416)	(408)	(360)	(218)
Profit after income tax expense	1,226	1,059	1,047	931	550
Dividends paid or provided					
Dividends paid on ordinary shares	(657)	(652)	(788)	(275)	(325)
Dividends paid on perpetual preference shares (including supplementary dividends)	(61)	-	-	-	-
Total dividends paid or provided	(718)	(652)	(788)	(275)	(325)
Balance sheet					
Total assets	123,196	122,640	119,818	112,380	103,192
Total individually impaired assets	190	62	60	109	129
Total liabilities	112,319	113,496	111,038	104,017	95,502
Total shareholders' equity	10,877	9,144	8,780	8,363	7,690

The amounts for the years ended 30 September have been extracted from the audited financial statements of the Banking Group.

Registered bank disclosures

i. General information (Unaudited) (continued)

Other material matters

Technology programme

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

Reserve Bank review of overseas bank branches

On 21 August 2024, the Reserve Bank released the proposed Branch Standard under the Deposit Takers Act 2023 which will implement decisions made as part of the review of its policy for branches of overseas banks. The proposed Branch Standard will require that overseas bank branches only conduct business with wholesale clients; the total size of an overseas bank's branch cannot exceed NZ\$15 billion in total assets; and dual-operating branches (such as the NZ Branch) only conduct business with "large" corporate and institutional clients.

It is proposed that "large" means those with consolidated annual turnover of over NZ\$50 million, total assets of over NZ\$75 million or total assets under management of over NZ\$1 billion (for funds management entities only). The implementation date is expected to be in July 2028.

The NZ Branch currently provides financial markets, trade finance and international payment products and services to customers referred by the Bank. We expect the Reserve Bank's Branch Standard will require changes to the activities the NZ Branch undertakes and as a result, the Bank may also make changes to the scope of activities it undertakes.

External auditor rotation

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

ii. Additional financial disclosures

Additional information on balance sheet

\$ millions	THE BANKING GROUP	
	2024	2023
Interest earning and discount bearing assets ¹	119,170	118,446
Interest and discount bearing liabilities ¹	98,358	99,421

¹ Comparative amounts have been revised to align to the current year presentation, resulting in a \$1,100 million decrease in Interest earning and discount bearing assets and a \$355 million decrease in Interest and discount bearing liabilities.

Additional information on concentrations of credit risk

Refer to Note 13.3 Credit concentrations and maximum exposure to credit risk for additional information on concentration of credit exposure, in terms of customer and industry sector and material credit risk exposure to the agricultural sector, using ANZSIC.

Registered bank disclosures

ii. Additional financial disclosures (continued)

Additional information on interest rate sensitivity

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of assets and the corresponding liability funding. One of the major causes of these mismatches is timing differences in the repricing of assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process, which is conducted in accordance with the Banking Group's policy guidelines.

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 30 September 2024. The Banking Group uses this contractual repricing information as a base, which is then altered to take account of customer behaviour, to manage its interest rate risk.

THE BANKING GROUP							
2024							
\$ millions	Up to 3 Months	Over 3 Months and Up to 6 Months	Over 6 Months and Up to 1 Year	Over 1 Year and Up to 2 Years	Over 2 Years	Non- interest Bearing	Total
Financial assets							
Cash and balances with central banks	7,276	-	-	-	-	180	7,456
Collateral paid	76	-	-	-	-	-	76
Trading securities and financial assets measured at FVIS	1,593	129	303	154	193	-	2,372
Derivative financial instruments	-	-	-	-	-	225	225
Investment securities	-	10	912	759	5,854	-	7,535
Loans	48,390	14,227	20,379	13,521	4,607	1,026	102,150
Other financial assets	-	-	-	-	-	461	461
Due from related entities	787	-	-	-	-	402	1,189
Total financial assets	58,122	14,366	21,594	14,434	10,654	2,294	121,464
Non-financial assets							1,732
Total assets							123,196
Financial liabilities							
Collateral received	156	-	-	-	-	-	156
Deposits and other borrowings	46,477	14,203	7,464	1,312	886	11,197	81,539
Other financial liabilities	2,981	-	42	-	-	1,234	4,257
Derivative financial instruments	-	-	-	-	-	199	199
Due to related entities	1,222	31	-	-	5	812	2,070
Debt issues	3,315	2,276	193	3,258	12,845	(268)	21,619
Loan capital	500	-	-	-	1,192	18	1,710
Total financial liabilities	54,651	16,510	7,699	4,570	14,928	13,192	111,550
Non-financial liabilities							769
Total liabilities							112,319
On-balance sheet interest rate repricing gap	3,471	(2,144)	13,895	9,864	(4,274)		
Net derivative notional principals							
Net interest rate contracts (notional):							
Receivable/(payable)	8,236	182	(12,239)	(4,357)	8,178		
Net interest rate repricing gap	11,707	(1,962)	1,656	5,507	3,904		

Additional information on liquidity risk

Refer to Note 32.2.4 Contractual maturity of financial liabilities which shows the maturity analyses of financial liabilities.

Registered bank disclosures

ii. Additional financial disclosures (continued)

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	30 Sep 24
Residential mortgages - total gross loans (as disclosed in Note 11, Note 13.4 and Note iii. Asset quality)	68,028
Reconciling items:	
Unamortised deferred fees and expenses	(435)
Fair value hedge adjustments	(124)
Exposure at default for undrawn commitments and other off-balance sheet exposures	9,517
Residential mortgages by LVR (as disclosed in Additional mortgage information in Note iv. Capital adequacy and regulatory liquidity ratios (Unaudited))	76,986
Accrued interest receivable	118
Partial write-offs	3
Residential mortgages - EAD (as disclosed in Credit risk exposures by asset class in Note iv. Capital adequacy and regulatory liquidity ratios (Unaudited))	77,107

iii. Asset quality

Past due assets

	THE BANKING GROUP			
	30 Sep 24			
\$ millions	Residential Mortgages	Other Retail	Corporate	Total
Past due but not individually impaired assets				
Less than 30 days past due	1,058	76	171	1,305
At least 30 days but less than 60 days past due	177	13	107	297
At least 60 days but less than 90 days past due	131	5	9	145
At least 90 days past due	283	20	63	366
Total past due but not individually impaired assets	1,649	114	350	2,113

	THE BANKING GROUP			
	30 Sep 23			
\$ millions	Residential Mortgages	Other Retail	Corporate	Total
Past due but not individually impaired assets				
Less than 30 days past due	1,006	81	273	1,360
At least 30 days but less than 60 days past due	152	12	80	244
At least 60 days but less than 90 days past due	95	6	8	109
At least 90 days past due	199	19	98	316
Total past due but not individually impaired assets	1,452	118	459	2,029

Movements in components of loss allowance

Refer to Note 12 Provision for expected credit losses for the movements in the Banking Group's loss allowance components, as required by NZ IFRS 9.

Registered bank disclosures

iii. Asset quality (continued)

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

The following table explains how changes in gross carrying amounts of loans during the year have contributed to changes in the provision for ECL on loans.

\$ millions	THE BANKING GROUP				Total
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
	CAP	CAP	CAP	IAP	
Total gross carrying amount as at 30 September 2023	76,135	22,924	709	62	99,830
Transfers:					
Transfers to Stage 1	11,492	(11,461)	(31)	-	-
Transfers to Stage 2	(14,167)	14,510	(341)	(2)	-
Transfers to Stage 3 CAP	(92)	(901)	1,012	(19)	-
Transfers to Stage 3 IAP	-	(84)	(111)	195	-
Net further lending/(repayment)	(2,280)	335	(117)	(8)	(2,070)
New financial assets originated	18,669	-	-	-	18,669
Financial assets derecognised during the year	(10,119)	(3,302)	(297)	(26)	(13,744)
Amounts written off	-	-	(25)	(12)	(37)
Total gross carrying amount as at 30 September 2024	79,638	22,021	799	190	102,648
Provision for ECL as at 30 September 2024	(64)	(291)	(82)	(61)	(498)
Total net carrying amount as at 30 September 2024	79,574	21,730	717	129	102,150

\$ millions	THE BANKING GROUP				Total
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
	CAP	CAP	CAP	IAP	
Total gross carrying amount as at 30 September 2022	85,362	11,374	482	60	97,278
Transfers:					
Transfers to Stage 1	9,936	(9,892)	(43)	(1)	-
Transfers to Stage 2	(22,855)	23,052	(195)	(2)	-
Transfers to Stage 3 CAP	(61)	(596)	671	(14)	-
Transfers to Stage 3 IAP	-	(6)	(32)	38	-
Net further lending/(repayment)	(2,930)	826	(17)	(3)	(2,124)
New financial assets originated	13,333	-	-	-	13,333
Financial assets derecognised during the year	(6,650)	(1,834)	(133)	(4)	(8,621)
Amounts written off	-	-	(24)	(12)	(36)
Total gross carrying amount as at 30 September 2023	76,135	22,924	709	62	99,830
Provision for ECL as at 30 September 2023	(76)	(296)	(107)	(23)	(502)
Total net carrying amount as at 30 September 2023	76,059	22,628	602	39	99,328

The attribution of amounts disclosed in the movement schedule has been revised to better reflect the nature of the changes in the provision for ECL. Comparatives have been revised for consistency.

Registered bank disclosures

iii. Asset quality (continued)

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

The impacts of changes in gross carrying amounts of loans on expected loss allowance can be further disaggregated into the following types of credit exposure:

\$ millions	THE BANKING GROUP				Total
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
	CAP	CAP	CAP	IAP	
Residential mortgages					
Total gross carrying amount as at 30 September 2023	50,499	14,758	477	32	65,766
Transfers:					
Transfers to Stage 1	7,727	(7,708)	(19)	-	-
Transfers to Stage 2	(9,388)	9,616	(227)	(1)	-
Transfers to Stage 3 CAP	(61)	(546)	619	(12)	-
Transfers to Stage 3 IAP	-	(12)	(78)	90	-
Net further lending/(repayment)	(2,587)	(509)	(16)	(16)	(3,128)
New financial assets originated	11,473	-	-	-	11,473
Financial assets derecognised during the year	(4,408)	(1,535)	(126)	(8)	(6,077)
Amounts written off	-	-	-	(6)	(6)
Total gross carrying amount as at 30 September 2024	53,255	14,064	630	79	68,028
Provision for ECL as at 30 September 2024	(29)	(148)	(49)	(21)	(247)
Total net carrying amount as at 30 September 2024	53,226	13,916	581	58	67,781
Other retail					
Total gross carrying amount as at 30 September 2023	1,864	725	58	1	2,648
Transfers:					
Transfers to Stage 1	967	(958)	(9)	-	-
Transfers to Stage 2	(980)	993	(13)	-	-
Transfers to Stage 3 CAP	(10)	(80)	91	(1)	-
Transfers to Stage 3 IAP	-	-	(5)	5	-
Net further lending/(repayment)	(217)	83	(28)	2	(160)
New financial assets originated	478	-	-	-	478
Financial assets derecognised during the year	(263)	(96)	(19)	-	(378)
Amounts written off	-	-	(23)	(2)	(25)
Total gross carrying amount as at 30 September 2024	1,839	667	52	5	2,563
Provision for ECL as at 30 September 2024	(9)	(31)	(11)	(4)	(55)
Total net carrying amount as at 30 September 2024	1,830	636	41	1	2,508
Corporate					
Total gross carrying amount as at 30 September 2023	23,578	7,441	174	29	31,222
Transfers:					
Transfers to Stage 1	2,798	(2,795)	(3)	-	-
Transfers to Stage 2	(3,799)	3,901	(101)	(1)	-
Transfers to Stage 3 CAP	(21)	(275)	302	(6)	-
Transfers to Stage 3 IAP	-	(72)	(28)	100	-
Net further lending/(repayment)	641	691	(73)	6	1,265
New financial assets originated	6,477	-	-	-	6,477
Financial assets derecognised during the year	(5,353)	(1,671)	(152)	(18)	(7,194)
Amounts written off	-	-	(2)	(4)	(6)
Total gross carrying amount as at 30 September 2024	24,321	7,220	117	106	31,764
Provision for ECL as at 30 September 2024	(26)	(112)	(22)	(36)	(196)
Total net carrying amount as at 30 September 2024	24,295	7,108	95	70	31,568

Registered bank disclosures

iii. Asset quality (continued)

The above gross carrying amount table does not include 'Other' credit exposures (refer to Note 11) on the basis that the provision for ECL is nil.

\$ millions	THE BANKING GROUP				Total
	Performing		Non-performing		
	Stage 1 CAP	Stage 2 CAP	Stage 3 CAP	Stage 3 IAP	
Residential mortgages					
Total gross carrying amount as at 30 September 2022	57,337	6,172	340	20	63,869
Transfers:					
Transfers to Stage 1	6,009	(5,980)	(29)	-	-
Transfers to Stage 2	(15,225)	15,373	(148)	-	-
Transfers to Stage 3 CAP	(45)	(373)	424	(6)	-
Transfers to Stage 3 IAP	-	(1)	(26)	27	-
Net further lending/(repayment)	(2,912)	343	(12)	(1)	(2,582)
New financial assets originated	9,366	-	-	-	9,366
Financial assets derecognised during the year	(4,031)	(776)	(72)	(3)	(4,882)
Amounts written off	-	-	-	(5)	(5)
Total gross carrying amount as at 30 September 2023	50,499	14,758	477	32	65,766
Provision for ECL as at 30 September 2023	(37)	(139)	(61)	(10)	(247)
Total net carrying amount as at 30 September 2023	50,462	14,619	416	22	65,519
Other retail					
Total gross carrying amount as at 30 September 2022	2,063	708	56	2	2,829
Transfers:					
Transfers to Stage 1	1,122	(1,112)	(9)	(1)	-
Transfers to Stage 2	(1,137)	1,153	(16)	-	-
Transfers to Stage 3 CAP	(7)	(62)	72	(3)	-
Transfers to Stage 3 IAP	-	-	(3)	3	-
Net further lending/(repayment)	(282)	133	(2)	1	(150)
New financial assets originated	382	-	-	-	382
Financial assets derecognised during the year	(277)	(95)	(17)	(1)	(390)
Amounts written off	-	-	(23)	-	(23)
Total gross carrying amount as at 30 September 2023	1,864	725	58	1	2,648
Provision for ECL as at 30 September 2023	(11)	(34)	(12)	(1)	(58)
Total net carrying amount as at 30 September 2023	1,853	691	46	-	2,590
Corporate					
Total gross carrying amount as at 30 September 2022	25,841	4,494	86	38	30,459
Transfers:					
Transfers to Stage 1	2,805	(2,800)	(5)	-	-
Transfers to Stage 2	(6,493)	6,526	(31)	(2)	-
Transfers to Stage 3 CAP	(9)	(161)	175	(5)	-
Transfers to Stage 3 IAP	-	(5)	(3)	8	-
Net further lending/(repayment)	207	350	(3)	(3)	551
New financial assets originated	3,513	-	-	-	3,513
Financial assets derecognised during the year	(2,286)	(963)	(44)	-	(3,293)
Amounts written off	-	-	(1)	(7)	(8)
Total gross carrying amount as at 30 September 2023	23,578	7,441	174	29	31,222
Provision for ECL as at 30 September 2023	(28)	(123)	(34)	(12)	(197)
Total net carrying amount as at 30 September 2023	23,550	7,318	140	17	31,025

The attribution of amounts disclosed in the movement schedule has been revised to better reflect the nature of the changes in the provision for ECL. Comparatives have been revised for consistency.

The above gross carrying amount table does not include 'Other' credit exposures (refer to Note 11) on the basis that the provision for ECL is nil.

Registered bank disclosures

iii. Asset quality (continued)

Other asset quality information

THE BANKING GROUP					
30 Sep 24					
\$ millions	Residential Mortgages	Other Retail	Corporate	Other	Total
Undrawn commitments with individually impaired counterparties	-	1	16	-	17
Other assets under administration	-	-	-	-	-

THE BANKING GROUP					
30 Sep 23					
\$ millions	Residential Mortgages	Other Retail	Corporate	Other	Total
Undrawn commitments with individually impaired counterparties	-	-	1	-	1
Other assets under administration	-	-	-	-	-

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)

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

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

The Banking Group's capital summary as at 30 September 2024

\$ millions	THE BANKING GROUP	
	Note	2024
Tier 1 capital		
Common Equity Tier 1 capital		
Paid-up ordinary shares issued by the Bank plus related share premium	22	7,300
Retained earnings (net of appropriations)		2,270
Accumulated other comprehensive income and other disclosed reserves ¹		(62)
Less deductions from Common Equity Tier 1 capital		
Goodwill		(477)
Other intangible assets ²		(484)
Cash flow hedge reserve		(53)
Deferred tax asset deduction		(187)
Expected loss excess over eligible allowance		(47)
Total Common Equity Tier 1 capital		8,260
Additional Tier 1 capital		
Additional Tier 1 loan capital ³	21	500
Perpetual preference shares ⁴	22	1,375
Total Additional Tier 1 capital		1,875
Total Tier 1 capital		10,135
Tier 2 capital		
Tier 2 capital instruments ³	21	1,200
Revaluation reserves		-
Eligible impairment allowance in excess of expected loss		-
Total Tier 2 capital		1,200
Total capital		11,335

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

² Includes capitalised transaction costs on PPS, loan capital and debt issues.

³ Classified as a liability under Generally Accepted Accounting Practice and excludes capitalised transaction costs. Additional Tier 1 loan capital and Tier 2 capital instruments are itemised in Note 21. Further details on convertibility for Additional Tier 1 loan capital are noted in the 'Conversion' section.

⁴ Classified as equity under Generally Accepted Accounting Practice and excludes transaction costs. AT1 PPS are itemised in Note 22.

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)(continued)

Capital Structure

Refer to Note 21 Loan capital and Note 22 Shareholders' equity for information on the Banking Group's capital structure.

Credit risk subject to the IRB approach

Credit risk exposures by asset class

The Banking Group's credit risk exposures by asset class as at 30 September 2024

Exposure-weighted PD Grade (%)	Weighted Average PD %	EAD \$ millions	Exposure- weighted LGD %	Exposure- weighted Risk Weight %	RWA ¹ \$ millions
Residential mortgages					
Up to and including 0.10	-	-	-	-	-
Over 0.10 up to and including 0.50	0.47	34,362	14	11	4,700
Over 0.50 up to and including 1.0	0.70	26,830	21	23	7,365
Over 1.0 up to and including 2.5	1.53	14,260	24	47	8,047
Over 2.5 up to and including 10.0	3.74	942	26	89	1,011
Over 10.0 up to and including 99.99	-	-	-	-	-
Default	100.00	713	22	160	1,369
Total	1.71	77,107	19	24	22,492
Other retail					
Up to and including 0.10	0.05	719	46	7	59
Over 0.10 up to and including 0.50	0.26	1,720	40	18	365
Over 0.50 up to and including 1.0	0.79	818	40	35	344
Over 1.0 up to and including 2.5	1.80	845	52	63	643
Over 2.5 up to and including 10.0	5.05	491	58	86	507
Over 10.0 up to and including 99.99	18.73	63	64	129	98
Default	100.00	62	42	251	188
Total	2.66	4,718	45	39	2,204
Corporate					
Up to and including 0.04	0.03	6,297	49	19	1,420
Over 0.04 up to and including 0.10	0.07	3,919	44	21	993
Over 0.10 up to and including 0.40	0.23	7,747	37	36	3,333
Over 0.40 up to and including 3.00	1.24	14,678	33	64	11,253
Over 3.00 up to and including 10.0	4.78	772	32	100	923
Over 10.0 up to and including 99.99	21.89	1,431	38	183	3,137
Default	100.00	295	46	97	343
Total	2.41	35,139	38	51	21,402
Total credit risk exposures subject to the internal ratings based approach		116,964			46,098

¹ RWA includes a scalar of 1.2 as required by BPR 130 Credit Risk RWAs Overview.

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)(continued)

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

THE BANKING GROUP				
30 Sep 24				
\$ millions	Undrawn commitments and other off-balance sheet contingent liabilities¹		Counterparty credit risk on derivatives and securities financing transactions	
	Value	EAD	Value	EAD
Residential mortgages	13,325	9,517	-	-
Other retail	3,425	2,131	-	-
Corporate	9,101	9,070	2,783	70
Total	25,851	20,718	2,783	70

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

Additional mortgage information

Residential mortgages by LVR as at 30 September 2024

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

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

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

THE BANKING GROUP						
2024						
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	31,837	14,468	14,853	4,471	1,840	67,469
Undrawn commitments and other off-balance sheet exposures	7,554	1,033	654	125	151	9,517
Value of exposures	39,391	15,501	15,507	4,596	1,991	76,986

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)(continued)

Specialised lending subject to the slotting approach

The Banking Group's specialised lending: Project and property finance credit risk exposures as at 30 September 2024

On-balance sheet exposures subject to the slotting approach	Total Exposures After Credit Risk Mitigation (EAD) \$ millions	Risk Weight %	RWA¹ \$ millions
Supervisory slotting grade			
Strong	4,080	70	3,425
Good	2,678	90	2,892
Satisfactory	358	115	495
Weak	98	250	295
Default	5	-	-
Off-balance sheet exposures subject to the slotting approach			
	EAD \$ millions	Average Risk Weight %	RWA¹ \$ millions
Undrawn commitments and other off-balance sheet exposures	1,275	77	1,182
Total specialised lending exposures subject to the slotting approach	8,494	-	8,289

¹ RWA includes a scalar of 1.2 as required by BPR 130 Credit Risk RWAs Overview.

Standardised equivalents of IRB risk weighted assets

The following table shows the standardised equivalent RWA of the IRB RWAs for each IRB exposure class, as used in the floor calculation.

THE BANKING GROUP				
30 Sep 24				
\$ millions	Exposure Under the IRB Approach	IRB RWA¹	Equivalent Exposure Under the Standardised Approach	Standardised Equivalents of RWA
IRB Exposure Class				
Residential mortgages	77,107	22,492	73,993	29,357
Other retail	4,718	2,204	2,692	2,458
Corporate	35,139	21,402	29,754	28,497
Specialised lending subject to the slotting approach	8,494	8,289	7,819	7,700
Total	125,458	54,387	114,258	68,012

¹ IRB RWA includes a scalar of 1.2 as required by BPR 130 Credit Risk RWAs Overview.

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)(continued)

Credit risk exposures subject to the standardised approach

The Banking Group's credit risk exposures subject to the standardised approach as at 30 September 2024

On-balance sheet exposures by separate risk weight	Total Exposure After Credit Risk Mitigation \$ millions	Risk Weight %	RWA¹ \$ millions
Cash and gold bullion	180	0	-
Sovereigns and central banks	11,142	0	-
	-	20	-
	-	50	-
	-	100	-
	-	150	-
Multilateral development banks and other international organisations	1,980	0	-
	95	20	19
	-	50	-
	-	100	-
	-	150	-
Public sector entities	2,122	20	424
	-	50	-
	-	100	-
	-	150	-
Banks	592	20	118
	743	50	372
	11	100	11
	-	150	-

Other on-balance sheet exposures by average risk weight²	Total Exposure After Credit Risk Mitigation \$ millions	Average Risk Weight %	RWA¹ \$ millions
Past due assets	-	150	1
Other assets ³	1,747	62	1,080

Off-balance sheet exposures²	Total Exposure Or Principal Amount \$ millions	Average Credit Conversion Factor %	Credit Equivalent Amount \$ millions	Average Risk Weight %	RWA¹ \$ millions
Total off-balance sheet exposures subject to the standardised approach	956	42.57	407	22	91

Counterparty credit risk for counterparties subject to the standardised approach	Total Exposure Or Principal Amount \$ millions	Credit Equivalent Amount \$ millions	Average Risk Weight %	RWA¹ \$ millions
Foreign exchange contracts	19,150	560	20	112
Interest rate contracts	58,300	276	20	55
Other ²	4,039	1,136	0	-
Credit Valuation Adjustment capital charge ⁴	N/A	N/A	N/A	470

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)(continued)

Equity exposures ²	Total Exposure \$ millions	Risk Weight %	RWA ¹ \$ millions
Equity holdings (not deducted from capital) not included in NZX50 or overseas equivalent	3	400	13
Total credit risk exposures subject to the standardised approach	20,994		2,766

¹ RWA includes a scalar of 1.0 as required by BPR 130 Credit Risk RWAs Overview.

² The Banking Group has no exposures to be disclosed under the following categories: Undrawn commitments to the Business Growth Fund; Other corporate or residential mortgage on-balance sheet exposures subject to the standardised approach; exposures arising from trades settled on qualifying central counterparties other than as a client of a clearing member where the exposures are risk weighted as exposures to the clearing member; Equity holdings in the Business Growth Fund; Equity holdings (not deducted from capital) included in the NZX 50 or overseas equivalent index.

³ Relate to property and equipment, other assets and related parties.

⁴ The Credit Valuation Adjustment (CVA) capital charge is \$38 million and the implied risk weighted exposure for CVA is \$470 million.

Credit risk mitigation

The Banking Group uses a variety of techniques to reduce the credit risk arising from its lending activities. This includes the Banking Group establishing that it has direct, irrevocable and unconditional recourse to collateral and other credit enhancements through obtaining legally enforceable documentation.

The Banking Group includes the effect of credit risk mitigation through eligible guarantees within the calculation applied to LGD. Due to system limitations, the value of the guarantee is not always separately recorded, and therefore, neither this value nor a close alternative is available for disclosure, under Clause 7 of Schedule 11 to the Order. The Banking Group does not apply any credit risk mitigation from eligible financial collateral for exposures subject to the standardised approach or from credit derivatives as at 30 September 2024.

Impact of the Standardised Floor on Total Credit Risk RWAs

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

- The greater of:
 - 1.2 x total RWA subject to the IRB treatment (as shown in the tables in the sections Credit risk subject to the IRB approach and Specialised lending subject to the slotting approach on pages 93 and 95 respectively); and
 - 0.85 x total Standardised Equivalent RWA for each credit risk exposure subject to the IRB treatment (commonly referred to as the standardised floor); and
- 1.0 x total RWA subject to the Standardised treatment.

The following table shows the output from these calculations, and the resulting total credit risk RWA used in the calculation of the Bank and the Banking Group's total capital requirements and capital ratios as at 30 September 2024.

THE BANKING GROUP		
30 Sep 24		
RWA		
\$ millions	Calculated for compliance purposes	Recalculated using the standardised approach
Total IRB and supervisory slotting exposures ¹	54,387	68,012
Standardised floor at 85% of standardised equivalents	N/A	57,811
IRB and slotting RWAs with floor applied	57,811	N/A
RWAs for standardised exposures ²	2,766	N/A
Total credit risk RWAs	60,577	N/A

¹ A scalar of 1.2 is applied when calculating the IRB RWAs for compliance purposes.

² A scalar of 1.0 is applied when calculating RWAs for standardised exposures.

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)(continued)

Operational risk

Operational risk capital requirement

The following table sets out the Banking Group's implied risk-weighted exposures under the Standardised Approach for operational risk capital in accordance with the Reserve Bank's BPR150 Standardised Operational Risk.

THE BANKING GROUP		
30 Sep 24		
\$ millions	Implied Risk Weighted Exposure	Total Operational Risk Capital Requirement
Standardised Approach		
Operational risk	7,785	623

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

Market risk

The Banking Group's aggregate market risk exposure is derived in accordance with BPR140 Market risk exposure 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 30 September 2024 of the aggregate capital charge for that category of market risk derived in accordance with BPR140.

The following table provides a summary of the Banking Group's capital charges by risk type as at the reporting date and the peak end-of-day capital charges by risk type for the six months ended 30 September 2024:

THE BANKING GROUP		
30 Sep 24		
\$ millions	Implied Risk Weighted Exposure	Aggregate Capital Charge
End-of-period		
Interest rate risk	1,824	146
Foreign currency risk	-	-
Equity risk	-	-
Peak end-of-day		
Interest rate risk	3,453	276
Foreign currency risk	-	-
Equity risk	-	-

Total capital requirements

Banking Group Pillar 1 Total Capital Requirement

THE BANKING GROUP			
30 Sep 24			
\$ millions	Total Exposure After Credit Risk Mitigation	Risk Weighted Exposure or Implied Risk Weighted Exposure	Total Capital Requirement¹
Total credit risk	135,252	60,577	5,452
Operational risk	N/A	7,785	701
Market risk	N/A	1,824	164
Total	135,252	70,186	6,317

¹ Calculated based on 9.0% Reserve Bank minimum total capital ratio requirement effective from 1 July 2024.

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)(continued)

Capital ratios

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

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

%	THE BANKING GROUP			THE BANK	
	Reserve Bank Minimum Ratios ¹	30 Sep 24	30 Sep 23	30 Sep 24	30 Sep 23 ²
Common Equity Tier 1 capital ratio	4.5	11.8	11.1	11.8	11.1
Tier 1 capital ratio	7.0	14.4	12.7	14.5	12.7
Total capital ratio	9.0	16.2	14.4	16.2	14.5
	Buffer Trigger Ratio				
Prudential capital buffer ratio	4.5	7.2	6.4	N/A	N/A

¹ The minimum Tier 1 capital ratio and total capital ratio increased from 6.0% to 7.0% and from 8.0% to 9.0% respectively on 1 July 2024.

² The comparative amount for total capital ratio has been restated to reflect a correction which increases this ratio from 14.4% to 14.5%.

Capital for other material risks

Summary of ICAAP

The Banking Group's ICAAP outlines the Banking Group's approach to meeting minimum capital requirements and confirming that capital held by the Bank is commensurate with its risk profile. The Banking Group's ICAAP complies with the requirements set out in Part D of the Reserve Bank document 'Capital Adequacy' (BPR100) dated 1 July 2024 in accordance with the Bank's conditions of registration.

The Banking Group's ICAAP identifies, reviews and measures additional material risks that must be captured within the Banking Group's capital adequacy assessment process. The additional material risks considered are those not captured by Pillar 1 regulatory capital requirements and include compliance and conduct risk, liquidity risk, reputational risk, sustainability risk, financial crime risk, model risk, other assets risk, strategic risk, subsidiary risk/contagion risk, cyber risk and risk culture. The ICAAP also takes account of future strategic objectives, stress testing, regulatory developments and peer group comparatives.

The Banking Group's internal capital allocation for 'other material risks' is \$295 million as at 30 September 2024 (30 September 2023: \$283 million).

Standardised equivalent capital ratios

The following table is disclosed in accordance with Clause 17B of Schedule 11 to the Order. The Banking Group's standardised equivalent capital ratios are for disclosure purposes and do not form part of the Bank's Conditions of Registration. Refer to the Capital ratios sections on pages 68 and 99 for the Banking Group's capital adequacy ratios for compliance purposes.

The RWAs and capital amounts have been calculated in line with the Reserve Bank BPR standardised requirements. The capital amount has been recalculated to exclude any capital adjustments related to the expected loss provisions that only apply under the IRB approach. The credit risk RWAs of these exposures have been recalculated under the requirements of *BPR131: Standardised credit risk RWAs*. The credit risk RWAs that are currently calculated using the standardised methodology, Market Risk RWAs, and Operational Risk RWAs remain unchanged.

	THE BANKING GROUP		
	30 Sep 24		
	CET1 capital	Tier 1 capital	Total capital
Standardised equivalent capital amount (\$ millions)	8,307	10,182	11,382
Standardised equivalent total RWAs (\$ millions)	80,387	80,387	80,387
Ratio (%)	10.3	12.7	14.2

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)(continued)

Historical comparison with standardised capital ratios and risk weights

The following table discloses total capital ratios and average risk weights under the IRB and standardised approaches for comparative purpose (full-year reporting dates on or after 30 June 2024) as at 30 September 2024:

	THE BANKING GROUP
	30 Sep 24
%	%
IRB Approach	
Total capital ratio ¹	16.2
Actual average risk weight for all modelled credit risk exposures ²	43.4
Standardised Approach	
Total capital ratio ³	14.2
Average risk weight for all modelled credit risk exposures ⁴	59.5

¹ This represents the proportion of eligible capital the Banking Group holds against its total RWAs as calculated under its Conditions of Registration.

² This represents the ratio of the total RWAs for all exposures that are subject to the IRB modelling approach or the supervisory slotting approach (including any applicable scalar) to the total EAD for the modelled exposure classes.

³ This represents the proportion of the standardised equivalent of eligible capital the Banking Group holds against its total RWAs as calculated under the Reserve Bank standardised approach.

⁴ This represents the ratio of the total RWAs for all exposures that are subject to the IRB modelling approach or the supervisory slotting approach, recalculated using the standardised approach, to the total on-balance sheet and credit equivalent amounts for these exposures.

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.

%	30 Sep 24	30 Sep 23
	Unaudited	Unaudited
Ultimate Parent Bank Group (excluding entities specifically excluded by APRA)^{1,2}		
Common Equity Tier 1 capital ratio	12.5	12.4
Additional Tier 1 capital ratio	2.3	2.2
Tier 1 capital ratio	14.8	14.6
Tier 2 capital ratio	6.6	5.9
Total regulatory capital ratio	21.4	20.5
Ultimate Parent Bank (Extended Licensed Entity)^{1,3}		
Common Equity Tier 1 capital ratio	12.7	12.6
Additional Tier 1 capital ratio	2.5	2.4
Tier 1 capital ratio	15.2	15.0
Tier 2 capital ratio	7.3	6.5
Total regulatory capital ratios	22.5	21.5

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, ADIs, 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, which are at least equal to those specified under the Basel III capital framework. For the calculation of RWAs, the Ultimate Parent Bank Group is accredited by APRA to apply advanced models. The Ultimate Parent Bank Group uses the Advanced IRB approach for credit risk, the Standardised Measurement Approach for operational risk and the internal model approach for IRRBB for calculating regulatory capital.

The Total Common Equity Tier 1 (CET1) Requirement for Domestic Systemically Important Banks (D-SIBs), including the Ultimate Parent Bank, is at least 10.25% (noting that APRA may apply higher CET1 requirements for an individual bank). This requirement includes a capital conservation buffer of 4.75% applicable to D-SIBs and a base level for the countercyclical capital buffer of 1.0% which APRA may vary between 0% and 3.5%.

Registered bank disclosures

iv. Capital adequacy and regulatory liquidity ratios (Unaudited)(continued)

The Ultimate Parent Bank Board has determined that the Ultimate Parent Bank Group will target a CET1 operating capital range of between 11.0% and 11.5%, in normal operating conditions.

APRA's prudential standards are generally consistent with the International Regulatory Framework for Banks, also known as Basel III, issued by the Basel Committee on Banking Supervision, 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 30 September 2024.

Regulatory liquidity ratios

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

%	THE BANKING GROUP	
	30 Sep 24	30 Jun 24
Average for the three months ended		
One-week mismatch ratio	9.9	9.2
One-month mismatch ratio	9.2	9.0
Core funding ratio	86.0	86.2

v. Concentration of credit exposures to individual counterparties

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

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

	THE BANKING GROUP	
	Exposure as at 30 September 2024 ¹	Peak end-of-day exposure over six months to 30 September 2024
Exposures to non-bank counterparties²		
With a long-term credit rating of A- or A3 or above, or its equivalent		
Exceeds 10% and not 15%	1	1
Exceeds 15% and not 20%	1	1

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

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

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 six-month period ending 30 September 2024, and then dividing that amount by the Banking Group's Common Equity Tier 1 capital as at 30 September 2024.

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

Registered bank disclosures

vi. Credit exposures to connected persons

The Banking Group's credit exposure to connected persons is derived in accordance with the Bank's conditions of registration and the Reserve Bank document 'Connected Exposures Policy' (BS8) dated October 2023, is net of individual credit impairment allowances and excludes advances to connected persons of a capital nature.

Credit exposures to connected persons are based on actual credit exposures rather than internal limits. Peak end-of-day aggregate credit exposures to connected persons expressed as a percentage of Tier 1 capital of the Banking Group have been derived by determining the maximum end-of-day aggregate amount of credit exposure over the year ended 30 September 2024 and then dividing that amount by the Banking Group's Tier 1 capital as at 30 September 2024.

Credit exposures to connected persons reported in the following table have been calculated on a bilateral net basis. Netting has occurred in respect of certain transactions which are the subject of a bilateral netting agreement.

\$ millions	THE BANKING GROUP	
	As at	Peak end-of-day for the
	30 Sep 24	Year Ended 30 Sep 24
Credit exposures to connected persons:		
On gross basis, before netting	1,672	3,757
As a percentage of Tier 1 capital of the Banking Group at end of the year	16.5%	37.1%
Amount that has been netted off in determining the net exposure	660	913
As a percentage of Tier 1 capital of the Banking Group at end of the year	6.5%	9.0%
On partial bilateral net basis	1,012	2,844
As a percentage of Tier 1 capital of the Banking Group at end of the year	10.0%	28.1%
Credit exposures to non-bank connected persons	6	1
As a percentage of Tier 1 capital of the Banking Group at end of the year	0.1%	0.0%

As at 30 September 2024, the rating-contingent limit applicable to the Banking Group was 60% of Tier 1 capital on a bilateral net basis. There have been no changes to this rating-contingent limit over the year ended 30 September 2024. Within the overall rating-contingent limit there is a sub-limit of 15% of Tier 1 capital which applies to the aggregate credit exposure to non-bank connected persons.

Where a bank is funding a large loan it is common practice to share the risk of a customer default through risk transfer to an acceptable entity. These arrangements are called risk lay-off arrangements. As at 30 September 2024, the Banking Group had \$20 million of unfunded contingent credit protection arrangements provided by connected persons arising from risk lay-off arrangements in respect of credit exposures to counterparties (excluding counterparties that are connected persons).

The aggregate amount of the Banking Group's loss allowance for credit exposures to connected persons that are credit impaired was nil as at 30 September 2024.

vii. Insurance business, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products

Insurance business

The Banking Group does not conduct any insurance business.

The Banking Group's involvement in securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products

Securitisation

The Banking Group uses structured entities to securitise its financial assets through the Covered Bond Programme and the Bank's internal residential mortgage-backed securitisation programme. Refer to Note 29 Securitisation, covered bonds and other transferred assets for further information and amounts of outstanding securitised assets.

Funds management and other fiduciary activities

The Bank markets the retail managed investment products of BTNZ, a member of the Ultimate Parent Bank Group, through its branches, advisory business and private bank. The Bank derives distribution fees from the sale of these managed investment products, marketed on behalf of BTNZ (except the PIE Funds). The Bank also provides investment advice to a number of clients (including investors in BTNZ's managed investment products), which includes the provision of other fiduciary activities.

The PIE Funds are administered by the Banking Group (refer to Note 23 for further details) and invest in deposits with the Bank. The Bank is considered to control the PIE Funds, and as such they are consolidated within the financial statements of the Banking Group. As at 30 September 2024, \$5,352 million (30 September 2023: \$4,227 million) of funds under management were invested by the PIE Funds in the Bank's deposits.

Other than funds under management disclosed above, there are no funds held in trust, funds under custodial arrangements or other funds held or managed subject to fiduciary responsibilities by any member of the Banking Group (30 September 2023: nil).

Registered bank disclosures

vii. Insurance business, securitisation, funds management, other fiduciary activities, and marketing and distribution of insurance products (continued)

Marketing and distribution of insurance products

The Bank markets and distributes both life and general insurance products. The general and life insurance products are fully underwritten by external third party insurance companies. Disclosures are made in marketing material that the products are underwritten by those companies and that the Banking Group does not guarantee the obligations of, or any products issued by, those companies.

Arrangements to ensure no adverse impacts arising from the above activities

The Banking Group's risk management strategy (refer to Note viii. Risk management policies) will help minimise the possibility that any difficulties arising from the above activities would adversely impact the Banking Group.

Financial services provided to entities conducting the above activities

Financial services provided by any member of the Banking Group to entities which conduct the trust, custodial, securitisation, funds management and other fiduciary activities described above, or on whose behalf insurance products are marketed or distributed, have been provided at arm's length terms and conditions and at fair value.

Assets purchased from entities conducting the above activities

Assets purchased by any member of the Banking Group from entities which conduct the trust, custodial, securitisation, funds management and other fiduciary activities specified above, or on whose behalf insurance products are marketed or distributed, have been purchased on arm's length terms and conditions and at fair value.

Funding provided to entities in aggregate and individually

During the year ended 30 September 2024, the Banking Group did not provide any funding to entities that provide services relating to the Banking Group's involvement in conducting trust and custodial activities, funds management and other fiduciary activities, securitisation activities or insurance product marketing and distribution activities described in this note (30 September 2023: nil).

viii. Risk management policies

Information about risk

Risk Management Framework

The Banking Group regards the management of risk to be a fundamental management activity performed at all levels of its business in support of our purpose of creating better futures together. The Banking Group's Risk Management Framework is the totality of systems, structures, policies, processes and people who identify, measure, evaluate, monitor, report and control or mitigate internal and external sources of material risks.

The Banking Group adopts a 'Three Lines of Defence model standard' approach to risk management which enables all employees to understand their role and responsibilities in the active management of risk.

The First Line of Defence owns and manages the risks they originate

Business units are responsible for proactively identifying, evaluating, owning, monitoring, managing and controlling the existing and emerging risks in their businesses. They manage business activities within approved risk appetite and policies. In managing its risk, the First Line of Defence establishes and maintains appropriate governance structures, controls, resources and self-assessment processes, including issue identification, recording and escalation procedures.

The Second Line of Defence provides independent insight, oversight and challenge of First Line activities

The Second Line of Defence is an independent function that develops risk management frameworks, defines guardrails, provides objective review and challenge regarding the effectiveness of risk management within the First Line business and executes specific risk management activities where functional independence and/or specific risk capability is required. Its approach is risk-based and proportionate to First Line activities.

Registered bank disclosures

viii. Risk management policies (continued)

The Third Line of Defence provides independent objective assurance

The Third Line of Defence is an assurance function that provides the Board, Board Committees and senior management with independent and objective evaluation of the adequacy and effectiveness of the Banking Group's governance, risk management and internal controls.

Financial risks

Refer to Note 32 Risk management, funding and liquidity risk and market risk for a discussion of the financial risks faced by the Banking Group.

Other key material risks

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk represents a category of risk that could have the potential to impact the Banking Group's ability to achieve business objectives. In addition, operational risk events could have a negative impact on financial performance, and/or result in poor customer outcomes and/or reputational damage.

The Banking Group has an Operational Risk Management Framework, which is aligned to the Ultimate Parent Bank's Operational Risk Framework and outlines the business requirements for managing operational risk with respect to governance, risk and control assessments, incident management, issues management and ongoing reporting and monitoring.

The Bank's RISKCO, chaired by the Banking Group's Chief Risk Officer, is responsible for overseeing the effectiveness and implementation of the Operational Risk Management Framework. RISKCO monitors the operational risk profiles and the action plans and has the discretion to escalate material matters to the Bank's BRCC and/or the relevant Ultimate Parent Bank Group Risk Committee.

The Bank calculates Operational Risk Capital as set out in *BPR150: Standardised Operational Risk*. In addition, the Bank continues to comply with the qualitative requirements as set out in Section B1 of BPR151.

Compliance and conduct risk

Compliance and conduct risk is the risk of failing to abide by the Banking Group's compliance obligations or otherwise failing to have behaviours and practices that deliver suitable, fair and clear outcomes for customers and that support market integrity.

The Banking Group identifies compliance and conduct risks as part of managing the business, which includes considering emerging risks and responding to changes in the business, business strategy and external environment. The Banking Group manages compliance and conduct risks by implementing and embedding frameworks, systems, policies, standards, procedures and controls.

The Banking Group has a Compliance and Conduct Risk Management Framework which is supported by compliance and conduct policies to assist the business in managing its compliance and conduct risks.

The Banking Group's RISKCO is responsible for overseeing the effectiveness and implementation of the Compliance and Conduct Risk Management Framework. RISKCO oversees compliance and conduct risks across the Banking Group and regularly reports material matters to the Banking Group's BRCC and the relevant Ultimate Parent Bank Group Risk Committee.

Financial crime risk

Financial crime risk is the risk that the Banking Group fails to prevent financial crime and comply with applicable global financial crime regulatory obligations. Financial crime risk includes the risk that the Banking Group's products are used to facilitate: money laundering or terrorism financing; bribery or corruption; a breach or attempted breach of sanctions; tax evasion, an attempted tax evasion or evasion or attempted evasion of tax transparency requirements.

The Banking Group applies the Financial Crime Risk Management Framework, which describes the Banking Group's approach to managing Financial Crime Risk. Under this Framework, the Banking Group proactively identifies, assesses, mitigates and reports financial crime risks through robust controls and systems including timely ownership, investigation and remediation of financial crime incidents.

Cyber risk

Cyber risk is the risk that the Banking Group's or its third parties' data or technology are inappropriately accessed, manipulated or damaged from cybersecurity threats or vulnerabilities.

The Banking Group proactively manages cyber risk exposure, to limit the likelihood of inappropriate access, manipulation or damage to the Banking Group's and its third parties' data and technology. This includes embedding cyber security capabilities such as data security controls, application protection controls, and identity and access management.

Reputational & sustainability risk

Reputational & sustainability risk is the risk of failing to recognise or address ESG issues and the risk that an action, inaction, transaction, investment, or event will reduce trust in the Banking Group's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

Registered bank disclosures

viii. Risk management policies (continued)

The Banking Group seeks to cultivate stakeholders' trust in the Banking Group's integrity and competence and to balance commerciality of decisions with stakeholder expectations, potential impacts on people, communities or the environment, recognising that ESG issues can involve complex, interconnected and at times competing considerations.

Strategic risk

Strategic risk is the risk that the Banking Group makes inappropriate strategic choices, does not implement its strategies successfully, or does not respond effectively to changes in the operating environment.

The Banking Group manages strategic risk through annual strategic reviews and financial target setting, ongoing monitoring of performance and changes and, stress testing and/or scenario analysis.

Risk culture

There is a risk that the Banking Group's culture does not promote and reinforce behavioural expectations and structures to identify, understand, discuss and act on risks.

The Banking Group promotes a risk culture which supports its purpose, strategy and values and the ability to manage risk effectively. The Banking Group regularly assesses its risk culture and undertakes initiatives to continually improve.

Capital adequacy

Refer to Note 31 Capital management for the Banking Group's approach to assessing the adequacy of its capital to support current and future activities and the role that directors and senior management take in the capital management process.

Reviews of the Banking Group's risk management systems

Westpac New Zealand Audit, with support from the Ultimate Parent Bank's Group Audit unit, periodically reviews the Bank's Operational, Compliance and Conduct, Market, Funding and Liquidity, Credit and Model Risk Frameworks. The periodic reviews follow an internal audit methodology which aims at achieving a review of the very high-risk areas annually, high-risk areas bi-annually, medium risk areas every three years and low risk areas every four years.

The reviews discussed above in this section are not conducted by a party which is external to the Banking Group or the Ultimate Parent Bank, though they are independent and have no direct authority over the activities of management.

Various external reviews of the Bank's risk management system have been conducted during the year ended 30 September 2024 as part of ongoing compliance with regulatory requirements.

Internal audit function of the Banking Group

The Banking Group has an internal audit function headed by the Chief Internal Auditor who reports directly to the Banking Group's Board Audit Committee.

The internal audit function provides independent assurance on the effectiveness of governance, risk management and internal controls across the Banking Group's operations. The level of risk across all material risk classes determines the scope and frequency of individual audits.

The Board Audit Committee meets regularly, and its responsibilities include the oversight of the Banking Group's statutory financial reporting requirements and the internal audit function.

Measurement of impaired assets

Impaired assets are measured on a monthly basis. Refer to Note 6 Impairment charges/(benefits) and Note 12 Provision for expected credit losses which describe the approaches the Banking Group follows for assessing asset impairment.

Recoverable amounts are represented by net loans, which are calculated as gross loans less provisions for impairment.

Credit risk mitigation

Refer to Note 13.5 Credit risk mitigation, collateral and other credit enhancements and Note 26 Offsetting financial assets and financial liabilities for the policies and processes the Banking Group follows to mitigate credit risk.

Where the effect of credit risk mitigation through eligible collateral is used to reduce our measure of risk, the Banking Group, as an Advanced IRB Bank, uses the comprehensive method to measure the mitigating effects of the collateral or eligible guarantees.

Additional information about credit risk

Classification of Banking Group exposures by regulatory exposure class

The Banking Group determines credit risk RWAs under BPR130. The regulation specifies two different methodologies to be applied in calculating credit risk RWAs: the standardised approach and the internal ratings based (IRB) approach (which includes the supervisory slotting calculation method for specialised lending). For modelled exposure classes, the IRB approach applies, with total RWA being subject to a floor of 85% of the standardised RWA as described in Note iv. Capital adequacy and regulatory liquidity ratios. For non-modelled exposure classes, the standardised approach applies.

Registered bank disclosures

viii. Risk management policies (continued)

Modelled exposure classes – standardised floor applies

Exposures subject to IRB approach		
Residential mortgages		Standard residential mortgage loans as defined in section B4.2 of BPR 133.
Other retail	Small business	Program-managed business lending.
	Other retail	All other program-managed lending to retail customers, including credit cards, personal loans and personal overdrafts.
Corporate	Corporate	Exposures to corporations, partnerships, or proprietorships that do not fall into another exposure class, further classified as follows: Non-farm customers whose annual turnover is equal to or greater than \$50 million. Includes Farm Lending.
	Corporate SME	Non-farm corporate customers whose annual turnover is less than \$50m.
	Farm Lending	Corporate customers classified within 'agriculture' ANZSIC.
Exposures subject to slotting approach		
Corporate	Specialised lending - property finance	Exposures to corporate customers where the primary source of debt service, security and repayment is derived from either the sale of a property development or income produced by one or more investment properties.
	Specialised lending - project finance	Exposure to corporate customers where the primary source of debt service, repayment and security is revenues generated by a project.
Non-modelled exposure classes		
Exposures subject to standardised approach		
Sovereign	Crown	Exposures to the Crown, Reserve Bank or other sovereigns and their central banks.
	Lowest-risk multilateral development banks and supranationals	Exposures to organisations listed in section C2.4(1) of BPR131.
	Other development banks	Exposures to organisations listed in section C2.4(2) of BPR131.
Bank	Public Sector Entities	Exposures to Local Authorities.
	Bank	Exposures to NZ registered banks, overseas banks, and non-bank deposit takers.
Other assets		All assets not falling within the above asset classes.
Equity exposures		
Equity		All equity items that have not been deducted from capital and meet the definition of equity exposures in BPR001.

Overview of the internal credit risk ratings process by portfolio

(a) Transaction-managed approach (including business lending, corporate, Sovereign and bank)

The process for assignment and approval of individual PDs and LGDs involves business unit representatives recommending the CRGs and LGDs under criteria guidelines. Credit Officers then independently evaluate the recommendations and approve the final outcomes. An expert judgement decision-making process is employed to evaluate the CRG. The following represent the types of business lending, corporate, sovereign and banking exposures included within the transaction-managed portfolio approach:

- direct lending exposures;
- contingent lending exposures;
- pre-settlement exposures;
- FX settlement exposures; and
- transaction exposures.

All of the above exposure categories also apply to Specialised Lending, which is an asset sub-class of Corporate and in the Banking Group comprises Property Finance and Project Finance. Regulatory risk-weights are also applied to Specialised Lending.

Definitions, methods and data for estimation and validation of PD, LGD and EAD

PD

The PD is a through-the-cycle assessment of the likelihood of a customer defaulting on its financial obligations within one year. The Banking Group reflects its PD estimate in a CRG.

Registered bank disclosures

viii. Risk management policies (continued)

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. The Banking Group assigns an LGD to each credit facility, assuming an event of default has occurred, and taking into account a conservative estimate of the net realisable value of assets to which the Banking Group has recourse and over which it has security. LGDs also reflect the seniority of exposures in the customer's capital and debt structure.

LGD estimates are benchmarked against observed historical LGDs from internal and external data and are calibrated to reflect losses expected in an economic downturn. The calculation of historical LGDs is based on an economic loss and includes allowances for workout costs and the discounting of future cash flows to the date of default.

LGD values range from 5% to 100%. The range of LGD values ensures that the risk of loss is differentiated across many credit facilities extended to customers.

EAD and CCF

EAD represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default. The proportion of undrawn commitments ultimately utilised by customers is termed the CCF. EAD therefore consists of the initial outstanding balances plus the CCF multiplied by undrawn commitments.

(b) Program-managed approach (including residential mortgages, small business and other retail)

Each customer is rated using details of their account performance or application details and segmented into pools of similar risk. These segments are created by analysing characteristics that have historically proven predictive in determining if an account is likely to go into default. Customers are then grouped according to these predictive characteristics of default. The retail (program-managed) portfolio is divided into a number of segments per product with each segment assigned a quantified measurement of its PD, LGD and EAD.

Retail asset class exposures included in the retail (program-managed) portfolio approach are split into the following categories of products:

Exposure classes	Product categories
Residential mortgages	<ul style="list-style-type: none">• Mortgages
Small business	<ul style="list-style-type: none">• Equipment finance• Business overdrafts• Business term loans• Business credit cards
Other retail	<ul style="list-style-type: none">• Credit cards• Personal loans• Overdrafts

PD

PDs are assigned at the retail segment level and reflect the likelihood of accounts within that segment to default. A long-run average is used to assign a PD to each account in a segment based on the segment's characteristics. The PD estimate for each segment is based on internal data.

Models are used to help determine or establish the appropriate internal rating for program-managed portfolios.

LGD

LGD measures the proportion of the exposure that will be lost if default occurs. LGD is measured as a percentage of EAD. The approach to LGD varies depending on whether the retail product is secured or unsecured. A downturn period is used to reflect the effect on the collateral for secured products. For unsecured products, a long-run estimate is used for LGD.

EAD

EAD represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default. To calculate EAD, historical data is analysed to determine what proportion of undrawn commitments are ultimately utilised by customers who end up in default.

Registered bank disclosures

viii. Risk management policies (continued)

Additional information about operational risk

Calculating operational risk capital

Operational risk regulatory capital is calculated on a quarterly basis. Standardised operational risk capital is based on a prescribed formula universal to all New Zealand registered banks that apply this approach to Operational Risk capital calculation.

The standardised operational risk capital requirement is the sum of two components, covering the operational risk arising on retail and commercial banking business on the one hand and all other activities on the other. The calculation takes into account a combination of loans, advances and securities in the retail and commercial parts of the bank and proportions of various income components for all other activities.

Controls surrounding credit risk rating systems

Refer to Note 13.1 Credit risk management framework and Note 13.2 Credit risk ratings system for a discussion of the control mechanisms for the rating systems the Banking Group uses to measure credit risk.

Conditions of registration

Conditions of registration for Westpac New Zealand Limited

The registration of the Bank in New Zealand is subject to the following conditions, which applied on and after 1 July 2024:

The registration of the Bank as a registered bank is subject to the following conditions:

1. That:
 - (a) the Total capital ratio of the Banking Group is not less than 9%;
 - (b) the Tier 1 capital ratio of the Banking Group is not less than 7%;
 - (c) the Common Equity Tier 1 capital ratio of the Banking Group is not less than 4.5%;
 - (d) the Total capital of the Banking Group is not less than \$30 million.

For the purposes of this condition of registration,:

“Total capital ratio”, “Tier 1 capital ratio”, and “Common Equity Tier 1 capital ratio” have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, except that in the formulae for calculating the ratios, the term “total capital requirement for operational risk” included in “total RWA equivalents” has the same meaning as in BPR150: Standardised Operational Risk; “Total capital” has the same meaning as in BPR110: Capital Definitions.

- 1A. That:
 - (a) the Bank has an internal capital adequacy assessment process (**‘ICAAP’**) that accords with the requirements set out in Part D of BPR100: Capital Adequacy;
 - (b) under its ICAAP the Bank identifies and measures its “other material risks” defined in Part D of BPR100: Capital Adequacy; and
 - (c) the Bank determines an internal capital allocation for each identified and measured “other material risk”.
- 1B. That the Bank must:
 - (a) comply with the minimum requirements for using the IRB approach set out in BPR134: IRB Minimum System Requirements;
 - (b) comply with the minimum qualitative requirements for using the AMA approach for operational risk set out in subpart B1 of BPR151: AMA Operational Risk;
 - (c) follow the process in Part E of BPR120: Capital Adequacy Process Requirements for obtaining Reserve Bank approval for any changes to any IRB credit risk model;
 - (d) maintain a compendium of approved models in accordance with the requirements of section E1.5 of BPR120: Capital Adequacy Process requirements.
- 1C. That if the Prudential Capital Buffer (**‘PCB’**) ratio of the Banking Group is 4.5% or less, the Bank must:
 - (a) according to the following table, limit the aggregate distributions of the Bank’s earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the Banking Group’s PCB ratio; and:

Banking Group’s PCB ratio	Percentage limit on distributions of the Bank’s earnings	Capital Buffer Response Framework stage
0% – 0.5%	0%	Stage 3
>0.5 – 1%	30%	Stage 2
>1 – 2%	60%	Stage 1
>2 – 4.5%	100%	None

- (b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements.

For the purposes of this condition of registration:

“prudential capital buffer ratio”, “distributions”, and “earnings” have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

- 1CA. That the Bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

For the purposes of this condition of registration, “transitional AT1 capital instrument” has the meaning given in section A2.3 of BPR110: Capital Definitions and “loss absorption trigger event” and “non-viability trigger event” have the meanings given in subsection C2.2(3) of BPR120: Capital Adequacy Requirements.

- 1D. That—
 - (a) the Bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and
 - (b) the Bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration,:

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

- 1E. That for the purposes of LGD estimates for farm lending exposures covered by a Deed of Indemnity from the Crown under the North Island Weather Events Loan Guarantee Scheme, the Bank may choose to apply either the relevant minimum LGD in Table C3.2 of BPR133, or an LGD of 8.5%.

For the purposes of this condition of registration, “LGD” (loss given default) has the meaning given in BPRO01: Glossary.

2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

Conditions of registration

In this condition of registration, the meaning of 'material' is based on generally accepted accounting practice.

3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the Banking Group's insurance business is the sum of the following amounts for entities in the Banking Group:

- (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and
- (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the Banking Group's insurance business:

- (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and
- (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration:

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. The Bank must comply with all the requirements set out in the following document: BS8 Connected Exposures 1 October 2023.
5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the Bank complies with the following corporate governance requirements:
 - (a) the board of the Bank must have at least five directors;
 - (b) the majority of the board members must be non-executive directors;
 - (c) at least half of the board members must be independent directors;
 - (d) an alternate director:
 - (i) for a non-executive director must be non-executive; and
 - (ii) for an independent director must be independent;
 - (e) at least half of the independent directors of the Bank must be ordinarily resident in New Zealand;
 - (f) the chairperson of the board of the Bank must be independent; and

- (g) the Bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).

For the purposes of this condition of registration, 'non-executive' and 'independent' have the same meaning as in the Reserve Bank of New Zealand document entitled 'Corporate Governance' (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the Bank unless:

- (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
- (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the Bank unless:

- (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
- (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the Bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

- (a) the mandate of the committee must include: ensuring the integrity of the Bank's financial controls, reporting systems and internal audit standards;
- (b) the committee must have at least three members;
- (c) every member of the committee must be a non-executive director of the Bank;
- (d) the majority of the members of the committee must be independent; and
- (e) the chairperson of the committee must be independent and must not be the chairperson of the Bank.

For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

11. That the Bank must comply with the Reserve Bank of New Zealand document "Outsourcing Policy" (BS11) dated September 2022.

12. That:

- (a) the business and affairs of the Bank are managed by, or under the direction or supervision of, the board of the Bank;
- (b) the employment contract of the chief executive officer of the Bank or person in an equivalent position (together 'CEO') is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the Bank; and
- (c) all staff employed by the Bank have their remuneration determined by (or under the delegated authority of) the board or the CEO of the Bank and are accountable (directly or indirectly) to the CEO of the Bank.

Conditions of registration

13. That, for the purposes of calculating the Bank's capital ratios on a solo basis, a credit conversion factor of zero is only applied to a guarantee of a financing subsidiary's financial obligations if, in substance, the guarantee does not create a risk of loss for the Bank.

14. That the Banking Group complies with the following quantitative requirements for liquidity-risk management:

- (a) the one-week mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day;
- (b) the one-month mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day; and
- (c) the one-year core funding ratio of the Banking Group is not less than 75 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled 'Liquidity Policy' (BS13) dated July 2022 and 'Liquidity Policy Annex: Liquid Assets' (BS13A) dated July 2022.

15. That the Bank has an internal framework for liquidity risk management that is adequate in the Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:

- (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
- (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
- (c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and
- (d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

16. That no more than 10% of total assets may be beneficially owned by a SPV.

For the purposes of this condition:

"total assets" means all assets of the Banking Group plus any assets held by any SPV that are not included in the Banking Group's assets:

"SPV" means a person:

- (a) to whom any member of the Banking Group has sold, assigned, or otherwise transferred any asset;
- (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
- (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the Banking Group under a covered bond:

"covered bond" means a debt security issued by any member of the Banking Group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

17. That:

- (a) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:
 - (i) the Bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

- (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the Bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011; and

- (b) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

- (i) the Bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

- (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the Bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document 'Significant Acquisitions Policy' (BS15) dated December 2011; and

- (iii) the Reserve Bank has given the Bank a notice of non-objection to the significant acquisition or business combination.

For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

18. That the Bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the Bank can:

- (a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager:

- (i) all liabilities are frozen in full; and

- (ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

- (b) apply a de minimis to relevant customer liability accounts;

- (c) apply a partial freeze to the customer liability account balances;

- (d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

- (e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

- (f) reinstate customers' access to some or all of their residual frozen funds.

For the purposes of this condition of registration, "de minimis", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

19. That the Bank has an Implementation Plan that:

- (a) is up-to-date; and

- (b) demonstrates that the Bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: 'Open Bank Resolution Pre-positioning Requirements Policy' (BS17) dated June 2022.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve

Conditions of registration

Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

20. That the Bank has a compendium of liabilities that:
- at the product-class level lists all liabilities, indicating which are:
 - pre-positioned for Open Bank Resolution; and
 - not pre-positioned for Open Bank Resolution;
 - is agreed to by the Reserve Bank; and
 - if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

For the purposes of this condition of registration, "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

21. That on an annual basis the Bank tests all the component parts of its Open Bank Resolution solution that demonstrates the Bank's prepositioning for Open Bank Resolution as specified in the Bank's Implementation Plan.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

22. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the Bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
23. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the Bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
24. That, for a debt-to-income measurement period, the total of the Bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.
25. That, for a debt-to-income measurement period, the total of the Bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement period.
26. That the Bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,:

"Banking Group" means Westpac New Zealand Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1E, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are —

BPR document	Version date
BPR100: Capital adequacy	1 July 2024
BPR110: Capital definitions	1 October 2023
BPR120: Capital adequacy process requirements	1 October 2023
BPR130: Credit risk RWAs overview	1 July 2024
BPR131: Standardised credit risk RWAs	1 July 2024
BPR132: Credit risk mitigation	1 July 2024
BPR133: IRB credit risk RWAs	1 July 2024
BPR134: IRB minimum system requirements	1 July 2024
BPR140: Market risk exposure	1 July 2024
BPR150: Standardised operational risk	1 July 2024
BPR151: AMA operational risk	1 July 2024
BPR160: Insurance, securitisation, and loan transfers	1 July 2024
BPR001: Glossary	1 October 2023

In conditions of registration 22 and 23,:

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021:

"loan-to-valuation measurement period" means a rolling period of three calendar months ending on the last day of the third calendar month.

In conditions of registration 24 and 25,:

"debt-to-income ratio", "debt-to-income measurement period", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage Lending" (BS20) dated 3 April 2023:

"debt-to-income measurement period" means:

- the initial period of six calendar months from the date of this conditions of registration (1 July 2024) ending on 31 December 2024; and

Conditions of registration

(b) thereafter, a rolling period of three calendar months ending on the last day of the third calendar month, the first of which ends on 31 January 2025 and covers the months of November and December 2024 and January 2025.

In condition of registration 26,:

"residential mortgage loan" has the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage lending" (BS20) dated 3 April 2023.

Changes to conditions of registration

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

- With effect from 1 April 2024:
 - condition of registration 11 was replaced with the wording of Condition of Registration 22 requiring compliance with the Outsourcing Policy (BS11).
 - conditions of registration 4 and 4A were amended to require compliance with all requirements set out in BS8 Connected Exposures. Condition of registration 4B was renumbered to 4A accordingly.
- With effect from 1 July 2024:
 - the Bank's minimum total capital ratio was increased from 8% to 9% and the minimum Tier 1 capital ratio was increased from 6% to 7%.
 - Debt-to-Income (DTI) restrictions were activated at settings of: a 20% limit on new residential lending to owner-occupiers with a DTI greater than 6; and a 20% limit on new residential lending to investors with a DTI greater than 7.
 - mortgage loan-to-value ratio (LVR) restrictions were eased to a 20% limit on new lending to owner occupiers with an LVR above 80%; and to a 5% limit on new lending to investors with an LVR above 70%.
 - interim Condition of Registration 4A in respect of BS8 Connected Exposures was removed.

Material non-compliance with conditions of registration

Outsourcing Arrangements without required risk mitigants in place

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

- The relevant software and hardware environments ensure high availability of key frontline applications for its retail and business customers. The failure to have the required risk mitigants in place to support these software and hardware environments was non-compliant with the Reserve Bank's Outsourcing Policy (BS11) and therefore with the Bank's condition of registration 22 at that time (with effect from 1 April 2024 condition of registration 11 was replaced with the wording of condition of registration 22).
- Despite not having adequate support contracts in place, the Bank either continued to receive support or could have acquired support on a non-contractual basis. The Bank also had internal teams in place to provide support in the event of issues arising with the software and hardware.
- However, if a critical problem had arisen with the software without the required risk mitigants in place, then this could have increased the risk that the Bank may not have been able to access support to restore the relevant services within the Bank's recovery time objectives. This would, in turn, impact the Bank's ability to provide certain services to business and retail customers who are using these services or business applications. This may also have impacted the Bank's ability to be administered under statutory management or to address the impact of a service or function provider failure.

Once the non-compliances came to the Bank's attention, internal investigations took place, and the incidents were reported to the Reserve Bank. Remediation work was completed in November 2023.

Open Bank Resolution

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

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

As a result of the above, there was an increased risk that the Bank would not be able to close and re-open as required under the OBR policy. Remediation work was completed in September 2024 and is currently with the Reserve Bank for review.



Independent auditor's report

To the shareholder of Westpac New Zealand Limited

Our opinion

In our opinion, the accompanying:

- consolidated financial statements, excluding the information disclosed in accordance with Schedules 4, 7, 11, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order"), of Westpac New Zealand Limited (the "Bank"), including the entities it controlled as at 30 September 2024 or from time to time during the financial year (the "Banking Group"), present fairly, in all material respects, the financial position of the Banking Group as at 30 September 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards Accounting Standards ("IFRS Accounting Standards"); and
- information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the "Supplementary Information"), in all material respects:
 - presents fairly the matters to which it relates; and
 - is disclosed in accordance with those schedules.

What we have audited

- The Banking Group's consolidated financial statements (the "Financial Statements") required by clause 24 of the Order, comprising:
 - the balance sheet as at 30 September 2024;
 - the income statement for the year then ended;
 - the statement of comprehensive income for the year then ended;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the Financial Statements, excluding the information disclosed in accordance with Schedules 4, 7, 11, 13, 14, 15 and 17 of the Order within notes 12, 13, 31 and 32 of the Financial Statements, which includes material accounting policy information and other explanatory information.
- The Supplementary Information within notes 12, 13, 31 and 32 of the Financial Statements and notes ii, iii and v to viii of the registered bank disclosures for the year ended 30 September 2024 of the Banking Group.

We have not audited the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order within note 31 of the Financial Statements and note iv of the registered bank disclosures and our opinion does not extend to this information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Statements and the Supplementary Information* section of our report.

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



Independence

We are independent of the Banking Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Banking Group in the areas of an assessment of whether the preconditions for assurance exist in preparation for assurance over greenhouse gas disclosures and other assurance and audit related services. Other assurance and audit related services include limited assurance over compliance with the information required on capital adequacy and regulatory liquidity requirements and agreed upon procedures over the issue of comfort letters and debt issuance programmes. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities. The provision of these other services and these relationships have not impaired our independence as auditor of the Banking Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements and the Supplementary Information of the current year. These matters were addressed in the context of our audit of the Financial Statements and the Supplementary Information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Provision for expected credit losses on loans and credit commitments</p> <p>As disclosed in Note 12 of the Financial Statements, the provision for expected credit losses (ECL) on loans and credit commitments totalled \$555 million as at 30 September 2024.</p> <p>ECL is a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions. The model to determine the ECL includes significant judgement in assumptions used to determine when a significant increase in credit risk (SICR) has occurred, in estimating forward looking macroeconomic scenarios (MES), applying a probability weighting to different scenarios, and identifying and calculating adjustments to model output (portfolio overlays).</p> <p>There is also a significant volume of data used in the ECL model, which is sourced from relevant Information Technology (IT) systems.</p> <p>Individually assessed allowances are also recognised by the Banking Group for loans that are known to be impaired at the reporting date.</p>	<p>Our audit procedures included testing the design and operating effectiveness of selected controls relating to the Banking Group's ECL estimation process, which included controls over the data, model, assumptions and governance used in determining the provision for ECL on loans and credit commitments, as well as IT general controls related to the relevant IT systems.</p> <p>In addition to controls testing, our other significant audit procedures included, among others:</p> <ul style="list-style-type: none"> • consideration of the appropriateness of the methodology inherent in the models for SICR and MES against the requirements of NZ IFRS 9; • the involvement of our credit risk modelling experts to evaluate the appropriateness of the models and the reasonableness of the assumptions applied within the models, the accuracy of the ECL model calculation and evaluating the results of management's model monitoring undertaken during the year; • the involvement of our economics experts to assist in evaluating the reasonableness of key assumptions, economic variables and data applied in determining MES;

Description of the key audit matter	How our audit addressed the key audit matter
<p>The principal considerations for our determination that performing procedures relating to the provision for ECL on loans and credit commitments is a key audit matter are:</p> <ul style="list-style-type: none"> • there was significant judgement and effort in evaluating audit evidence related to the model and assumptions used to determine the provision for ECL on loans and credit commitments; • there was significant judgement and effort in evaluating audit evidence related to the identification and calculation of portfolio overlay adjustments to the ECL, MES and the associated weightings applied; • there was a high degree of auditor effort required to test critical data elements used in the model, and the model evaluation processes; • there was a high degree of auditor effort required to test relevant IT controls used in determining the provision for ECL on loans and credit commitments; and • the nature and extent of audit effort required to test the models, assumptions and judgements required specialised skill and knowledge. 	<ul style="list-style-type: none"> • challenging and assessing the appropriateness of portfolio overlay adjustments to provide evidence that these are reasonable; • assessing the completeness of portfolio overlay adjustments by considering factors including model performance, data quality and other relevant risks; • testing the completeness and accuracy of critical data elements used to calculate the portfolio overlays; • assessing the review, challenge and approval by an internal governance committee of MES, probability weightings and portfolio overlay adjustments used in the ECL model and assessing the reasonableness of decisions; • substantive testing on a sample basis of the input of critical data elements into source systems, and the flow and transformation of those critical data elements from source systems to the ECL model; • for a sample of corporate loans not identified as impaired, considering the borrower's latest financial information provided to the Banking Group to test the reasonableness of the credit risk grade rating that has been allocated to the borrower, a critical data element which involves significant management judgement; • for a sample of impaired loans where the provision is individually assessed, considering the borrower's latest financial information, value of security held as collateral, multiple weighted scenario outcomes and independent expert advice (where applicable) provided to the Banking Group to test the basis of measuring individually assessed provisions; and • considering the impacts of events occurring subsequent to balance date on the ECL for loans and credit commitments. <p>We also assessed the appropriateness of the Banking Group's disclosures in the Financial Statements against the requirements of NZ IFRS.</p>

Description of the key audit matter	How our audit addressed the key audit matter
<p>IT systems and controls</p> <p>The Banking Group is heavily dependent on complex, interdependent IT systems for the capture, processing, storage and extraction of significant volumes of transactions which is critical to the recording of financial information and the preparation of financial statements of the Banking Group. Accordingly, we considered this to be a key audit matter.</p> <p>In common with all other major banks, access management controls are important to ensure both access and changes made to systems and data are appropriate.</p> <p>The Banking Group's controls over IT systems include:</p> <ul style="list-style-type: none"> • user access to applications, process and data; • program development and changes; • segregation of duties and privileged user accounts; and • IT operations. 	<p>For material financial statement transactions and balances, our procedures included gaining an understanding of the business processes, key controls and IT systems used to generate and support those transactions and balances and associated IT application controls and IT dependencies in manual controls. This involved the following areas:</p> <ul style="list-style-type: none"> • how user access is granted, reviewed and removed on a timely basis from IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed to those systems; • how changes are initiated, documented, tested and authorised prior to migration into the production environment of critical IT applications. We also assessed the appropriateness of users with access to make changes to IT applications across the Banking Group; • how controls are designed to enforce segregation of duties and the use of privileged accounts to ensure that data is only changed through authorised means; and • how controls over operations are used to ensure that any issues are managed appropriately. <p>Where relevant to our planned audit approach, we, along with our IT specialists, assessed the design and tested the effectiveness of certain controls over the continued integrity of the in-scope IT systems that are relevant to financial reporting.</p> <p>We also carried out tests, on a sample basis, of IT application controls and IT dependencies in manual controls that were key to our audit testing strategy in order to assess the accuracy of relevant system calculations, key reports and the operation of certain system enforced access controls.</p> <p>Where we identified design or operating effectiveness matters relating to IT systems and application controls relevant to our audit, we performed alternative or additional audit procedures.</p>

Our audit approach

Overview



The overall Banking Group materiality is \$85 million, which represents approximately 5% of the profit before income tax for the year ended 30 September 2024.

We chose profit before income tax because, in our view, it is the benchmark against which the performance of the Banking Group is most commonly measured by users, and is a generally accepted benchmark.

Full scope audits were conducted over the most financially significant operations, being Consumer Banking and Wealth and Institutional and Business Banking divisions as well as the Banking Group's treasury operations. Specified audit and analytical review procedures were performed over the remaining operations.

As reported above, we have two key audit matters, being:

- Provision for expected credit losses on loans and credit commitments; and
- IT systems and controls.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements and the Supplementary Information. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Banking Group materiality for the Financial Statements and the Supplementary Information, as a whole, as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the Financial Statements and the Supplementary Information, as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Statements and the Supplementary Information, as a whole, taking into account the structure of the Banking Group, the financial reporting processes and controls, and the industry in which the Banking Group operates.

Certain operational processes which are critical to financial reporting for the Banking Group are undertaken outside of New Zealand. We worked with a PwC network firm engaged in the Westpac Banking Corporation group audit to understand and examine certain processes, test controls and perform other substantive audit procedures that supported material balances, classes of transactions and disclosures within the Banking Group's Financial Statements and Supplementary Information. This enabled us to evaluate the effectiveness of the controls over those processes and consider the implications for the remainder of our audit work.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Disclosure Statement presented in accordance with Schedule 2 of the Order on pages 5 and 6, 80 to 85 (excluding the information on page 85 relating to note ii of the registered bank disclosures which forms part of the Supplementary Information) and 109 to 113, and the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order within note 31 of the Financial Statements and note iv of the registered bank disclosures, but does not include the Financial Statements, the Supplementary Information and our auditor's report thereon. The other information also includes the Westpac New Zealand Climate Report ("Climate Report") to be published at a later date. Other than the Climate Report which we will receive at a later date, we have received all the other information expected to be included in the Annual Report and Disclosure Statement.

Our opinion on the Financial Statements and the Supplementary Information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. We issue a separate limited assurance report on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order.

In connection with our audit of the Financial Statements and the Supplementary Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and the Supplementary Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Climate Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the Disclosure Statement

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 24 of the Order, NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

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

- all of the information prescribed in Schedule 2 of the Order; and
- the information prescribed in Schedules 4, 7, 11, 13, 14, 15 and 17 of the Order.

In preparing the Financial Statements, the Directors are responsible for assessing the Banking Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Banking Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements and the Supplementary Information

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

A further description of our responsibilities for the audit of the Financial Statements and the Supplementary Information is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.



Who we report to

This report is made solely to the Bank's shareholder. Our work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 work, for this report, or for the opinions we have formed.

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

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers
3 November 2024

Auckland



Independent Assurance Report

To the shareholder of Westpac New Zealand Limited

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

Our conclusion

We have undertaken a limited assurance engagement on Westpac New Zealand Limited (the “Bank”)’s compliance, in all material respects, with clause 21 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) which requires information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its full year Disclosure Statement for the year ended 30 September 2024 (the “Disclosure Statement”). The Disclosure Statement containing the information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the shareholder.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank’s information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order and disclosed in note iv of the registered bank disclosures, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

Basis for conclusion

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

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

Directors’ responsibilities

The Directors are responsible on behalf of the Bank for compliance with the Order, including clause 21 of the Order which requires information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 11 of the Order to be included in the Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

Our independence and quality management

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

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

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



Assurance practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order is not, in all material respects, disclosed in accordance with Schedule 11 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 21 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement we:

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

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

Inherent limitations

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

A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 11 of the Order to be included in the Disclosure Statement in compliance with clause 21 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report

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

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



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

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers
3 November 2024

Auckland



**TOGETHER
GREATER**