Westpac Securities NZ Limited

Interim financial report

For the six months ended 31 March 2019

Westpac Securities NZ Limited

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The interim financial report does not set out all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2018 and any public announcements made by Westpac Securities NZ Limited during the interim reporting period in accordance with any relevant continuous disclosure obligations.

The interim financial report covers Westpac Securities NZ Limited (the '**Company**') as an individual entity.

Westpac Securities NZ Limited is a company limited by shares, incorporated and domiciled in New Zealand. Its registered office is:

Westpac on Takutai Square
16 Takutai Square
Auckland

A description of the nature of the Company's operations and its principal activities is included in the interim management report on page 3.

The members of the Board of Directors of the Company ('**Board**') at the date of these financial statements are:

Name	**Principal activity outside the Company**
David Alexander McLean	Chief Executive, Westpac New Zealand Limited ('**WNZL**')
Johanna Claire Sawden	Head of Tax and Risk, WNZL
Mark Broughton Weenink	General Manager Regulatory Affairs, Compliance and General Counsel, WNZL
Carolyn Mary Kidd	Chief Risk Officer, WNZL

Westpac Securities NZ Limited

Information contained in or accessible through the websites mentioned in these interim financial statements do not form part of these interim financial statements unless we specifically state that such information is incorporated by reference and forms part of these interim financial statements. All references in these interim financial statements to websites are inactive textual references and are for information only.

Disclosure regarding forward-looking statements

This Interim Report contains statements that constitute 'forward-looking statements' within the meaning of Section 21E of the United States Securities Exchange Act of 1934.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this Interim Report and include statements regarding the Company's intent, belief or current expectations with respect to the Company's business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. Words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', 'aim' or other similar words are used to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond the Company's control, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with the Company's expectations or that the effect of future developments on the Company will be those anticipated. Actual results could differ materially from those expected, depending on the outcome of various factors, including, but not limited to:

- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly changes to liquidity, leverage and capital requirements;
- regulatory investigations, litigation, fines, penalties, restrictions or other regulator imposed conditions;
- the stability of New Zealand, Australian and international financial systems and disruptions to financial markets and any losses or business impacts the Company, WNZL or its customers or counterparties may experience as a result;
- market volatility, including uncertain conditions in funding, equity and asset markets;
- adverse asset, credit or capital market conditions;
- changes in investment preferences of businesses and consumers away from bank deposits towards other assets or investment classes;
- changes to the credit ratings of WNZL or Westpac Banking Corporation ('**WBC**') or to the methodology used by credit rating agencies;
- levels of inflation, interest rates, exchange rates and market and monetary fluctuations;
- market liquidity and investor confidence;
- changes in economic conditions, consumer spending, saving and borrowing habits in New Zealand, Australia, Asia and in other countries and regions in which WNZL or its customers or counterparties conduct their operations and WNZL's ability to maintain or to increase market share and control expenses;
- the effects of competition in the geographic and business areas in which WNZL conducts its operations;
- information security breaches, including cyberattacks;
- reliability and security of WBC's or WNZL's technology and risks associated with changes to technology systems;
- the conduct, behaviour or practices of the Company, WNZL and WBC or their staff;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by customers;
- the effectiveness of WNZL's risk management policies, including internal processes, systems and employees;
- the occurrence of environmental change or external events in countries in which WNZL or its customers or counterparties conduct their operations;
- internal and external events which may adversely impact WNZL's reputation;
- changes to the value of WNZL's intangible assets;
- changes in political, social or economic conditions in any of the major markets in which WNZL or its customers or counterparties operate;
- the success of strategic decisions involving diversification or innovation, in addition to business expansion and integration of new businesses; and
- various other factors beyond WNZL's and the Company's control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made in this Interim Report by the Company, refer to the section 'Risk factors' in this management report. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and events.

The Company is under no obligation to update any forward-looking statements contained in this Interim Report, whether as a result of new information, future events or otherwise, after the date of this Interim Report.

Westpac Securities NZ Limited

Interim management report

Review and results of the Company's operations during the six months ended 31 March 2019

The principal activity of the Company (acting through its London branch) is to raise and manage offshore wholesale funding for WNZL.

The profit after income tax expense of the Company for the six months ended 31 March 2019 was $1,674,000 compared with $1,693,000 for the six months ended 31 March 2018, a decrease of 1%.

Interest income increased by 21% to $114,471,000 compared to the six months ended 31 March 2018. The $19,697,000 increase was in line with the increase in interest expense and higher interest rates throughout the period.

Interest expense increased by 21% to $112,209,000 compared to the six months ended 31 March 2018. The $19,742,000 increase was in line with the increase in interest income and higher interest rates throughout the period.

Net interest income decreased by 2% to $2,262,000 compared to the six months ended 31 March 2018.

Non-interest income increased by 38% to $688,000 compared to six months ended 31 March 2018.

Operating expenses increased by 38% to $625,000 compared to the six months ended 31 March 2018.

Tax expense decreased by 1% to $651,000 compared to the six months ended 31 March 2018.

Total debt securities issued as at 31 March 2019 was $12,514,526,000 which was an increase of $795,910,000 or 7%, compared to $11,718,616,000 as at 30 September 2018. This increase was predominately due to the new issuances within the period.

For further information on the financial performance and position of WNZL, refer to its most recent Disclosure Statement available on WNZL's website at www.westpac.co.nz.

Significant events during the six months ended 31 March 2019

There were no significant events during the six months ended 31 March 2019.

Risk factors

The Company's business is subject to risks that can adversely impact its financial performance, financial condition and future performance. As the Company is an indirect, wholly-owned subsidiary of WNZL, it is consequently affected by the same principal risks and uncertainties which affect WNZL. The principal risks and uncertainties that affect WNZL are set forth below. There are no additional material risk factors solely affecting the Company. If any of the following risks occur, the Company's business, prospects, reputation, financial performance or financial condition could be materially adversely affected, with the result that the trading price of the Company's securities could decline. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems to be immaterial, may also become important factors that affect the Company.

Risks relating to WNZL's business

WNZL's businesses are highly regulated and WNZL could be adversely affected by changes in laws, regulations or regulatory policy

As a financial institution, WNZL is subject to detailed laws and regulations in each of the jurisdictions in which it or the Company operates or obtains funding including New Zealand, the United Kingdom, the United States, Switzerland and various jurisdictions in Asia. WNZL is also supervised by a number of different regulatory and supervisory authorities which have broad administrative powers over its businesses. The Reserve Bank of New Zealand ('RBNZ') and the Financial Markets Authority ('FMA') have supervisory oversight of WNZL's operations. As a subsidiary of WBC, WNZL is also subject to certain regulations imposed by the Australian Prudential Regulation Authority (APRA).

WNZL's business, reputation, prospects, financial performance and financial condition could all be affected by changes to law and regulation, changes to policies and changes in the supervisory activities and expectations of its regulators. WNZL is currently operating in an environment where there is increased scrutiny of the financial services sector. This has, in turn, led to increased scrutiny of financial services providers from regulators. In this environment, WNZL faces increasing supervision and regulation in the jurisdictions in which we operate or obtain funding. This environment has also served to increase the pace and scope of regulatory change.

Regulatory change could directly and adversely affect WNZL's financial condition and financial position. In recent years, new laws have required WNZL to maintain increased levels of liquidity and hold higher levels of, and better quality, capital and funding. Regulatory change may continue in this area. Regulation also affects the way WNZL operates its business. New regulation could require WNZL to change its existing business models (including by imposing restrictions on the types of businesses WNZL can conduct or amend its corporate structure).

Regulatory change of this type could adversely affect one or more of WNZL's businesses, restrict its flexibility, require it to incur substantial costs and could impact the profitability of one or more of its business lines. Any such costs or restrictions could adversely affect WNZL's business, prospects, financial performance or financial condition.

There are numerous sources of regulatory change that could affect WNZL's business. In some cases, changes to regulation are driven by international bodies.

It is also possible that governments or regulators in jurisdictions in which WNZL operates or obtains funding might revise their application of existing regulatory policies that apply to, or impact, WNZL's business (including by instituting macro-prudential limits on lending). Regulators or governments may take this action for a variety of reasons, including for reasons relating to national interest and/or systemic stability.

Regulatory changes and the timing of their introduction continue to evolve and WNZL manages its businesses in the context of regulatory uncertainty and complexity. The nature and impact of future changes are not predictable and are beyond WNZL's control. Regulatory compliance and the management of regulatory change are an important part of WNZL's planning processes. WNZL expects that it will be required to continue to invest significantly in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing, or implement new, processes to comply with new regulations (such as obligations to provide certain data and information to regulators) or new interpretations of existing laws or regulations. The failure of WNZL to appropriately manage and implement regulatory change, including by failing to implement effective processes to comply with new regulations, could result in WNZL failing to meet a compliance obligation. Further information about the consequences of failing to meet a compliance obligation is set out in the section titled 'WNZL's businesses are highly regulated and could be adversely affected by failing to comply with laws, regulations or regulatory policy' below.

Current or recent regulatory reforms and significant developments in New Zealand include:

- RBNZ - Revised Outsourcing Policy

On 19 September 2017, the RBNZ advised WNZL of changes to its conditions of registration that will give effect to the RBNZ's revised Outsourcing Policy (BS11) (Revised Outsourcing Policy). Both the changes to the conditions of registration and the Revised Outsourcing Policy came into effect on 1 October 2017 for all new outsourcing arrangements. The Revised Outsourcing Policy sets out requirements that banks need to meet when outsourcing particular functions and services, especially if the service provider is a related party of the bank. WNZL must fully comply with the requirement to maintain a compendium of outsourcing arrangements by 30 September 2019 and must fully comply with the other aspects of the Revised Outsourcing Policy by 30 September 2022 including remediation of all outsourcing arrangements existing as at 1 October 2017. Work is underway to comply with those requirements. As a result of complying with the Revised Outsourcing Policy, the ongoing cost of operating the WNZL business will increase, in addition to the costs of implementing the changes.

- RBNZ Capital Review

The RBNZ is undertaking a Bank Capital Adequacy Framework review on the quantum and makeup of bank capital. The RBNZ has now made "in principle" decisions on the risk weighted assets framework, including the introduction of dual reporting, a standardised methodology for operational risk, and capital floors to internal rating models.

On 14 December 2018, the RBNZ released a consultation paper to seek the public's view on a proposal to significantly increase the level of regulatory capital in the New Zealand system. In the paper, the RBNZ proposed to set a Tier 1 capital requirement equal to 16% of risk weighted assets for banks deemed systemically important, such as WNZL. The proposal of a Tier 1 ratio of 6% of risk weighted assets as a regulatory minimum is unchanged, and of this no more than 1.5% or risk weighted assets can be contributed by Additional Tier 1 capital or redeemable preference shares. The RBNZ have proposed a five year transition period.

The proposed changes aim to further strengthen the NZ banking system to protect the economy and depositors from bank failure. Meeting the RBNZ's proposed minimum 16% Tier 1 capital ratio would require a further estimated NZ$3.5 - 4 billion of Tier 1 capital if applied at 31 March 2019 (assuming that its existing NZ$1.5 billion Additional Tier 1 capital instrument is not eligible to meet future Tier 1 capital requirements). WNZL is already strongly capitalised with a Tier 1 capital ratio of 14.5% at 31 March 2019.

- Reform of the regulation of financial advice

In July 2016, the New Zealand Government announced plans for changes to the regime regulating financial advice. The new regime is set out in the Financial Services Legislation Amendment Act 2019 which received Royal Assent on 8 April 2019. A Code of Conduct is expected to be approved in Quarter 2 2019. There will be a 9-month period from the Code's approval to initial implementation of the new regime, after which a 2-year safe harbour for competency requirements will apply. Full implementation of the regime is expected in Quarter 1 or Quarter 2 2022.

- RBNZ - Review under section 95 of the Reserve Bank of New Zealand Act 1989

On 15 November 2017, the RBNZ advised WNZL of changes to its conditions of registration resulting from a review of its compliance with advanced internal rating based aspects of the RBNZ's 'Capital Adequacy Framework (Internal Models Based Approach)'. The changes to WNZL's conditions of registration came into effect on 31 December 2017 and increase the minimum Total Capital ratio, Tier 1 Capital ratio and Common Equity Tier 1 Capital ratio of WNZL and its controlled entities by 2%. WNZL has also undertaken to the RBNZ to maintain the Total Capital ratio of WNZL and its controlled entities above 15.1%. WNZL and its controlled entities retain an appropriate amount of capital to comply with the increased minimum ratios. The RBNZ requires WNZL to sufficiently address non-compliance issues by 30 June 2019. A remediation plan has been provided to the RBNZ. WNZL is providing regular progress updates to the RBNZ.

- Review of the Reserve Bank of New Zealand Act

In November 2017, the New Zealand Government announced it will undertake a review of the Reserve Bank of New Zealand Act 1989 (Act) (RBNZ Review). The RBNZ Review aims to ensure the RBNZ's monetary and financial policy framework still provides the most efficient and effective model for New Zealand. The RBNZ Review will consist of two phases. Phase 1 focuses on whether the RBNZ's decision-making process for monetary policy is robust, and the legislation for the proposed Phase 1 related changes to New Zealand's monetary policy framework received royal assent on 20 December 2018, and came into force on 1 April 2019. The terms of reference for Phase 2 were released in June 2018 and will consider the overarching objectives of the RBNZ's institutional governance and decision-making, the macro prudential framework, the current prudential supervision model, trans-Tasman coordination, supervision and enforcement and resolution and crisis management. The first consultation on Phase 2 closed in January 2019 and considered the overarching objectives of the RBNZ, the RBNZ's governance and decision-making arrangements, prudential supervision and crisis management. Two further subsequent Phase 2 consultations are planned. These will cover the detailed policy options developed following the first consultation and the remaining terms of reference topics. At this stage, the first of these subsequent consultations is expected to commence in the first half of 2019 with the final consultation expected later in 2019.

- Residential Mortgage Bond Collateral Standard Review

On 17 December 2017, the RBNZ published an issues paper proposing an enhanced mortgage bond standard aimed at supporting confidence and liquidity in the financial system. Following industry engagement to develop a new mortgage bond standard, the RBNZ released a consultation paper on the policy standard in November 2018. The consultation closed in March 2019 and final decisions on the new mortgage bond standard are awaited. A five-year transition to full implementation is proposed.

- RBNZ/FMA – Financial Services Conduct & Culture Review

In May 2018, the RBNZ and FMA commenced a review in respect of New Zealand's 10 major banks & 15 life insurers, including WNZL and Westpac Life-NZ-Limited (**'Westpac Life'**), to explain why conduct issues highlighted by the Australian Royal Commission are not present in New Zealand. WNZL and Westpac Life provided the regulators with information in relation to this review. An industry thematic review report for the banks was released on 5 November 2018. The report identified no widespread instances of misconduct and notes that each bank was required to provide regulators with a plan by the end of March 2019 to address the issues identified in the report and in the individualised letters that were received by the banks in November 2018.

The industry thematic review report into life insurers, including Westpac Life, was released on 29 January 2019. The report identified extensive weaknesses in life insurers' systems and controls, governance and management of conduct risks. Each insurer is required to provide regulators with a plan by the end of June 2019 to address the issues identified in the report and in individualised letters that were received by the insurers in February 2019.

Interim management report (continued)

- Conduct of Financial Institutions Review

Following the developments and findings of the Financial Services Conduct & Culture Review and the Australian Royal Commission, the Ministry of Business, Innovation & Employment (MBIE) published an options paper on 27 April 2019 which considers how the conduct of financial institutions could be better regulated. The options outlined in the paper include the introduction of overarching duties to govern the conduct of financial institutions, senior management and director accountability for breach of duties, a legal duty regarding the handling of insurance claims, measures to address conflicted remuneration and product suitability measures. The paper also outlines a range of enforcement measures. Submissions on the paper are due on 7 June 2019, with the intention of introducing legislation to Parliament by the end of 2019.

- Insurance Contracts Law Review

On 27 April 2019, the MBIE released an options paper as part of its insurance contract law review with the aim of making insurance contracts fairer and clearer. The options outlined in the paper relate to information disclosure to insurers (and remedies available for non-disclosure), removal of insurance-specific exemptions to unfair contract terms of the Fair Trading Act 1986 and measures to enable insurers to understand and compare policies. Submissions on the paper are due on 28 June 2019, with the intention of introducing legislation to Parliament by mid-2019.

WNZL's businesses are highly regulated and could be adversely affected by failing to comply with laws, regulations or regulatory policy

WNZL is responsible for ensuring that it complies with all applicable legal and regulatory requirements and industry codes of practice in the jurisdictions in which it operates or obtains funding, as well as meeting its ethical standards.

WNZL is subject to compliance risk, which is the risk of legal or regulatory sanction or financial or reputational loss, arising from WNZL's failure to abide by the compliance obligations required of it. This risk is exacerbated by the increasing complexity and volume of domestic and global regulation. Compliance risk can also arise where WNZL interprets its regulatory obligations, compliance requirements and rights differently to its regulators or a Court. The potential for this to occur may be heightened in the period that follows the introduction of significant changes to regulation, particularly where that new regulation is untested and/or not subject to extensive regulatory guidance.

WNZL employs a compliance management system which is designed to identify, assess and manage compliance risk. This system includes (amongst other things) frameworks, policies, procedures, controls and assurance oversight. While this system is currently in place, it may not always have been or continue to be effective. Breakdowns may occur in this compliance management system due, for example, to flaws in the design of controls or underlying processes. This could result in potential breaches of WNZL's compliance obligations, as well as poor customer outcomes.

WNZL also depends on its employees, contractors, agents, authorised representatives and external service providers to 'do the right thing' for it to meet its compliance obligations. If an employee, contractor or external service provider fails to act in an appropriate manner, such as by neglecting to follow a policy or by engaging in misconduct, these actions could result in poor customer outcomes and a failure by WNZL to comply with its compliance obligations.

WNZL's failure, or suspected failure, to comply with a compliance obligation could lead to a regulator commencing surveillance or an investigation, which may, depending on the circumstances, result in the regulator taking administrative or enforcement action against it (including seeking fines or other monetary penalties). In addition, the failure or alleged failure of its competitors to comply with their compliance obligations could lead to increased regulatory scrutiny across the financial services sector.

In many cases, WNZL's regulators have broad administrative and enforcement powers. An example of the broad administrative power available to regulatory authorities is the power available to the RBNZ in certain circumstances to investigate WNZL's affairs and/or issue a direction to WNZL (such as a direction to comply with a prudential requirement, to conduct an audit, to remove a Director, executive officer or employee or not to undertake transactions) or require WNZL to hold additional capital. Other regulators also have the power to investigate, including looking into past conduct.

The powers exercisable and penalties that can be imposed by WNZL's regulators may also be expanded in the future. Changes may also occur in the oversight approach of regulators, which could result in a regulator preferring its enforcement powers over a more consultative approach.

In recent years, there have been significant increases in the nature and scale of regulatory investigations, enforcement actions and the quantum of fines issued by global regulators.

The provision of new powers to regulators, coupled with the increasingly active supervisory and enforcement approaches adopted by them, may increase the prospect of adverse regulatory action being brought against WNZL.

Regulatory action brought against WNZL may expose WNZL to an increased risk of litigation brought by third parties (including through class action proceedings). The outcome of such litigation (including class action proceedings) may be payment of compensation to third parties and/or further remediation activities. In addition, action taken in one jurisdiction may prompt similar action to be taken in another jurisdiction.

The failure to comply with financial crime obligations could have an adverse effect on WNZL's business and reputation

WNZL is subject to anti-money laundering and counter-terrorism financing (AML/CTF) laws, anti-bribery and corruption laws, economic and trade sanctions laws and tax transparency laws in the jurisdictions in which it operates. These laws can be complex, and in some circumstances, impose a diverse range of obligations. For example, AML/CTF laws require WNZL and other regulated institutions to (amongst other things) undertake customer identification and verification, conduct ongoing due diligence on customers, maintain and comply with an AML/CTF program and undertake ongoing risk assessments. AML/CTF laws also require WNZL to report certain matters and transactions to regulators and ensure that certain information is not disclosed to third parties in a way that would contravene the 'tipping off' provisions in AML/CTF legislation. Furthermore, financial crime laws are also undergoing change in a number of jurisdictions.

In recent years there has been increased focus on compliance with financial crime obligations, with regulators around the globe commencing large-scale investigations and taking enforcement action where they have identified non-compliance (often seeking significant monetary penalties). Further, due to the large volume of transactions that WNZL processes, the undetected failure or the ineffective implementation or remediation of a system, policy, process or control (including in relation to a regulatory reporting obligation) could result in a significant number of breaches of AML/CTF obligations and significant monetary penalties.

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Interim management report (continued)

While WNZL has systems, policies, processes and controls in place that are designed to manage its financial crime obligations (including its reporting obligations), these may not always have been or continue to be effective, with WNZL currently working to address areas of control weaknesses in its financial crime management framework. If WNZL fails to comply with these obligations it could impact the ability of financial crime regulators and law enforcement bodies to deal with and minimise financial crime, and WNZL could face regulatory enforcement action such as litigation, significant fines, penalties and the revocation, suspension or variation of licence conditions. Non-compliance could also lead to litigation commenced by third parties (including class action proceedings) and cause reputational damage. These actions could, either individually or in aggregate, adversely affect WNZL's business, prospects, reputation, financial performance or financial condition.

Reputational damage could harm WNZL's business and prospects

WNZL's ability to attract and retain customers and its prospects could be adversely affected if its reputation is damaged.

Reputation risk is the risk of loss of reputation, stakeholder confidence or public trust and standing. It arises where there are differences between stakeholders' current and emerging perceptions, beliefs and expectations and WNZL's current and planned activities, processes, performance and behaviours.

There are various potential sources of reputational damage. WNZL's reputation may be damaged where any of its policies, processes, practices or behaviours result in a negative outcome for a customer or a class of customers. Other potential sources of reputational damage include the failure to effectively manage risks in accordance with WNZL's risk management frameworks, failure to comply with legal and regulatory requirements, adverse findings from regulatory reviews (including WNZL specific and industry wide reviews), environmental, social and ethical issues, failure of information security systems, technology failures, security breaches and inadequate record keeping which may prevent WNZL from demonstrating that a past decision was appropriate at the time it was made.

WNZL may suffer reputational damage where its conduct, practices, behaviours or business activities do not align with the evolving standards and expectations of the community, WNZL's regulators or other stakeholders. As these expectations may exceed the standard required in order to comply with the law, WNZL may incur reputational damage even where it has met its legal obligations. WNZL's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of related companies (including WBC), its competitors, customers, suppliers, strategic partners and other counterparties. Furthermore, the risk of reputational damage may be heightened by factors such as the increasing use of social media or the increasing prevalence of groups which seek to publicly challenge WNZL's strategy or approach to aspects of its business.

Failure, or perceived failure, to appropriately address issues that could or do give rise to reputational risk could also impact the regulatory change agenda, give rise to additional legal risk, subject WNZL to regulatory investigations, regulatory enforcement actions, fines and penalties or litigation brought by third parties (including class actions), require it to remediate and compensate customers and incur remediation costs or harm its reputation among customers, investors and the marketplace. This could lead to loss of business which could adversely affect WNZL's business, prospects, financial performance or financial condition.

WNZL could suffer losses due to litigation (including class action proceedings)

WNZL may from time to time, be involved in legal proceedings (including class action proceedings), regulatory actions or arbitration arising from the conduct of its business and the performance of its legal and regulatory obligations. These may, either individually or in aggregate, adversely affect WNZL's business, operations, prospects or financial condition. Such matters are subject to many uncertainties (for example, the outcome may not be able to be predicted accurately) and WNZL may be required to pay money such as damages, fines, penalties or legal costs. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

In recent years, there has been an increase in the number of class action proceedings brought against financial services companies (and other organisations more broadly), many of which have resulted in significant monetary settlements. The risk of class action proceedings being commenced is heightened by findings from regulatory investigations or inquiries, adverse media, an adverse judgment or the settlement of proceedings brought by a regulator. Furthermore, there is a risk that class action proceedings commenced against a competitor could lead to similar class action proceedings being commenced against WNZL.

WNZL could suffer information security risks, including cyberattacks

The proliferation of new technologies, the increasing use of the internet and telecommunications to conduct financial transactions and the growing sophistication and activities of attackers (including organised crime and state-sponsored actors) have resulted in increased information security risks for major financial institutions such as WNZL and its external service providers.

While WNZL has systems in place to protect against, detect and respond to cyberattacks, these systems may not always be effective and there can be no assurance that WNZL will not suffer losses from cyberattacks or other information security breaches in the future. If a cyberattack is successful, technology systems might fail to operate properly or become disabled and it could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of WNZL, its employees, customers or third parties or otherwise adversely impact network access, business operations or availability of services.

In addition, as cyber threats continue to evolve, WNZL may be required to expend significant additional resources to modify or enhance its systems or to investigate and remediate any vulnerabilities or incidents.

WNZL's operations rely on the secure processing, storage and transmission of information on its computer systems and networks, and the systems and networks of external suppliers. Although WNZL implements measures to protect the security, integrity and confidentiality of its information, there is a risk that the computer systems, software and networks on which WNZL relies may be subject to security breaches, unauthorised access, malicious software, external attacks or internal breaches that could have an adverse impact on WNZL's confidential information or that of its customers and counterparties.

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Interim management report (continued)

Major banks in other jurisdictions have suffered security breaches from sophisticated cyberattacks. WNZL's external service providers or other parties that facilitate its business activities are also subject to the risk of cyberattacks.

Any such security breach could result in the loss of customers and business opportunities, significant disruption to WNZL's operations, misappropriation of WNZL's confidential information and/or that of its customers and damage to WNZL's computers or systems and/or those of its customers.

Such a security breach could also result in reputational damage, claims for compensation and regulatory investigations and penalties, which could adversely affect WNZL's business, prospects, financial performance, or financial condition.

WNZL's risk and exposure to such threats remains heightened because of the evolving nature of technology, WNZL's prominence within the financial services industry, the prominence of its customers (including government) increasing obligations to make data and information available to external third parties and its plans to continue to improve and expand its internet and mobile banking infrastructure.

WNZL could suffer losses due to technology failures or its inability to appropriately manage and upgrade its technology

The reliability, integrity and security of WNZL's information and technology is crucial in supporting its customers' banking requirements and meeting its compliance obligations and regulators' expectations.

While WNZL has a number of processes in place to provide for and monitor the availability and recovery of its systems, there is a risk that its information and technology systems might fail to operate properly or become disabled as a result of events that are wholly or partially beyond its control. If WNZL incurs a technology failure it may fail to meet a compliance obligation. This could potentially result in reputational damage, remediation costs and a regulator commencing an investigation and/or taking administrative or enforcement action against WNZL.

Further, in order to continue to deliver new products and services to customers, comply with WNZL's regulatory obligations (such as obligations to report certain data and information to regulators) and meet the ongoing expectations of WNZL's regulators, WNZL needs to regularly renew and enhance its technology. WNZL is constantly managing technology projects including projects to consolidate technology platforms, simplify and enhance its technology, assist in complying with legal obligations and operations environment, improve productivity and provide for a better customer experience.

Failure to implement these projects or manage associated change effectively could result in cost overruns, unrealised productivity, operational instability, failure to meet compliance obligations and/or reputational damage. In turn, this could place WNZL at a competitive disadvantage and adversely affect its financial performance.

Adverse credit and capital market conditions or depositor preferences may significantly affect WNZL's ability to meet funding and liquidity needs and may increase its cost of funding

WNZL relies on deposits and credit and capital markets to fund its business and as a source of liquidity. WNZL's liquidity and costs of obtaining funding are related to credit and capital market conditions.

Global credit and capital markets can experience periods of extreme volatility, disruption and decreased liquidity as was demonstrated during the Global Financial Crisis. While there have now been extended periods of stability in these markets, the environment remains unpredictable. The main risks WNZL faces are damage to market confidence, changes to the access and cost of funding and a slowing in global activity or through other impacts on entities with which WNZL does business. Capital markets may also be affected by proposed changes to US repatriation tax rules.

As of 31 March 2019, approximately 19% of WNZL's total funding originated from domestic and international wholesale markets (30 September 2018: 18%). Of this, around 79% was sourced outside New Zealand (30 September 2018: 79%). As of 31 March 2019, WNZL's deposits provided around 76% of total funding (30 September 2018: 76%). Customer deposits held by WNZL are comprised of both term deposits which can be withdrawn after a certain period of time and at call deposits which can be withdrawn at any time.

A shift in investment preferences could result in deposit withdrawals by customers which could increase WNZL's need for funding from other, potentially less stable or more expensive, forms of funding.

If market conditions deteriorate due to economic, financial, political or other reasons, there may also be a loss of confidence in bank deposits and WNZL could experience unexpected deposit withdrawals. In this situation WNZL's funding costs may be adversely affected and its liquidity, funding and lending activities may be constrained.

If WNZL's current sources of funding prove to be insufficient, WNZL may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, WNZL's credit ratings and credit market capacity. Even if available, these alternatives may be more expensive or on unfavourable terms, which could adversely affect WNZL's financial performance, liquidity, capital resources or financial condition. There is no assurance that WNZL will be able to obtain adequate funding, do so at acceptable prices, or that it will be able to recover any additional costs.

If WNZL is unable to source appropriate funding, it may also be forced to reduce its lending or begin selling liquid securities. Such actions may adversely impact WNZL's business, prospects, liquidity, capital resources, financial performance or financial condition. If WNZL is unable to source appropriate funding for an extended period, or if it can no longer sell liquid securities, there is a risk that WNZL will be unable to pay its debts as and when they become due and payable.

WNZL enters into collateralised derivative obligations, which may require it to post additional collateral based on movements in market rates, which have the potential to adversely affect WNZL's liquidity or ability to use derivative obligations to hedge its interest rate, currency and other financial instrument risks.

Sovereign risk may destabilise financial markets adversely

Sovereign risk is the risk that governments will default on their debt obligations, will be unable to refinance their debts as they fall due, or will nationalise parts of their economy, including assets of financial institutions such as WNZL.

Sovereign defaults could negatively impact the value of WNZL's holdings of investment grade liquid assets. There may also be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the Global Financial Crisis. Such an event could destabilise global financial markets adversely affecting WNZL's liquidity, financial performance or financial condition.

Failure to maintain credit ratings could adversely affect WNZL's cost of funds, liquidity, competitive position and access to capital markets

Credit ratings are independent opinions on WNZL's creditworthiness. WNZL's credit ratings can affect the cost and availability of its funding from capital markets and other funding sources and they may be important to customers or counterparties when evaluating WNZL's products and services. Therefore, maintaining high credit ratings is important.

The credit ratings assigned to WNZL by rating agencies are based on an evaluation of a number of factors, including WNZL's financial strength, WNZL's position as part of the WBC group, the quality of WNZL's governance, structural considerations regarding the New Zealand financial system and the credit rating of the New Zealand Government. A credit rating downgrade could be driven by a downgrade of the New Zealand Government, the occurrence of one or more of the other risks identified in this section or by other events including changes to the methodologies used by the rating agencies to determine ratings.

The credit ratings of a subsidiary are generally linked to the credit ratings of its parent entity. Consequently, should the long-term issuer credit rating of WBC be downgraded, it is likely that WNZL's long-term issuer credit rating would also be downgraded which would adversely affect its cost of funds and related margins, collateral requirements, liquidity, competitive position and access to capital markets.

A downgrade or series of downgrades to WNZL's credit ratings could have an adverse effect on its cost of funds and related margins, collateral requirements, liquidity, competitive position and its access to capital markets. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether WNZL's ratings differ among agencies (split ratings) and whether any ratings changes also impact WNZL's competitors or the sector.

A systemic shock in relation to the New Zealand, Australian or other financial systems could have adverse consequences for WNZL or its customers or counterparties that would be difficult to predict and respond to

There is a risk that a major systemic shock could occur that causes an adverse impact on the New Zealand, Australian or other financial systems.

During the past decade the financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility, global economic conditions, geopolitical instability (such as threats of or actual conflict occurring around the world) and political developments. In particular, there have been significant global political developments in recent times, including Brexit and the introduction of tariffs and other protectionist measures by various countries, such as the US and China. A shock to one of the major global economies could result in currency and interest rate fluctuations and operational disruptions that negatively impact WNZL.

Any such market and economic disruptions could adversely affect financial institutions such as WNZL because consumer and business spending may decrease, unemployment may rise and demand for the products and services WNZL provides may decline, thereby reducing its earnings. These conditions may also affect the ability of WNZL's borrowers to repay their loans or WNZL's counterparties to meet their obligations, causing WNZL to incur higher credit losses and affect investors' willingness to invest in WNZL. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing WNZL's access to funding and impairing WNZL's customers and counterparties and their businesses. If this were to occur, WNZL's business, prospects, financial performance or financial condition could be adversely affected.

The nature and consequences of any such event are difficult to predict and there can be no certainty that WNZL could respond effectively to any such event.

Declines in asset markets could adversely affect WNZL's operations or profitability

Declines in New Zealand, Australian or other asset markets, including equity, residential and commercial property and other asset markets, could adversely affect WNZL's operations and profitability.

Declining asset prices also impact WNZL's wealth management business. Earnings in WNZL's wealth management business are, in part, dependent on asset values because it typically receives fees based on the value of securities and/or assets held or managed. A decline in asset prices could negatively impact the earnings of this business.

Declining asset prices could also impact customers and counterparties and the value of security (including residential and commercial property) WNZL holds against loans and derivatives. This may impact its ability to recover amounts owing to it if customers or counterparties were to default. It may also affect WNZL's level of provisioning which in turn impacts its profitability and financial condition.

A weakening of the real estate market in New Zealand could adversely affect WNZL

Loans secured by residential mortgages are important to WNZL's business. As at 31 March 2019, housing loans represented approximately 60% of WNZL's gross loans and advances (30 September 2018: 61%).

A sustained decrease in property valuations in New Zealand could increase the losses WNZL may experience from its existing housing loans and decrease the amount of new housing loans WNZL is able to originate, which could materially and adversely affect WNZL's financial condition, financial performance and future performance.

WNZL's business is substantially dependent on the New Zealand and Australian economies

WNZL's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on various factors including economic growth, business investment, business and consumer sentiment, levels of employment, interest rates, asset prices and trade flows in the countries in which WNZL operates.

WNZL conducts the majority of its business in New Zealand and, consequently, its performance is influenced by the level and cyclical nature of lending in New Zealand. These factors are in turn impacted by both domestic and international economic conditions, natural disasters and political events. A significant decrease in New Zealand housing valuations could adversely impact WNZL's home lending activities because borrowers with loans in excess of their property value show a higher propensity to default and in the event of defaults WNZL's security would be eroded, causing it to incur higher credit losses. The demand for WNZL's home lending products may also decline due to adverse changes in tax legislation (such as changes to tax rates, concessions or deductions), regulatory requirements or other buyer concerns about decreases in values.

Adverse changes to economic and business conditions in New Zealand and other countries such as Australia, China, India and Japan, could also adversely affect the New Zealand economy and WNZL's customers. In particular, due to the current economic relationship between New Zealand, Australia and China, a slowdown in the economic growth of China or Australia, including as the result of the implementation of tariffs or other protectionist trade measures, could negatively impact the New Zealand economy. Changes in commodity prices, Chinese government policies and broader economic conditions could in turn result in reduced demand for WNZL's products and services and affect the ability of its borrowers to repay their loans. If this were to occur, it could negatively impact WNZL's business, prospects, financial performance or financial condition.

An increase in defaults in credit exposures could adversely affect WNZL's liquidity, capital resources, financial performance or financial condition

Credit risk is the risk of financial loss where a customer or counterparty fails to meet their financial obligations to WNZL. It is a significant risk and arises primarily from WNZL's lending activities.

WNZL establishes provisions for credit impairment based on current information and WNZL's expectations. If economic conditions deteriorate outside of WNZL's expectations, some customers and/or counterparties could experience higher levels of financial stress and WNZL may experience a significant increase in defaults and write-offs, and be required to increase its provisioning. Such events would diminish available capital and could adversely affect WNZL's liquidity, capital resources, financial performance or financial condition.

Credit risk also arises from certain derivative, clearing and settlement contracts WNZL enters into and from its dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, clearing houses, governments and government bodies the financial conditions of which may be affected to varying degrees by economic conditions in global financial markets.

WNZL faces intense competition in all aspects of its business

The financial services industry is highly competitive. WNZL competes, both domestically and internationally, with retail and commercial banks, asset managers, investment banking firms, brokerage firms, other financial service firms and businesses in other industries with emerging financial services aspirations. This includes specialist competitors that may not be subject to the same capital and regulatory requirements and therefore may be able to operate more efficiently. Digital technologies are changing consumer behaviour and the competitive environment. The use of digital channels by customers to conduct their banking continues to rise and emerging competitors are increasingly utilising new technologies and seeking to disrupt existing business models, including in relation to digital payment services. WNZL faces competition from established providers of financial services as well as from banking businesses developed by non-financial services companies.

If WNZL is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also adversely affect WNZL by diverting business to its competitors or creating pressure to lower margins and fees.

Increased competition for deposits could also increase WNZL's cost of funding and lead it to access other types of funding or reduce lending. WNZL relies on bank deposits to fund a significant portion of its balance sheet and deposits have been a relatively stable source of funding. WNZL competes with banks and other financial services firms for such deposits. To the extent that WNZL is not able to successfully compete for deposits, it would be forced to rely more heavily on other, potentially less stable or more expensive forms of funding, or reduce lending.

WNZL is also dependent on its ability to offer products and services that match evolving customer preferences. If WNZL is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences and habits, it may lose customers to its competitors. This could adversely affect its business, prospects, financial performance or financial condition.

WNZL could suffer losses due to market volatility

WNZL is exposed to market risk as a consequence of its trading activities in financial markets, its defined benefit plan and through the asset and liability management of its financial position. This is the risk of an adverse impact on earnings resulting from changes in market factors such as foreign exchange rates, commodity prices, equity prices and interest rates including the potential for negative interest rates. This includes interest rate risk in the banking book, such as the risk to interest income from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities.

Changes in market factors could be driven by a number of developments. As an example, in July 2017, the FCA, which regulates the London Interbank Offered Rate ("LIBOR"), announced that it would not require panel banks to continue to submit rates for the calculation of the LIBOR benchmark after 2021. Accordingly, the continuation of LIBOR in its current form will not be guaranteed after 2021, and it appears likely that LIBOR will be discontinued or modified by 2021. Any such developments or future changes in the administration of LIBOR or any other benchmarks could result in adverse consequences to the return on, value of and market for, securities and other instruments whose returns are linked to any such benchmark, including those securities or other instruments issued by WNZL.

If WNZL were to suffer substantial losses due to any market volatility (including changes in the return on, value of or market for, securities or other instruments) it may adversely affect its business, prospects, liquidity, capital resources, financial performance or financial condition.

WNZL could suffer losses due to operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It also includes, among other things, reputational risk, technology risk, model risk and outsourcing risk, as well as the risk of business disruption due to external events such as natural disasters, environmental hazard, damage to critical utilities, and targeted activism and protest activity. While WNZL has policies, processes and controls in place to manage these risks, these may not always have been, or continue to be effective.

Ineffective processes and controls could result in an adverse outcome for WNZL's customers. For example, a process breakdown could result in a customer not receiving a product on the terms and conditions, or at the pricing, they agreed to. In addition, inadequate record keeping may prevent WNZL from demonstrating that a past decision was appropriate at the time it was made or that a particular action or activity was undertaken. If this was to occur, WNZL may incur significant costs in paying refunds and compensation to customers, as well as remediating any underlying process breakdown. These types of failure may also result in increased regulatory scrutiny, with a regulator potentially commencing an investigation and/or taking other enforcement, administrative or supervisory action.

WNZL could incur losses from fraudulent applications for loans or from incorrect or fraudulent payments and settlements, particularly real-time payments. Fraudulent conduct can also emerge from external parties seeking to access WNZL's systems and customers' accounts. If systems, procedures and protocols for managing fraud fail, or are ineffective, they could lead to losses which could adversely affect WNZL's customers, as well as its business, prospects, reputation, financial performance or financial condition.

Accurate and complete data is critical to ensure that WNZL's systems (both customer facing and back-office), risk management frameworks, and financial reporting processes operate effectively. Poor data quality could arise in the conduct of its business in a number of ways, including through inadequacies in systems, processes and policies, which could lead to deficiencies or failings in customer service, risk management, financial reporting (including in the calculation of risk weighted assets), compliance with legal obligations (including obligations to provide data to regulators) and also result in poor decision making. Poor data quality, including as a result of data that is fragmented across multiple systems, could affect the ability of WNZL to improve systems and processes. WNZL is also exposed to model risk, being the risk of loss arising from errors or inadequacies in data or a model, or in the control and use of a model.

WNZL is required to retain and access data and documentation for specific retention periods in order to satisfy its compliance obligations. In some cases, WNZL also retains data to enable it to demonstrate that a past decision was appropriate at the time it was made. Failings in systems, processes and policies could all adversely affect WNZL's ability to retain and access data.

In recent times, financial services entities have been increasingly sharing data with third parties, such as suppliers and regulators (both domestic and offshore), in order to conduct their business activities and meet regulatory obligations. A breakdown in a process or control related to the transfer, storage or protection of data transferred to a third party, or the failure of a third party to use and handle this data correctly, could result in WNZL failing to meet a compliance obligation and/or have an adverse impact on our customers and WNZL.

WNZL also relies on a number of suppliers, both in New Zealand and overseas, to provide services to it and its customers. Failure by these suppliers to deliver services as required could disrupt services and adversely impact WNZL's operations, profitability or reputation.

Operational risks can directly impact WNZL's reputation and result in financial losses (including through decreased demand for its products and services) which would adversely affect its financial performance or financial condition.

Operational risk, technology risk, conduct risk or compliance risk events could require WNZL to undertake customer remediation activity

WNZL relies on a large number of policies, processes, procedures, systems and people to conduct its business. Breakdowns or deficiencies in one of these areas (arising from one or more operational risk, technology risk, conduct risk or compliance risk events) have resulted, and could in the future result in adverse outcomes for customers which WNZL is required to remediate.

These events could require WNZL to incur significant remediation costs (which may include compensation payments to customers and costs associated with correcting the underlying issue) and could result in reputational damage.

There are significant challenges and risks involved in executing a customer remediation activity. WNZL's ability to investigate an adverse customer outcome that may require remediation could be impeded if the issue is a legacy matter spanning beyond our record retention period, or if WNZL's record keeping is otherwise inadequate. Depending on the nature of the issue, it may be difficult to quantify and scope the remediation activity. Determining how to properly and fairly compensate customers can also be a complicated exercise involving numerous stakeholders, such as the affected customers, regulators and industry bodies. WNZL's proposed approach to a remediation may be affected by a number of events, such as a group of affected customers commencing class action proceedings on behalf of the broader population of affected customers, or a regulator exercising their powers to require that a particular approach to remediation be taken. These factors could impact the timeframe for completing the remediation activity, potentially resulting in WNZL failing to execute the remediation in a timely manner. A failure of this type could lead to a regulator commencing enforcement action against WNZL. The ineffective or slow completion of a remediation also exposes WNZL to reputational damage, with WNZL potentially being criticised by regulators, affected customers, the media and other stakeholders, resulting in reputational damage. The significant challenges and risks involved in scoping and executing remediations in a timely way also create the potential for remediation costs actually incurred to be higher than those initially estimated by WNZL.

If WNZL cannot effectively scope, quantify or implement a remediation activity in a timely way, there could be a negative impact on our business, prospects, reputation, financial performance or financial condition.

WNZL could suffer losses due to conduct risk

Conduct risk is the risk that WNZL's provision of services and products results in unsuitable or unfair outcomes for its stakeholders or undermines market integrity.

Conduct risk could occur through the provision of products and services to WNZL's customers that do not meet their needs or do not support market integrity, as well as the poor conduct of our employees, contractors, agents, authorised representatives and external service providers. This could occur through a failure to meet professional obligations to specific clients (including fiduciary and suitability requirements), poor product design and implementation, failure to adequately consider customer needs, or selling products and services outside of customer target markets. Conduct risk may also arise where there has been a failure to adequately provide a product or services that WNZL had agreed to provide a customer.

While WNZL has frameworks, policies, processes and controls that are designed to manage poor conduct outcomes, these policies and processes may not always have been or continue to be effective. The failure of these policies and processes could result in financial losses and reputational damage and this could adversely affect WNZL's business, prospects, financial performance or financial condition.

WNZL could suffer losses and its business could be adversely affected by the failure of, or failure to adopt and implement appropriate risk management

WNZL has implemented risk management strategies, frameworks and internal controls involving processes and procedures intended to identify, monitor and manage risks.

However, there are inherent limitations with any risk management framework as there may exist, or emerge in the future, risks that WNZL has not anticipated or identified and controls may not be effective.

As part of the WNZL's risk management framework, WNZL measures and monitors risks against its risk appetite. Where WNZL identifies a risk as being out-of-appetite, WNZL needs to take steps to bring this risk back into appetite in a timely way. However, there may be circumstances where WNZL fails to achieve this. This could be because, for example, WNZL is unable to enhance its information technology systems to better manage the out-of-appetite risk, is unable to recruit appropriately trained staff or because the relevant risk class is, due to external factors beyond WNZL's control, inherently outside of appetite. WNZL is also required to periodically review its risk management framework to determine whether it remains appropriate.

If WNZL is unable to bring risks back into appetite, or if it is determined that the limits under WNZL's risk management framework are no longer appropriate, WNZL may incur unexpected losses and be required to undertake considerable remedial work. The failure to remedy this situation could potentially result in increased scrutiny from regulators, who could take supervisory action such as requiring WNZL to hold additional capital or directing WNZL to spend money to enhance its' risk management systems and controls. Inadequacies in addressing risks or in WNZL's risk management framework could also result in WNZL failing to meet a compliance obligation and/or financial losses.

The effectiveness of risk management frameworks is also connected to the establishment and maintenance of a sound risk management culture. The development of appropriate remuneration structures can play an important role in supporting the establishment of, and contributing to the maintenance of a sound risk culture. However, if there is a deficiency in the design or operation of WNZL's remuneration structures, this could have a negative effect on WNZL's risk culture. This could occur in circumstances where variable reward structures encourage excessive risk taking or other conduct inconsistent with a sound risk culture. This, in turn, may have an adverse impact on the effectiveness of WNZL's risk management frameworks.

If any of WNZL's governance or risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, WNZL could suffer unexpected losses and reputational damage which could adversely affect its business, prospects, financial performance or financial condition.

WNZL's failure to recruit and retain key executives, employees and Directors may have adverse effects on our business

Key executives, employees and Directors play an integral role in the operation of WNZL's business and its pursuit of its strategic objectives. The unexpected departure of an individual in a key role, or WNZL's failure to recruit and retain appropriately skilled and qualified persons into these roles, could each have an adverse effect on our business, prospects, reputation, financial performance or financial condition.

Climate change may have adverse effects on WNZL's business

WNZL, its customers and external suppliers may be adversely affected by the physical risks of climate change, including increases in temperatures, sea levels, and the frequency and severity of adverse climatic events including fires, storms, floods, and droughts. These effects, whether acute or chronic in nature, may directly impact WNZL and its customers through reputational damage, environmental factors, insurance risk, and business disruption and may have an adverse impact onfinancial performance (including through an increase in defaults in credit exposures).

Initiatives to mitigate or respond to adverse impacts of climate change may impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes. Failure to effectively manage these transition risks could adversely affect WNZL's business, prospects, reputation, financial performance or financial condition.

WNZL could suffer losses due to environmental factors

WNZL and its customers operate businesses and hold assets in a diverse range of geographic locations. Any significant environmental change or external event (including fire, storm, flood, earthquake, pandemic, civil unrest or terrorism) in any of these locations has the potential to disrupt business activities, impact on WNZL's operations, damage property and otherwise affect the value of assets held in the affected locations and WNZL's ability to recover amounts owing to it. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets, all of which could adversely affect WNZL's business, prospects, financial performance or financial condition.

Westpac Securities NZ Limited

Interim management report (continued)

Changes in critical accounting estimates and judgements could expose WNZL to losses

WNZL is required to make estimates, assumptions and judgements when applying accounting policies and preparing its financial statements, particularly in connection with the calculation of provisions (including those related to remediations or credit losses) and the determination of the fair value of financial instruments. A change in a critical accounting estimate, assumption and/or judgement resulting from new information or from changes in circumstances or experience could result in WNZL incurring losses greater than those anticipated or provided for. This may have an adverse effect on WNZL's financial performance, financial condition and reputation. WNZL's financial performance and financial condition may also be impacted by changes to accounting standards or to generally accepted accounting principles.

WNZL could suffer losses due to impairment of capitalised software, goodwill and other intangible assets that may adversely affect its business, operations and financial condition

In certain circumstances WNZL may be exposed to a reduction in the value of intangible assets. As at 31 March 2019, WNZL carried goodwill principally related to its investments in New Zealand, as well as intangible capitalised software balances.

WNZL is required to assess the recoverability of the goodwill and other intangible asset balances on at least an annual basis or wherever an indicator of impairment exists. For this purpose WNZL uses a discounted cash flow calculation. Changes in the methodology or assumptions upon which the calculation is based, together with expected changes in future cash flows, could materially impact this assessment, resulting in the potential write-off of part or all of the intangible assets.

In the event that an asset is no longer in use or its value has been reduced or that its estimated useful life has declined, an impairment will be recorded, adversely impacting WNZL's financial condition. The estimates and assumptions used in assessing the useful life of an asset can be affected by a range of factors including changes in strategy and the rate of external changes in technology and regulatory requirements.

WNZL could suffer losses if it fails to syndicate or sell down underwritten securities

As a financial intermediary WNZL underwrites listed and unlisted debt securities. Underwriting activities include the development of solutions for corporate and institutional customers who need capital and investor customers who have an appetite for certain investment products. WNZL may guarantee the pricing and placement of these facilities. WNZL could suffer losses if it fails to syndicate or sell down its risk to other market participants. This risk is more pronounced in times of heightened market volatility.

Certain strategic decisions may have adverse effects on WNZL's business

WNZL, at times, evaluates and may implement strategic decisions and objectives including diversification, innovation, divestment or business expansion initiatives, including acquisitions of businesses. The expansion, or integration of a new business, or entry into a new business, can be complex and costly and may require WNZL to comply with additional local or foreign regulatory requirements which may carry additional risks. In addition, WNZL may be unable to successfully divest businesses or assets.

These activities may, for a variety of reasons, not deliver the anticipated positive business results and could have a negative impact on WNZL's business, prospects, reputation, engagement with regulators, financial performance or financial condition.

Wholesale Funding

The wholesale funding base is diversified with respect to term, investor base, currency and funding instrument. WNZL and the Company maintain funding programmes for both short and long-term debt in several jurisdictions including New Zealand, Europe and the United States.

The following table sets forth the wholesale funding programmes of WNZL and the Company.

Markets	Issuer	31 March 2019 Programme Type	Programme Limit	Issuer	30 September 2018 Programme Type	Programme Limit
Euro market	WBC/Company [1]	Euro Commercial Paper and Certificate of Deposit Programme	US$20 billion	WBC/ Company [1]	Euro Commercial Paper and Certificate of Deposit Programme	US$20 billion
Euro market	Company [1]	Programme for Issuance of Debt Instruments	US$10 billion	Company [1]	Programme for Issuance of Debt Instruments	US$10 billion
Euro market	Company [1]	Global Covered Bond Programme	€ 5 billion	Company [1]	Global Covered Bond Programme	€ 5 billion
United States	Company [1]	US Commercial Paper Programme	US$10 billion	Company [1]	US Commercial Paper Programme	US$10 billion
New Zealand	WNZL	Medium-term Note Programme and Registered Certificate of Deposit Programme	No limit	WNZL	Medium-term Note Programme and Registered Certificate of Deposit Programme	No limit

(1) Notes issued by the Company (acting through its London branch) are guaranteed by WNZL.

Westpac Securities NZ Limited

Responsibility statement

The Board confirms that to the best of their knowledge:

1. the condensed interim financial statements have been prepared in accordance with New Zealand Equivalent to International Accounting Standard ('**IAS**') 34 *Interim Financial Reporting* and also comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board; and
2. the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R of the United Kingdom Financial Conduct Authority.

Westpac Securities NZ Limited

Directors' report

The Board is pleased to present the condensed interim financial statements of the Company comprising the interim management report, the condensed interim financial statements of the Company and the independent auditor's review report for the six months ended 31 March 2019.

The Board authorised these condensed interim financial statements on 20 May 2019.

For and on behalf of the Board:

Director
20 May 2019

Director
20 May 2019

Westpac Securities NZ Limited

Statement of comprehensive income for the six months ended 31 March

	Six months ended 31 March 2019 Unaudited $'000	Six months ended 31 March 2018 Unaudited $'000	Year ended 30 September 2018 Audited $'000
Interest income from financial assets at amortised cost	110,151	85,895	188,174
Interest income from financial assets at fair value through profit or loss	4,320	8,879	11,466
Interest expense	(112,209)	(92,467)	(195,116)
Net interest income	2,262	2,307	4,524
Non-interest income	688	498	1,093
Total non-interest income	688	498	1,093
Net operating income before operating expenses	2,950	2,805	5,617
Operating expenses	(625)	(453)	(994)
Profit before income tax	2,325	2,352	4,623
Income tax expense	(651)	(659)	(1,294)
Net profit for the year	1,674	1,693	3,329
Total comprehensive income for the year	1,674	1,693	3,329

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

Balance sheet as at 31 March

	Note	31 March 2019 Unaudited $'000	31 March 2018 Unaudited $'000	30 September 2018 Audited $'000
Assets				
Cash and cash equivalents		5,418	5,677	7,551
Receivables due from related entities		12,556,913	11,921,818	11,769,075
Current tax asset		3,735	3,580	3,376
Total assets		12,566,066	11,931,075	11,780,002
Liabilities				
Payables due to related entities		2,550	2,363	11,855
Debt issues	2	12,514,526	11,880,927	11,718,616
Other liabilities		40,172	38,948	39,058
Total liabilities		12,557,248	11,922,238	11,769,529
Net assets		8,818	8,837	10,473
Shareholder's equity				
Share capital		651	651	651
Retained profits		8,167	8,186	9,822
Total shareholder's equity		8,818	8,837	10,473

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

Westpac Securities NZ Limited

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

		Attributable to owners of the Company		
		Share Capital	Retained Profits	Total
	Note	$'000	$'000	$'000
As at 1 October 2017 (Audited)		651	10,367	11,018
Six months ended 31 March 2018 (Unaudited)				
Net profit for the period		-	1,693	1,693
Total comprehensive income for the six months ended 31 March 2018		-	1,693	1,693
Transactions with owners:				
Dividends paid on ordinary shares	3	-	(3,874)	(3,874)
As at 31 March 2018 (Unaudited)		651	8,186	8,837
As at 1 October 2017 (Audited)		651	10,367	11,018
Year ended 30 September 2018 (Audited)				
Net profit for the year		-	3,329	3,329
Total comprehensive income for the year ended 30 September 2018		-	3,329	3,329
Transactions with owners:				
Dividends paid on ordinary shares	3	-	(3,874)	(3,874)
As at 30 September 2018 (Audited)		651	9,822	10,473
As at 1 October 2018 (Audited)		651	9,822	10,473
Six months ended 31 March 2019 (Unaudited)				
Net profit for the period		-	1,674	1,674
Total comprehensive income for the six months ended 31 March 2019		-	1,674	1,674
Transactions with owners:				
Dividends paid on ordinary shares	3	-	(3,329)	(3,329)
As at 31 March 2019 (Unaudited)		651	8,167	8,818

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

Westpac Securities NZ Limited

Statement of cash flows for the six months ended 31 March

	Note	Six months ended 31 March 2019 Unaudited $'000	Six months ended 31 March 2018 Unaudited $'000	Year ended 30 September 2018 Audited $'000
Cash flows from operating activities				
Interest income received		112,954	89,725	195,408
Interest expense paid		(110,986)	(88,048)	(190,609)
Service fees received - related entities		592	481	1,079
Service fees paid - related entities		(396)	(435)	(963)
Operating expenses paid		(122)	(4)	(31)
Income tax paid		(1,010)	(1,019)	(1,450)
Net cash provided by operating activities		1,032	700	3,434
Cash flows from investing activities				
Net movement in receivables due from related entities		(1,324,386)	1,902,720	2,669,304
Net cash provided by/(used in) investing activities		(1,324,386)	1,902,720	2,669,304
Cash flows from financing activities				
Net movement in payables due to related entities		175	286	9,813
Proceeds from debt issues		1,324,375	-	-
Repayments of debt issues		-	(1,902,414)	(2,679,385)
Dividends paid to ordinary shareholders	3	(3,329)	(3,874)	(3,874)
Net cash (used in)/ provided by financing activities		1,321,221	(1,906,002)	(2,673,446)
Net decrease in cash and cash equivalents		(2,133)	(2,582)	(708)
Cash and cash equivalents at beginning of the year		7,551	8,259	8,259
Cash and cash equivalents at end of the year		5,418	5,677	7,551

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

Westpac Securities NZ Limited

Notes to the financial statements

Note 1. Statement of accounting policies

These condensed interim financial statements (**'financial statements'**) are general purpose financial statements prepared in accordance with the UK Listing Authority Disclosure and Transparency Rules. These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for for-profit entities, and the New Zealand equivalent to International Accounting Standard ('**IAS**') 34 *Interim Financial Reporting* and should be read in conjunction with the financial statements for the year ended 30 September 2018. These financial statements comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

a. Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by applying fair value accounting to financial assets and financial liabilities measured at fair value through profit or loss. The going concern concept and the accrual basis of accounting have been applied.

All amounts in these financial statements have been rounded in thousands of New Zealand dollars unless otherwise stated.

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 misstatement of comparative information the nature of and the reason for, the restatement is disclosed.

The accounting policies, methods of computation, areas of judgement, estimates and assumptions in these financial statements, including the key sources of estimation uncertainty, are consistent with those in the financial statements for the year ended 30 September 2018, with the exception of the changes resulting from amendments to accounting standards effective this period.

b. Amendments to accounting standards effective this period

NZ IFRS 9

The Company adopted NZ IFRS 9 *Financial instruments* ('**NZ IFRS 9**') on 1 October 2018 which replaces NZ IAS 39 *Financial Instruments: Recognition and Measurement* ('**NZ IAS 39**'), with no restatement of comparatives as permitted by the standard. The adoption of NZ IFRS 9 resulted in no impact to retained earnings on 1 October 2018.

Classification and measurement

NZ IFRS 9 requires financial assets to be classified on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, and subsequently measures the financial assets at either amortised cost or fair value. The requirements for classifying and measuring financial liabilities remain largely unchanged from NZ IAS 39.

NZ IFRS 9 did not have a material impact on the classification and measurement of financial assets and financial liabilities of the Company as:

- Cash and cash equivalents and receivables due from related entities (which include the loan to WNZL, accrued interest receivable, and other receivables) meet the solely payments of principal and interest criterion and are held for collection of contractual cash flows. As a result, these financial assets which were previously classified as loans and receivables under NZ IAS 39 are classified and measured at amortised cost under NZ IFRS 9, with the exception of a portion of the loan to WNZL which continues to be designated at fair value through profit or loss. This fair value designation is to reduce an accounting mismatch which would otherwise occur from the measurement of the related liability from debt issues at fair value through profit or loss.
- Debt issues, payables to related entities and other liabilities remain classified and measured as financial liabilities at amortised cost, with the exception of a portion of the debt issues which continues to be designated at fair value through profit or loss as these debt issues are managed and their performance evaluated on a fair value basis.

Impairment

NZ IFRS 9 also introduced a new expected credit loss ('ECL') impairment model which requires entities to recognise expected credit losses based on unbiased forward looking information, replacing the incurred loss model of NZ IAS 39 which only recognises impairment if there is objective evidence that a loss has been incurred. The ECL impairment model applies to all financial assets at amortised cost.

The adoption of the ECL impairment model did not have a material impact on the Company as the financial assets subject to impairment testing have a low probability of default due to WNZL's strong external credit rating.

Hedging

NZ IFRS 9 hedge accounting-related changes do not have an impact on the financial statements of the Company as the Company does not apply hedge accounting.

Amendments to NZ IAS 1

The Company also adopted consequential amendments to NZ IAS 1 *Presentation of Financial Statements* as a result of the adoption of NZ IFRS 9 which introduced the requirement to separately present interest income calculated using the effective interest method in the Statement of Comprehensive Income. Accordingly, the Company now presents interest income separately as 'Interest income from financial assets at amortised cost and 'Interest income from financial assets at fair value through profit or loss'. Comparative information has been restated to conform to this presentation.

Westpac Securities NZ Limited

Notes to the financial statements

Note 1. Statement of accounting policies (continued)

NZ IFRS 15

The Company has adopted the requirements of NZ IFRS 15 *Revenue from Contracts with Customers* ('**NZ IFRS 15**') on 1 October 2018 which replaces NZ IAS 18 *Revenue* and related interpretations, and applies to all contracts with customers except leases, financial instruments and insurance contracts.

NZ IFRS 15 provides a systematic approach to revenue recognition by introducing a five-step model governing revenue recognition and measurement. The core principle of this standard is that an entity shall recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

NZ IFRS 15 did not result in changes to the Company's current accounting treatment of service fee income.

Note 2. Debt issues

	Note	As at 31 March 2019 Unaudited $'000	As at 31 March 2018 Unaudited $'000	As at 30 September 2018 Audited $'000
Short-term debt				
Commercial paper		442,559	590,007	-
Total short-term debt		442,559	590,007	-
Long-term debt				
Euro medium-term notes		5,955,560	5,820,636	6,087,292
Covered bonds		6,116,407	5,470,284	5,631,324
Total long-term debt		12,071,967	11,290,920	11,718,616
Total debt issues		12,514,526	11,880,927	11,718,616
Debt issues measured at amortised cost	4	12,071,967	11,290,920	11,718,616
Debt issues measured at fair value		442,559	590,007	-
Total debt issues		12,514,526	11,880,927	11,718,616

Note 3. Related entities

Related entities of the Company are set out in Note 12 to the financial statements for the year ended 30 September 2018. There have been no changes to the related entities during the period.

During the period ended 31 March 2019, the Company paid dividends in respect of the ordinary shares to its immediate parent Westpac New Zealand Operations Limited amounting to $3,329,000 (period ended 31 March 2018: $3,874,000, year ended 30 September 2018: $3,874,000).

In addition, receivables due from related entities increased by $786,228,000 due to further lending provided to Westpac New Zealand Limited ('**WNZL**') from the Company (refer to Note 4).

There were no other significant related entity transactions in the six months ended 31 March 2019.

Note 4. Fair value of financial instruments

Fair value control framework

The Company 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.

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 Company categorises all fair value instruments according to the hierarchy described below.

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Westpac Securities NZ Limited

Notes to the financial statements

Note 4. Fair value of financial instruments (continued)

Valuation techniques

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

Financial instruments measured at fair value

Level 1 instruments

The fair value of financial instruments traded in active markets 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 judgment.

There are no financial instruments included in the Level 1 category (31 March 2018: nil, 30 September 2018: nil).

Level 2 instruments

The fair value for financial instruments that are not actively traded are determined using valuation techniques which maximise the use of observable market inputs. 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 technique
Non-asset backed debt instruments	Debt issues	Commercial paper	Valued using observable market prices which are sourced from consensus pricing services, broker quotes or inter-dealer prices.
Financial assets at fair value through profit or loss due from WNZL	Receivables due from related entities	Loans	Discounted cash flows, using a discount rate which reflects the terms of the instrument and the timing of cash flows adjusted for market observable changes in the applicable credit rating of the Company.

Financial assets at fair value through profit or loss due from WNZL as at 31 March 2019 was $442,559,000 (31 March 2018: 589,320,000 and 30 September 2018: nil).

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 judgment.

There are no financial instruments included in the Level 3 category (31 March 2018: nil and 30 September 2018: nil).

Analysis of movements between fair value hierarchy levels

During the period, there were no transfers between levels of the fair value hierarchy (31 March 2018: no transfers between levels, and 30 September 2018: no transfers between levels).

Financial instruments not measured at fair value

For financial instruments not carried at fair value on a recurring basis on the balance sheet, including amounts due from and due to related entities, fair value has been derived as follows:

Instrument	Valuation technique
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 credit worthiness of the borrower.
Debt issues at amortised cost	Discounted cash flows, using a discount rate which reflects the terms of the instrument and the timing of cash flows adjusted for market observable changes in the applicable credit rating of the Company.
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 reprice frequently, and are of a high credit rating.

Westpac Securities NZ Limited

Notes to the financial statements

Note 4. Fair value of financial instruments (continued)

The following table summarises the estimated fair value of the Company's financial instruments not measured at fair value where the carrying amount is not equivalent to fair value:

		31 March 2019 (Unaudited)		31 March 2018 (Unaudited)		30 September 2018 (Audited)	
		Total Carrying Amount	Estimated Fair Value	Total Carrying Amount	Estimated Fair Value	Total Carrying Amount	Estimated Fair Value
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Loan included in receivables due from related entities - WNZL		12,071,989	12,171,905	11,290,935	11,370,951	11,728,322	11,777,024
Total		12,071,989	12,171,905	11,290,935	11,370,951	11,728,322	11,777,024
Financial liabilities							
Debt issues measured at amortised cost	2	12,071,967	12,221,003	11,290,920	11,423,574	11,718,616	11,832,342
Total		12,071,967	12,221,003	11,290,920	11,423,574	11,718,616	11,832,342

For cash and cash equivalents, accrued interest included in due from related parties and due to related entities, which are carried at amortised cost and other types of short-term, financial instruments, recognised in the balance sheet under other liabilities, the carrying amount is equivalent to fair value. These items are either short-term in nature or reprice frequently, and are of a high credit rating.

The detailed description of how fair value is derived for financial instruments not measured at fair value is set out in Note 14 to the financial statements for the year ended 30 September 2018.

Note 5. Segment information

Operating segments are reported to the chief operating decision maker in a manner consistent with the financial statements disclosed in these financial statements. For this reason, no additional operating segment disclosure is made.

The chief operating decision maker of the Company (i.e. the person or group that allocates resources to and assesses the performance of the operating segments of an entity) is the Directors of the Company. The Directors of the Company are listed on page 1. This reflects that the Company is a wholly-owned, indirect subsidiary of WNZL and that the principal activity of the Company is to raise and manage offshore wholesale funding for WNZL.

Note 6. Contingent assets, contingent liabilities and commitments

Other than the guarantee requirements under the Global Covered Bond programme, there were no contingent assets, contingent liabilities or unrecognised contractual commitments as at 31 March 2019 (31 March 2018: nil and 30 September 2018: nil).

Independent review report

to the shareholder of Westpac Securities NZ Limited

Report on the interim financial statements

We have reviewed the accompanying interim financial statements of Westpac Securities NZ Limited (the Company) on pages 15 to 21, which comprise the balance sheet as at 31 March 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period ended on that date, and a statement of accounting policies and selected explanatory notes.

Directors' responsibility for the interim financial statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal control as the Directors determine are necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these interim financial statements.

We are independent of the Company. Other than in our capacity as auditor and provider of other related assurance services we have no relationship with, or interests in, the Company. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Company do not present fairly, in all material respects, the financial position of the Company as at 31 March 2019, and of its financial performance and cash flows for the period then ended, in accordance with IAS 34 and NZ IAS 34.

Who we report to

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
20 May 2019

Auckland