WESTPAC BANKING CORPORATION – NEW ZEALAND BANKING GROUP

Disclosure Statement

For the six months ended 31 March 2023

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Contents

Glossary of terms

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

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

- **Overseas Bank** – refers to Westpac Banking Corporation;
- **Overseas Banking Group** – refers to the Overseas Bank and all other entities included in the Overseas Bank's group for the purposes of public reporting of the group financial statements in Australia;
- **NZ Branch** – refers to the New Zealand business (as defined in the Order) of the Overseas Bank;
- **Westpac New Zealand** – refers to Westpac New Zealand Limited; and
- **NZ Banking Group** – refers to the financial reporting group (as defined in the Order) of the Overseas Bank. Controlled entities of the NZ Banking Group are set out in Note 22 to the financial statements included in the Disclosure Statement for the year ended 30 September 2022 and changes to the NZ Banking Group since 30 September 2022 are included in Note 10.

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

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

ANZSIC	Australia and New Zealand Standard Industrial Classification
APRA	Australian Prudential Regulation Authority
BPRs	Banking Prudential Requirements
BPS Act	Banking (Prudential Supervision) Act 1989
CAP	Collectively assessed provisions
CB Programme	Westpac New Zealand's Global Covered Bond Programme
ECL	Expected credit losses
Fidelity Life	Fidelity Life Assurance Company Limited
Financial statements	Condensed consolidated interim financial statements
FVIS	Fair value through income statement
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
IAP	Individually assessed provisions
IRB	Internal ratings-based
LVR	Loan-to-value ratio
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
Reserve Bank	Reserve Bank of New Zealand
Westpac Life	Westpac Life-NZ- Limited (renamed Fidelity Insurance Limited on 28 February 2022)
WSNZL	Westpac Securities NZ Limited

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

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

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

(b) is not false or misleading.

Each Director of the Overseas Bank and the Chief Executive Officer, NZ Branch, believes, after due enquiry, that, over the six months ended 31 March 2023:

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

(b) except as noted on page 29 under the sub-heading 'Overseas Bank risk management', the NZ Branch and other members of the NZ Banking Group had systems in place to monitor and control adequately the material risks of relevant members of the NZ Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied. For this purpose, a relevant member of the NZ Banking Group means a member of the NZ Banking Group that is not a member of Westpac New Zealand's Banking Group, as defined in Westpac New Zealand's Disclosure Statement for the six months ended 31 March 2023.

The Disclosure Statement has been signed on behalf of all of the Directors by Catherine McGrath, Chief Executive Officer, Westpac New Zealand, and by Christopher Leuschke as Chief Executive Officer, NZ Branch.

Catherine McGrath

Christopher Leuschke

Dated this 24th day of May 2023

Income statement for the six months ended 31 March 2023

$ millions	Note	NZ BANKING GROUP Six Months Ended 31 Mar 23 Unaudited	 Six Months Ended 31 Mar 22 Unaudited
Interest income:			
Calculated using the effective interest method	2	**2,881**	1,608
Other	2	**89**	32
Total interest income	2	**2,970**	1,640
Interest expense	2	**(1,573)**	(542)
Net interest income		**1,397**	1,098
Non-interest income			
Net fees and commissions	3	**91**	95
Net wealth management and insurance	3	**18**	44
Trading	3	**27**	88
Other	3	**1**	133
Total non-interest income		**137**	360
Net operating income		**1,534**	1,458
Operating expenses	4	**(649)**	(579)
Impairment (charges)/benefits	5	**(154)**	15
Profit before income tax		**731**	894
Income tax expense		**(206)**	(216)
Net profit attributable to the owner of the NZ Banking Group		**525**	678

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

Statement of comprehensive income for the six months ended 31 March 2023

$ millions	NZ BANKING GROUP Six Months Ended 31 Mar 23 Unaudited	 Six Months Ended 31 Mar 22 Unaudited
Net profit attributable to the owner of the NZ Banking Group	**525**	678
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) recognised in equity on:		
Investment securities	**45**	(182)
Cash flow hedging instruments	**(10)**	259
Transferred to income statement:		
Cash flow hedging instruments	**(68)**	21
Income tax on items taken to or transferred from equity:		
Investment securities	**(13)**	51
Cash flow hedging instruments	**22**	(79)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit obligation recognised in equity (net of tax)	**-**	7
Net other comprehensive income for the period (net of tax)	**(24)**	77
Total comprehensive income attributable to the owner of the NZ Banking Group	**501**	755

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

Balance sheet as at 31 March 2023

		NZ BANKING GROUP	
		31 Mar 23	30 Sep 22
$ millions	Note	Unaudited	Audited
Assets			
Cash and balances with central banks		**11,367**	11,162
Collateral paid		**89**	87
Trading securities and financial assets measured at FVIS		**4,374**	3,501
Derivative financial instruments		**4,406**	9,383
Investment securities		**6,763**	5,623
Loans	6	**98,622**	97,392
Other financial assets		**1,343**	644
Due from related entities		**4,200**	6,609
Property and equipment		**401**	402
Deferred tax assets		**126**	68
Intangible assets		**934**	834
Other assets		**110**	75
Total assets		**132,735**	135,780
Liabilities			
Collateral received		**412**	724
Deposits and other borrowings	8	**82,566**	80,848
Other financial liabilities		**8,010**	5,607
Derivative financial instruments		**4,189**	6,777
Due to related entities		**4,137**	8,292
Debt issues	9	**19,801**	19,933
Current tax liabilities		**93**	86
Provisions		**243**	257
Other liabilities		**360**	376
Loan capital		**2,437**	2,576
Total liabilities		**122,248**	125,476
Net assets		**10,487**	10,304
Head office account			
Branch capital		**1,300**	1,300
Retained profits		**1,389**	1,324
Total head office account		**2,689**	2,624
NZ Banking Group equity			
Share capital		**6,045**	6,045
Reserves		**114**	138
Retained profits		**1,639**	1,497
Total NZ Banking Group equity		**7,798**	7,680
Total equity attributable to the owner of the NZ Banking Group		**10,487**	10,304

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

Statement of changes in equity for the six months ended 31 March 2023

	NZ BANKING GROUP						
	NZ BRANCH		OTHER MEMBERS OF THE NZ BANKING GROUP				
	Head Office Account			Reserves			
$ millions	Branch Capital	Retained Profits	Share Capital	Investment Securities Reserve	Cash Flow Hedge Reserve	Retained Profits	Total Equity
As at 30 September 2021 (Audited)	1,300	1,187	488	(60)	63	7,226	10,204
Six months ended 31 March 2022 (Unaudited)							
Net profit attributable to the owner of the NZ Banking Group	-	47	-	-	-	631	678
Net gains/(losses) from changes in fair value	-	-	-	(182)	259	-	77
Income tax effect	-	-	-	51	(73)	-	(22)
Transferred to income statement	-	-	-	-	21	-	21
Income tax effect	-	-	-	-	(6)	-	(6)
Remeasurement of defined benefit obligations	-	-	-	-	-	9	9
Income tax effect	-	-	-	-	-	(2)	(2)
Total comprehensive income for the six months ended 31 March 2022	-	47	-	(131)	201	638	755
Transactions with owner:							
Dividends paid on ordinary shares	-	-	-	-	-	(972)	(972)
As at 31 March 2022 (Unaudited)	1,300	1,234	488	(191)	264	6,892	9,987
As at 30 September 2022 (Audited)	**1,300**	**1,324**	**6,045**	**(285)**	**423**	**1,497**	**10,304**
Six months ended 31 March 2023 (Unaudited)							
Net profit attributable to the owner of the NZ Banking Group	**-**	**65**	**-**	**-**	**-**	**460**	**525**
Net gains/(losses) from changes in fair value	**-**	**-**	**-**	**45**	**(10)**	**-**	**35**
Income tax effect	**-**	**-**	**-**	**(13)**	**3**	**-**	**(10)**
Transferred to income statement	**-**	**-**	**-**	**-**	**(68)**	**-**	**(68)**
Income tax effect	**-**	**-**	**-**	**-**	**19**	**-**	**19**
Remeasurement of defined benefit obligations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Income tax effect	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the six months ended 31 March 2023	**-**	**65**	**-**	**32**	**(56)**	**460**	**501**
Transactions with owner:							
Dividends paid on ordinary shares (refer to Note 10)	**-**	**-**	**-**	**-**	**-**	**(318)**	**(318)**
As at 31 March 2023 (Unaudited)	**1,300**	**1,389**	**6,045**	**(253)**	**367**	**1,639**	**10,487**

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

Statement of cash flows for the six months ended 31 March 2023

$ millions	Note	NZ BANKING GROUP Six Months Ended 31 Mar 23 Unaudited	Six Months Ended 31 Mar 22 Unaudited
Cash flows from operating activities			
Interest received		**2,969**	1,649
Interest paid		**(1,351)**	(485)
Non-interest income received		**448**	372
Operating expenses paid		**(639)**	(524)
Income tax paid		**(247)**	(248)
Cash flows from operating activities before changes in operating assets and liabilities		**1,180**	764
Net (increase)/decrease in:			
Collateral paid		**(2)**	43
Trading securities and financial assets measured at FVIS		**(1,223)**	400
Loans		**(1,284)**	(1,640)
Other financial assets		**-**	(7)
Due from related entities		**14**	(1,286)
Other assets		**1**	1
Net increase/(decrease) in:			
Collateral received		**(312)**	(120)
Deposits and other borrowings		**1,718**	1,991
Other financial liabilities		**1,747**	(1,041)
Due to related entities		**18**	48
Other liabilities		**4**	1
Net movement in external and related entity derivative financial instruments		**(367)**	457
Net cash provided by/(used in) operating activities		**1,494**	(389)
Cash flows from investing activities			
Purchase of investment securities		**(1,119)**	(707)
Proceeds from investment securities		**35**	150
Net movement in life insurance assets		**-**	60
Purchase of capitalised computer software		**(118)**	(66)
Purchase of property and equipment		**(26)**	(10)
Proceeds from disposal of controlled entities		**-**	422
Net cash provided by/(used in) investing activities		**(1,228)**	(151)
Cash flows from financing activities			
Net movement in due to related entities		**(76)**	11
Proceeds from debt issues		**6,277**	7,970
Repayments of debt issues		**(6,002)**	(3,825)
Payments for the principal portion of lease liabilities		**(24)**	(32)
Dividends paid to ordinary shareholders	10	**(318)**	(972)
Net cash provided by/(used in) financing activities		**(143)**	3,152
Net increase/(decrease) in cash and cash equivalents		**123**	2,612
Cash and cash equivalents at beginning of the period		**11,261**	9,145
Cash and cash equivalents at end of the period		**11,384**	11,757
Cash and cash equivalents at end of the period comprise:			
Cash on hand		**454**	488
Balances with central banks		**10,913**	11,238
Interbank lending classified as cash and cash equivalents		**17**	31
Cash and cash equivalents at end of the period		**11,384**	11,757

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

Notes to the financial statements

Note 1 Financial statements preparation

These financial statements have been prepared in accordance with the Order and Generally Accepted Accounting Practice, as appropriate for for-profit entities, and the New Zealand equivalent to International Accounting Standard 34 *Interim Financial Reporting*. These financial statements are also compliant with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board. These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements should be read in conjunction with the financial statements included in the Disclosure Statement for the year ended 30 September 2022.

Accounting policies

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

The financial statements were authorised for issue by the Board of Directors on 24 May 2023.

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

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

The accounting policies adopted in the preparation of these financial statements are consistent with those in the financial statements for the year ended 30 September 2022.

Critical accounting assumptions and estimates

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

The areas of judgement, estimates and assumptions in these financial statements, including the key sources of estimation uncertainty, are consistent with those in the Disclosure Statement for the year ended 30 September 2022. Details on specific judgements in relation to the calculation of the provision for ECL, including overlays, are included in Note 7.

Amendments to Accounting Standards effective this period

No new accounting standards have been adopted by the NZ Banking Group for the six months ended 31 March 2023. There have been no amendments to existing accounting standards that have had a material impact on the NZ Banking Group.

Notes to the financial statements

Note 2 Net interest income

	NZ BANKING GROUP	
$ millions	Six Months Ended 31 Mar 23 Unaudited	Six Months Ended 31 Mar 22 Unaudited
Interest income		
Calculated using the effective interest method		
Cash and balances with central banks	**244**	34
Collateral paid	**3**	-
Investment securities	**70**	39
Loans	**2,505**	1,534
Due from related entities	**59**	1
Total interest income calculated using the effective interest method	**2,881**	1,608
Other		
Trading securities and financial assets measured at FVIS	**89**	32
Total other	**89**	32
Total interest income	**2,970**	1,640
Interest expense		
Calculated using the effective interest method		
Collateral received	**8**	1
Deposits and other borrowings	**1,039**	240
Due to related entities	**42**	9
Debt issues	**107**	73
Loan capital	**70**	62
Other financial liabilities	**103**	13
Total interest expense calculated using the effective interest method	**1,369**	398
Other		
Deposits and other borrowings	**66**	17
Debt issues	**96**	6
Other interest expense[1]	**42**	121
Total other	**204**	144
Total interest expense	**1,573**	542
Net interest income	**1,397**	1,098

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

Notes to the financial statements

Note 3 Non-interest income

		NZ BANKING GROUP	
$ millions	Note	**Six Months Ended 31 Mar 23 Unaudited**	Six Months Ended 31 Mar 22 Unaudited
Net fees and commissions			
Facility fees		**24**	22
Transaction fees and commissions		**97**	94
Other non-risk fee income		**9**	11
Fees and commissions income		**130**	127
Credit card loyalty programmes		**(20)**	(18)
Transaction fees and commissions related expenses		**(19)**	(14)
Fees and commissions expenses		**(39)**	(32)
Net fees and commissions		**91**	95
Net wealth management and insurance			
Net wealth management income		**18**	18
Net insurance income and change in policy liabilities[1]		**-**	26
Total net wealth management and insurance		**18**	44
Trading		**27**	88
Other			
Net ineffectiveness on qualifying hedges		**(1)**	7
Net gain on disposal of controlled entity[1]		**-**	126
Other		**2**	-
Total other		**1**	133
Total non-interest income		**137**	360

[1] On 28 February 2022, the sale of Westpac Life (renamed Fidelity Insurance Limited on 28 February 2022) to Fidelity Life was completed. As such, from 1 March 2022, the NZ Banking Group does not conduct any insurance business.

Non-interest income in scope of NZ IFRS 15 *Revenue from Contracts with Customers* can be further disaggregated into the following operating segments and is consistent with the segment descriptions detailed in Note 13:

	NZ BANKING GROUP				
$ millions	**Consumer Banking and Wealth**	**Institutional and Business Banking**	**Financial Markets, International Trade and Payments**	**Reconciling Items**	**Total**
Six months ended 31 March 2023 (Unaudited)					
Fees and commissions income					
Facility fees	**14**	**8**	**2**	**-**	**24**
Transaction fees and commissions	**66**	**28**	**(2)**	**5**	**97**
Other non-risk fee income	**2**	**6**	**6**	**(5)**	**9**
Fees and commissions income	**82**	**42**	**6**	**-**	**130**
Fees and commissions expenses	**(39)**	**-**	**-**	**-**	**(39)**
Net fees and commissions income	**43**	**42**	**6**	**-**	**91**
Wealth management income	**-**	**-**	**-**	**18**	**18**
Six months ended 31 March 2022 (Unaudited)					
Fees and commissions income					
Facility fees	13	8	1	-	22
Transaction fees and commissions	68	21	(2)	7	94
Other non-risk fee income	2	6	8	(5)	11
Fees and commissions income	83	35	7	2	127
Fees and commissions expenses	(31)	-	-	(1)	(32)
Net fees and commissions income	52	35	7	1	95
Wealth management income	-	-	-	18	18

Notes to the financial statements

Note 4 Operating expenses

	NZ BANKING GROUP	
$ millions	Six months Ended 31 Mar 23 Unaudited	Six months Ended 31 Mar 22 Unaudited
Staff expenses[1]	**342**	317
Lease expenses	**13**	9
Depreciation	**42**	46
Technology services and telecommunications[1]	**106**	85
Purchased services	**54**	47
Software amortisation costs	**18**	21
Related entities - management fees	**6**	6
Other	**68**	48
Total operating expenses	**649**	579

[1] Comparatives have been restated due to a revision in the presentation of capitalised staff expenses associated with internally generated software. The restatement results in a $20 million decrease in staff expenses from $337 million to $317 million and a corresponding increase in technology services and telecommunications from $65 million to $85 million.

Note 5 Impairment charges/(benefits)

	NZ BANKING GROUP	
$ millions	Six Months Ended 31 Mar 23 Unaudited	Six Months Ended 31 Mar 22 Unaudited
Provisions raised/(released):		
Performing	**121**	(19)
Non-performing	**30**	(1)
Bad debts written-off/(recovered) directly to the income statement	**3**	5
Impairment charges/(benefits)	**154**	(15)
of which relates to:		
Loans and credit commitments	**154**	(15)
Impairment charges/(benefits)	**154**	(15)

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

Notes to the financial statements

Note 6 Loans

	NZ BANKING GROUP	
$ millions	**31 Mar 23 Unaudited**	30 Sep 22 Audited
Residential mortgages	**65,223**	63,827
Other retail	**2,737**	2,829
Corporate	**31,030**	31,015
Other	**173**	121
Total gross loans	**99,163**	97,792
Provision for ECL on loans (refer to Note 7)	**(541)**	(400)
Total net loans	**98,622**	97,392

As at 31 March 2023, $7,537 million of residential mortgages, accrued interest (representing accrued interest on the outstanding residential mortgages) and cash (representing collections of principal and interest from the underlying residential mortgages) were used by the NZ Banking Group to secure the obligations of WSNZL under the CB Programme (30 September 2022: $7,528 million). In addition, $6,482 million of residential mortgages and accrued interest has been pledged as collateral as part of the repurchase agreements with the Reserve Bank, under the Funding for Lending Programme and Term Lending Facility (30 September 2022: $4,998 million). These pledged assets were not derecognised from the NZ Banking Group's balance sheet in accordance with the accounting policies outlined in Note 1. Financial statements preparation included in the Disclosure Statement for the year ended 30 September 2022. As at 31 March 2023, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was $4,945 million (30 September 2022: $3,576 million) and the cash value of the repurchase agreements with the Reserve Bank was $5,061 million (30 September 2022: $3,967 million).

Note 7 Provision for expected credit losses

Loans and credit commitments

Movements in components of loss allowance

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

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

Notes to the financial statements

Note 7 Provision for expected credit losses (continued)

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

	NZ BANKING GROUP				
	31 Mar 23				
	Unaudited				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	**CAP**	**CAP**	**CAP**	**IAP**	**Total**
Provision for ECL on loans and credit commitments as at 30 September 2022	**103**	**240**	**69**	**27**	**439**
Due to changes in credit quality:					
Transfers to Stage 1	**91**	**(87)**	**(4)**	**-**	**-**
Transfers to Stage 2	**(10)**	**24**	**(14)**	**-**	**-**
Transfers to Stage 3 CAP	**-**	**(17)**	**19**	**(2)**	**-**
Transfers to Stage 3 IAP	**-**	**(2)**	**(7)**	**9**	**-**
Reversals of previously recognised impairment charges	**-**	**-**	**-**	**(3)**	**(3)**
New financial assets originated	**9**	**-**	**-**	**-**	**9**
Financial assets derecognised during the period	**(3)**	**(13)**	**(9)**	**-**	**(25)**
Changes in CAP due to amounts written off	**-**	**-**	**(11)**	**-**	**(11)**
Other charges/(credits) to the income statement	**(89)**	**218**	**51**	**1**	**181**
Total charges/(credits) to the income statement for ECL	**(2)**	**123**	**25**	**5**	**151**
Amounts written off from IAP	**-**	**-**	**-**	**(1)**	**(1)**
Total provision for ECL on loans and credit commitments as at 31 March 2023	**101**	**363**	**94**	**31**	**589**
Presented as:					
Provision for ECL on loans (refer to Note 6)	**86**	**330**	**94**	**31**	**541**
Provision for ECL on credit commitments	**15**	**33**	**-**	**-**	**48**
Total provision for ECL on loans and credit commitments as at 31 March 2023	**101**	**363**	**94**	**31**	**589**

Notes to the financial statements

Note 7 Provision for expected credit losses (continued)

	NZ BANKING GROUP				
	30 Sep 22 Audited				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	CAP	CAP	CAP	IAP	Total
Provision for ECL on loans and credit commitments as at 30 September 2021	102	279	75	69	525
Due to changes in credit quality:					
Transfers to Stage 1	141	(122)	(19)	-	-
Transfers to Stage 2	(12)	52	(39)	(1)	-
Transfers to Stage 3 CAP	-	(24)	26	(2)	-
Transfers to Stage 3 IAP	-	(7)	(6)	13	-
Reversals of previously recognised impairment charges	-	-	-	(6)	(6)
New financial assets originated	16	-	-	-	16
Financial assets derecognised during the year	(11)	(27)	(19)	-	(57)
Changes in CAP due to amounts written off	-	-	(23)	-	(23)
Other charges/(credits) to the income statement	(133)	89	74	3	33
Total charges/(credits) to the income statement for ECL	1	(39)	(6)	7	(37)
Amounts written off from IAP	-	-	-	(49)	(49)
Total provision for ECL on loans and credit commitments as at 30 September 2022	103	240	69	27	439
Presented as:					
Provision for ECL on loans (refer to Note 6)	87	217	69	27	400
Provision for ECL on credit commitments	16	23	-	-	39
Total provision for ECL on loans and credit commitments as at 30 September 2022	103	240	69	27	439

Notes to the financial statements

Note 7 Provision for expected credit losses (continued)

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

	NZ BANKING GROUP									
	31 Mar 23 Unaudited					30 Sep 22 Audited				
	Performing		Non-performing			Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3		Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	CAP	CAP	CAP	IAP	Total	CAP	CAP	CAP	IAP	Total
Provision for ECL on loans and credit commitments										
Residential mortgages	**49**	**118**	**52**	**10**	**229**	46	91	43	9	189
Other retail	**14**	**49**	**14**	**2**	**79**	17	43	13	1	74
Corporate	**38**	**196**	**28**	**19**	**281**	40	106	13	17	176
Total provision for ECL on loans and credit commitments	**101**	**363**	**94**	**31**	**589**	103	240	69	27	439

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

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

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

	NZ BANKING GROUP	
	31 Mar 23	30 Sep 22
$ millions	Unaudited	Audited
Modelled provision for ECL on loans and credit commitments	**393**	313
Overlays	**196**	126
Total provision for ECL on loans and credit commitments	**589**	439

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

Notes to the financial statements

Note 7 Provision for expected credit losses (continued)

Modelled provision for ECL on loans and credit commitments

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

The base case scenario uses Westpac Economic forecasts as at 31 March 2023, which includes a moderate recession and residential property price reductions in the 2024 financial year in response to high interest rates and the current high inflationary environment.

The NZ Banking Group's forecasts assume the following:

Key economic assumptions for base case scenario	**31 Mar 23[1] Unaudited**	30 Sep 22 Audited
Annual GDP	Forecast growth of 0.4% for calendar year 2023 and a slight contraction of 0.3% for calendar year 2024.	Forecast growth of 1.6% for calendar year 2023 and 1.8% for calendar year 2024.
Residential property prices	Forecast annual price contraction of 8.9% for calendar year 2023 and forecast growth of 1.0% for calendar year 2024.	Forecast annual price contraction of 5.0% for calendar year 2023 and forecast growth of 1.0% for calendar year 2024.
Cash rate	Forecast cash rate of 5.00% at December 2023 and 3.75% at December 2024.	Forecast cash rate of 4.00% at December 2023 and 3.00% at December 2024.
Unemployment rate	Forecast rate of 4.0% at December 2023 and 5.1% at December 2024.	Forecast rate of 3.8% at December 2023 and 4.2% at December 2024.

[1] The NZ Banking Group released updated forecasts on 5 April 2023 as a result of the Reserve Bank's announcement of a 50 bps increase in the official cash rate. These updated forecasts would not have had a material impact on the provision for ECL as at 31 March 2023.

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

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

	NZ BANKING GROUP	
	31 Mar 23	30 Sep 22
$ millions	**Unaudited**	Audited
Reported probability-weighted ECL	**589**	439
100% base case ECL	**486**	330
100% downside ECL	**722**	578

Notes to the financial statements

Note 7 Provision for expected credit losses (continued)

If 1% of the Stage 1 gross exposure from loans and credit commitments (calculated on a 12 month ECL) was reflected in Stage 2 (calculated on a lifetime ECL) the provision for ECL on loans and credit commitments would increase by $19 million (30 September 2022: $23 million) based on applying the average provision coverage ratios by stage to the movement in the gross exposure by stage.

The following table indicates the weightings applied by the NZ Banking Group as at 31 March 2023 and 30 September 2022.

	NZ BANKING GROUP	
	31 Mar 23	30 Sep 22
Scenario weightings (%)	**Unaudited**	Audited
Upside	**5**	5
Base	**50**	50
Downside	**45**	45

Portfolio overlays

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

Portfolio overlays were increased by $70 million, primarily due to additional overlays for uncertainties arising from the recent cyclone and flood events.

The NZ Banking Group's total portfolio overlays as at 31 March 2023 were $196 million (30 September 2022: $126 million) and comprise:

- $66 million for the impact of the recent cyclone and flood events on customers not factored into modelled outcomes in the corporate and residential mortgage portfolios (30 September 2022: Nil). This has been quantified by identifying the key cohorts of customers affected by the events, then estimating the potential consequences for the impacted customers, the expected deterioration in the loan performance and the consequential impact to the provision for ECL. The overlay is expected to be released when the impact on customers is realised and incorporated in the modelled outcome, mainly when customers' credit risk grade reviews are performed over the coming quarters;
- $56 million on the residential mortgages and other retail portfolios, reflecting the expected, lagged impact from increasing interest rates (30 September 2022: $52 million) not captured in the modelled outcome. As the models were developed using data from periods without rapid interest rate rises, the relationship between interest rates and delinquency is only weakly present in the modelled outcome. The overlay is therefore developed using historical lag relationships between increases in interest rates and delinquencies over a longer period. The overlay is expected to be released when the impact of increasing interest rates flows through into customer loan repricing and subsequent performance;
- $40 million on the residential mortgages portfolio, reflecting a worsening downside scenario (this impact is distinct from the increasing interest rate overlay above) not factored into the modelled downside outcome (30 September 2022: $40 million);
- $30 million on the corporate portfolio, reflecting the continued expected delay in stress and observed losses (30 September 2022: $30 million); and
- $4 million (30 September 2022: $4 million) reflecting other related risks.

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

- Stage 1 gross carrying amount had a net decrease of $4 billion (30 September 2022: increased by $0.8 billion), primarily driven by underlying portfolio movement from the residential mortgages and corporate portfolios, including derecognitions, repayments and additional exposures transferred to Stage 2 to account for additional overlays, partially offset by new lending during the period. The Stage 1 ECL decrease is in line with Stage 1 exposure movement to Stage 2, primarily driven by a more negative economic outlook and additional overlays.
- Stage 2 gross carrying amount increased by $5.2 billion (30 September 2022: increased by $3.6 billion), mainly driven by increases from the residential mortgages and corporate portfolios due to additional exposures transferred to Stage 2 to account for additional overlays and a rise in high-risk exposures. Stage 2 ECL increases are driven by the underlying portfolio movements, a more negative economic outlook and additional overlays.
- Stage 3 gross carrying amount increased by of $0.1 billion (30 September 2022: decreased by $0.1 billion), driven by increases in 90 days past due exposures from the residential mortgages portfolio and customer downgrades from the corporate portfolio, offset by releases due to write-offs from the other retail portfolio. Stage 3 ECL increases are in line with the increase in Stage 3 exposures.

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

Notes to the financial statements

Note 8 Deposits and other borrowings

	NZ BANKING GROUP	
$ millions	**31 Mar 23 Unaudited**	30 Sep 22 Audited
Certificates of deposit	**2,796**	2,939
Non-interest bearing, repayable at call	**13,082**	14,391
Other interest bearing:		
At call	**30,321**	31,245
Term	**36,367**	32,273
Total deposits and other borrowings	**82,566**	80,848

Deposits and other borrowings have been recognised under both the historical cost convention and by applying fair value accounting to certain products. Refer to Note 11 for further details.

Note 9 Debt issues

	NZ BANKING GROUP	
$ millions	**31 Mar 23 Unaudited**	30 Sep 22 Audited
Short-term debt		
Commercial paper	**3,907**	5,490
Total short-term debt	**3,907**	5,490
Long-term debt		
Non-domestic medium-term notes	**8,339**	7,515
Covered bonds	**4,936**	3,563
Domestic medium-term notes	**2,619**	3,365
Total long-term debt	**15,894**	14,443
Total debt issues	**19,801**	19,933

Debt issues have been recognised under both the historical cost convention and by applying fair value accounting to certain products. Refer to Note 11 for further details.

Note 10 Related entities

Controlled entities of the NZ Banking Group are set out in Note 22 to the financial statements included in the Disclosure Statement for the year ended 30 September 2022.

On 28 February 2022, the sale of Westpac Life (renamed Fidelity Insurance Limited on 28 February 2022) to Fidelity Life was completed, at which point Westpac Life ceased to be a controlled entity. The transaction resulted in a gain on sale of $126 million.

On 17 February 2023, Westpac New Zealand Group Limited declared and paid a dividend of $311 million to Westpac Overseas Holdings No.2 Pty Limited.

On 29 March 2023, BT Financial Group (NZ) Limited declared and paid a dividend of $7 million to Westpac Equity Holdings Pty Limited.

Notes to the financial statements

Note 11 Fair values of financial assets and financial liabilities

Fair Valuation Control Framework

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

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

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

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

Fair value hierarchy

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

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

Valuation techniques

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

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

Financial instruments measured at fair value

Level 1 instruments

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

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

<table>
<tr><th>Instrument</th><th>Balance sheet category</th><th>Includes</th><th>Valuation</th></tr>
<tr><td>Exchange traded products</td><td>Derivative financial instruments
Due from related entities
Due to related entities</td><td>Exchange traded interest rate futures - derivative financial instruments</td><td rowspan="3">These instruments are traded in liquid, active markets where prices are readily observable. No modelling or assumptions are used in the valuation.</td></tr>
<tr><td>FX products</td><td>Derivative financial instruments</td><td>FX spot contracts</td></tr>
<tr><td>Debt instruments</td><td>Trading securities and financial assets measured at FVIS
Investment securities
Other financial liabilities</td><td>New Zealand Government bonds</td></tr>
</table>

Notes to the financial statements

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

Level 2 instruments

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

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

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

Notes to the financial statements

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

Level 3 instruments

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

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

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

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

	NZ BANKING GROUP							
	31 Mar 23 Unaudited				30 Sep 22 Audited			
$ millions	**Level 1**	**Level 2**	**Level 3[1]**	**Total**	Level 1	Level 2	Level 3[1]	Total
Financial assets measured at fair value on a recurring basis								
Trading securities and financial assets measured at FVIS	**727**	**3,647**	**-**	**4,374**	335	3,166	-	3,501
Derivative financial instruments	**-**	**4,406**	**-**	**4,406**	1	9,382	-	9,383
Investment securities	**2,304**	**4,459**	**-**	**6,763**	1,982	3,641	-	5,623
Due from related entities	**4**	**1,645**	**-**	**1,649**	5	4,040	-	4,045
Total financial assets measured at fair value	**3,035**	**14,157**	**-**	**17,192**	2,323	20,229	-	22,552
Financial liabilities measured at fair value on a recurring basis								
Deposits and other borrowings at fair value	**-**	**2,796**	**-**	**2,796**	-	2,939	-	2,939
Other financial liabilities	**305**	**1,281**	**-**	**1,586**	598	352	-	950
Derivative financial instruments	**-**	**4,187**	**2**	**4,189**	2	6,773	2	6,777
Due to related entities	**2**	**2,417**	**-**	**2,419**	3	6,513	-	6,516
Debt issues at fair value	**-**	**3,907**	**-**	**3,907**	-	5,490	-	5,490
Total financial liabilities measured at fair value	**307**	**14,588**	**2**	**14,897**	603	22,067	2	22,672

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

There were no material changes in fair values estimated using a valuation technique incorporating significant non-observable inputs that were recognised in the income statement or the statement of comprehensive income of the NZ Banking Group during the six months ended 31 March 2023 (30 September 2022: no material changes in fair value).

Analysis of movements between fair value hierarchy levels

The NZ Banking Group considers transfers between levels, if any, to have occurred at the end of the reporting period. During the period, there were no material transfers between levels of the fair value hierarchy (30 September 2022: no material transfers between levels).

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

Financial instruments not measured at fair value

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

	NZ BANKING GROUP			
	31 Mar 23 Unaudited		30 Sep 22 Audited	
$ millions	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets not measured at fair value				
Cash and balances with central banks	**11,367**	**11,367**	11,162	11,162
Collateral paid	**89**	**89**	87	87
Loans	**98,622**	**97,557**	97,392	96,041
Other financial assets	**1,343**	**1,343**	644	644
Due from related entities	**2,551**	**2,551**	2,564	2,564
Total financial assets not measured at fair value	**113,972**	**112,907**	111,849	110,498
Financial liabilities not measured at fair value				
Collateral received	**412**	**412**	724	724
Deposits and other borrowings	**79,770**	**79,755**	77,909	77,895
Other financial liabilities	**6,424**	**6,424**	4,657	4,657
Due to related entities	**1,718**	**1,718**	1,776	1,776
Debt issues[1]	**15,894**	**15,670**	14,443	14,242
Loan capital[1]	**2,437**	**2,254**	2,576	2,428
Total financial liabilities not measured at fair value	**106,655**	**106,233**	102,085	101,722

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

A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 24 of the financial statements included in the Disclosure Statement for the year ended 30 September 2022.

Note 12 Credit related commitments, contingent assets and contingent liabilities

	NZ BANKING GROUP	
$ millions	**31 Mar 23 Unaudited**	30 Sep 22 Audited
Letters of credit and guarantees	**1,100**	1,025
Commitments to extend credit	**27,249**	27,904
Total undrawn credit commitments	**28,349**	28,929

Contingent assets

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

Contingent liabilities

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

The NZ Banking Group is exposed to contingent risks and liabilities arising from the conduct of its business, including: actual and potential disputes, claims and legal proceedings; investigations, inquiries and reviews (formal and informal) carried out by regulatory authorities; and internal investigations and reviews, one such internal review being a review of processes for some products relating to the requirements of the Credit Contracts and Consumer Finance Act 2003.

Note 12 Credit related commitments, contingent assets and contingent liabilities (continued)

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

The NZ Banking Group has potential exposure relating to warranties, indemnities and other commitments it has provided to Fidelity Life and Westpac Life in connection to the sale of Westpac Life on 28 February 2022. The warranties, indemnities and other commitments cover a range of matters and risks, including certain accounting, compliance and taxation matters.

Note 13 Segment reporting

The NZ Banking Group operates predominantly in the Consumer Banking and Wealth, Institutional and Business Banking and Financial Markets, International Trade and Payments sectors within New Zealand. On this basis, no geographical segment reporting is provided.

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

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

Investments and Insurance provided funds management and insurance services until 28 February 2022 when the sale of Westpac Life to Fidelity Life was completed. From 1 March 2022, it only provides funds management services. As at 31 March 2023, the investments business unit is no longer reported as a main operating segment and has been included within reconciling items in the table below.

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

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

Reconciling items primarily represent:

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

Note 13 Segment reporting (continued)

$ millions	Consumer Banking and Wealth	Institutional and Business Banking	Financial Markets, International Trade and Payments	Reconciling Items	Total
	NZ BANKING GROUP				
Six months ended 31 March 2023 (Unaudited)					
Net interest income	**614**	**602**	**23**	**158**	**1,397**
Non-interest income	**56**	**57**	**55**	**(31)**	**137**
Net operating income before operating expenses and impairment charges	**670**	**659**	**78**	**127**	**1,534**
Operating expenses	**(341)**	**(247)**	**(17)**	**(44)**	**(649)**
Impairment (charges)/benefits	**(48)**	**(106)**	**-**	**-**	**(154)**
Profit before income tax	**281**	**306**	**61**	**83**	**731**
Six months ended 31 March 2022 (Unaudited)					
Net interest income	559	537	20	(18)	1,098
Non-interest income	69	52	52	187	360
Net operating income before operating expenses and impairment charges	628	589	72	169	1,458
Operating expenses	(317)	(204)	(16)	(42)	(579)
Impairment (charges)/benefits	5	5	-	5	15
Profit before income tax	316	390	56	132	894
As at 31 March 2023 (Unaudited)					
Total gross loans	**59,414**	**39,592**	**451**	**(294)**	**99,163**
Total deposits and other borrowings	**44,051**	**35,718**	**-**	**2,797**	**82,566**
As at 30 September 2022 (Audited)					
Total gross loans	57,968	39,684	556	(416)	97,792
Total deposits and other borrowings	43,574	34,334	-	2,940	80,848

Registered bank disclosures

Unaudited

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

i. General information

Guarantee arrangements

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

Directors

The Directors of the Overseas Bank at the time this Disclosure Statement was signed were:
John McFarlane, MA, MBA – Chairman
Peter King, BEc, FCA – Managing Director & Chief Executive Officer
Tim Burroughs, MA (Hons), B Psy (Hons), FCA, FAICD
Nerida Caesar, BCom, MBA, GAICD
Audette Exel AO, BA, LLB (Hons)
Michael Hawker AM, BSc, FAICD, SF Fin, FAIM, FIoD
Chris Lynch, BCom, MBA, FCPA
Peter Nash, BCom, FCA, F Fin
Nora Scheinkestel, LLB (Hons), PhD, FAICD
Margaret (Margie) Seale, BA, FAICD
Michael Ullmer AO, BSc, FAICD, FCA, SF Fin

Changes to Directorate

There have been changes in the composition of the Board of Directors of the Overseas Bank since 30 September 2022, as follows:

- Peter Marriott, a Non-executive Director of the Overseas Bank, retired from the Board at the conclusion of the 2022 Annual General Meeting, held on 14 December 2022.
- Tim Burroughs and Michael Ullmer AO were appointed as Non-executive Directors of the Overseas Bank on 10 March 2023 and 3 April 2023 respectively.

Chief Executive Officer, NZ Branch

Christopher Leuschke, BCOM, NZFMA (Chair)

Responsible person

All the Directors named above have authorised in writing Catherine McGrath, Chief Executive Officer, Westpac New Zealand to sign this Disclosure Statement on the Directors' behalf in accordance with section 82 of the BPS Act.

Auditor

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

Credit ratings

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

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

i. General information (continued)

Other material matters

Reports required under section 95 of the Banking (Prudential Supervision) Act 1989

On 23 March 2021, the Reserve Bank issued two notices to Westpac New Zealand under section 95 of the Banking (Prudential Supervision) Act 1989 requiring Westpac New Zealand to supply two external reviews to the Reserve Bank (the 'Risk Governance Review' and the 'Liquidity Review'). These reviews only applied to Westpac New Zealand and not to the Overseas Bank or its NZ Branch.

The Risk Governance Review related to the effectiveness of Westpac New Zealand's risk governance. This review, completed by Oliver Wyman Limited (Oliver Wyman) in November 2021, identified deficiencies in Westpac New Zealand's risk governance practices and operations which Westpac New Zealand sought to address through a programme of work overseen by the Westpac New Zealand Board.

Oliver Wyman (on engagement from Westpac New Zealand) delivered an independent assurance report on Westpac New Zealand's remediation to Westpac New Zealand and the Reserve Bank in December 2022. In April 2023, the Reserve Bank acknowledged the decision of Westpac New Zealand's Board to approve closure of the Risk Governance programme of work, noted the improvements made by Westpac New Zealand to date and that any remaining activity will be overseen by Westpac New Zealand's Board Risk and Compliance Committee.

The Liquidity Review related to the effectiveness of Westpac New Zealand's actions to improve liquidity risk management and the associated risk culture. The review, completed by Deloitte Touche Tohmatsu (Deloitte) in May 2022, did not identify any material control gaps or issues and made some recommendations for improvement, which are being implemented as part of Westpac New Zealand's continuous improvement activity. Since then, Westpac New Zealand has undertaken further assurance work and continues to review and enhance the control framework.

From 31 March 2021, the Reserve Bank amended Westpac New Zealand's conditions of registration, requiring Westpac New Zealand to discount the value of its liquid assets by approximately 14%. From 15 August 2022, the Reserve Bank reduced the overlay quantum to approximately 7%, which at 31 March 2023 was $1.7 billion. The overlay will remain in place until the Reserve Bank is satisfied that control assurance work has been completed.

Technology programme

Separate to the section 95 reviews outlined above, Westpac New Zealand has also committed to the Reserve Bank, APRA and Financial Markets Authority to address various technology issues, and engaged Deloitte to monitor progress. While work has been underway to address these issues for some time, more work is required to meet Westpac New Zealand's expectations and those of the regulators.

Reserve Bank's Outsourcing Policy

Condition of registration 22 requires Westpac New Zealand to comply with those provisions of the Reserve Bank's Outsourcing Policy that are currently in force, and to be fully compliant with all provisions of the policy by 1 October 2023. Westpac New Zealand is completing a large-scale, multi-year, complex programme of work to become fully compliant by the compliance date. Westpac New Zealand continuously monitors its progress and, while it considers that it has a pathway to achieve compliance, significant risks remain in relation to the delivery of its plan by the compliance date.

Reserve Bank review of overseas bank branches

On 20 October 2021, the Reserve Bank announced it is reviewing its policy for branches of overseas banks (including the NZ Branch), with a view to creating a simple, coherent and transparent policy framework for branches of overseas banks. On 24 August 2022, the Reserve Bank released a second and final consultation paper, outlining its preferred approach to the regulation of branches, including:

- restricting overseas bank branches to engaging in wholesale business only (meaning they could not take retail deposits or offer products or services to retail customers), and limiting the maximum size of a branch to $15 billion in total assets; and
- requiring dual-registered branches (such as the NZ Branch), to only conduct business with customers with a consolidated turnover greater than $50 million. In addition, the branch must be sufficiently separate from the relevant subsidiary with any risks mitigated by specific conditions of registration.

The consultation period closed on 16 November 2022. Final policy decisions are expected to be announced in the second half of 2023.

Deposit Takers Bill

The Deposit Takers Bill 2022 was introduced into the New Zealand Parliament on 22 September 2022. If passed, the Bill will create a single regulatory regime for banks and non-bank deposit takers in New Zealand and introduce a depositor compensation scheme to protect up to $100,000 per eligible depositor, per institution, if a payout event is triggered. The scheme is expected to be fully funded by levies and with a Crown backstop. If the Bill is passed, initial implementation of the depositor compensation scheme is expected in 2024, with the remainder of the Bill to be implemented following the development of secondary legislation.

Overseas Bank and APRA enforceable undertaking on risk governance remediation

The Overseas Bank's CORE program is delivering the Integrated Plan required by the enforceable undertaking (EU) entered into with APRA in December 2020 in relation to the Overseas Bank's risk governance remediation and supporting the strengthening of the Overseas Bank's risk governance, accountability, and culture. Execution of the CORE program is ongoing and 75% of the activities in the Integrated Plan have been assessed as complete and effective by the Independent Reviewer.

Registered bank disclosures

Unaudited

i. General information (continued)

Promontory Australia, as the appointed Independent Reviewer, provides quarterly reports to APRA on the Overseas Bank's compliance with the EU and the Integrated Plan. Promontory Australia has provided nine reports to APRA so far, with its next report due in July 2023. These reports are published on the Overseas Bank's website every six months at www.westpac.com.au/about-westpac/media/core with the latest reports released on 8 May 2023.

Overseas Bank risk management

The Overseas Bank is continuing to invest in strengthening its end-to-end management of risk. A range of shortcomings and areas for improvement in the Overseas Banking Group's risk governance have been highlighted in reviews concluded in prior years. These include embedding its risk management framework, policies, systems, and the three lines of defence model, data quality and management, product governance, prudential compliance management and associated control frameworks and its risk capabilities.

APRA phasing out reliance on Committed Liquidity Facility

On 10 September 2021, APRA announced its expectation that authorised deposit-taking institutions reduce their Committed Liquidity Facility (CLF) usage to zero in stages. In line with APRA's expectations, on 1 January 2023, the Overseas Bank's CLF allocation has reduced to zero. To replace the reduction in the CLF, the Overseas Bank has increased its holdings of High Quality Liquid Assets.

ASIC's civil proceedings against the Overseas Bank relating to interest rate hedging activity

On 5 May 2021, ASIC filed civil proceedings against the Overseas Bank alleging that it had engaged in insider trading and unconscionable conduct and failed to comply with its Australian financial services licence obligations. The allegations relate to interest rate hedging activity during the Overseas Bank's involvement in the 2016 Ausgrid privatisation transaction. The Overseas Bank has filed its response to ASIC's claim. A hearing date for this matter has been set down for 18 March 2024.

Australian Transaction Reports and Analysis Centre (AUSTRAC) related class action against the Overseas Bank

The Overseas Bank is defending a class action proceeding which was commenced in December 2019 in the Federal Court of Australia on behalf of certain investors who acquired an interest in the Overseas Bank securities between 16 December 2013 and 19 November 2019. The proceeding involves allegations relating to market disclosure issues connected to the Overseas Bank's monitoring of financial crime over the relevant period, and matters which were the subject of the AUSTRAC civil proceedings. The damages sought on behalf of members of the class have not yet been specified. However, in the course of a procedural hearing, the applicant indicated that a preliminary estimate of the losses that may be alleged in respect of a subset of potential group members exceeded AUD$1 billion. While it remains unclear how the applicant will ultimately formulate their estimate of alleged damages claimed on behalf of group members, it is possible that the claim may be higher (or lower) than the amount referred to above. Given the time period and the nature of the claims alleged to be in question, along with the reduction in the Overseas Bank's market capitalisation at the time of the commencement of the AUSTRAC civil proceedings, it is likely that any total alleged damages (when, and if, ultimately articulated by the applicant) will be significant. The Overseas Bank continues to deny both that its disclosure was inappropriate and, as such, that any group member has incurred damage.

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

Disclosure Statements of the NZ Banking Group for the last five years are available, free of charge, at the internet address www.westpac.co.nz. A printed copy will also be made available, free of charge, upon request.

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2022 and for the six months ended 31 March 2023, respectively, and can be accessed at the internet address www.westpac.com.au.

Registered bank disclosures

Unaudited

ii. Additional financial disclosures

Additional information on balance sheet

	NZ BANKING GROUP	
$ millions	31 Mar 23 Unaudited	30 Sep 22 Audited
Interest earning and discount bearing assets	**123,995**	120,385
Interest and discount bearing liabilities	**101,397**	97,601
Total amounts due from related entities	**4,200**	6,609
Total amounts due to related entities	**4,137**	8,292
Total liabilities of the NZ Branch, net of amounts due to related entities	**8,400**	10,584
Total retail deposits of the NZ Branch	**-**	-

Financial assets pledged as collateral

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

	NZ BANKING GROUP	
$ millions	31 Mar 23 Unaudited	30 Sep 22 Audited
Cash	**89**	87
Securities pledged under repurchase agreements:		
Trading securities and financial assets measured at FVIS	**849**	347
Investment securities	**216**	-
Residential mortgage-backed securities[1]	**6,482**	4,998
Total amount pledged to secure liabilities (excluding CB Programme)	**7,636**	5,432

[1] As at 31 March 2023, the NZ Banking Group has undertaken repurchase agreements with the Reserve Bank, under the Funding for Lending Programme and Term Lending Facility, using residential mortgage-backed securities. For the Funding for Lending Programme, the repurchase cash amount at 31 March 2023 is $4,981 million (30 September 2022: $3,871 million), which is recorded within other financial liabilities on the balance sheet, with underlying securities to the value of $6,387 million provided under the arrangement (30 September 2022: $4,883 million). For the Term Lending Facility, the repurchase cash amount at 31 March 2023 is $80 million (30 September 2022: $96 million), which is recorded within other financial liabilities on the balance sheet, with underlying securities to the value of $95 million provided under the arrangement (30 September 2022: $115 million).

Additional information on concentrations of credit risk

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

	NZ BANKING GROUP
$ millions	31 Mar 23
Financial assets	
Cash and balances with central banks	**11,367**
Collateral paid	**89**
Trading securities and financial assets measured at FVIS	**4,374**
Derivative financial instruments	**4,406**
Investment securities	**6,763**
Loans	**98,622**
Other financial assets	**1,343**
Due from related entities	**4,200**
Total financial assets	**131,164**
Undrawn credit commitments	
Letters of credit and guarantees	**1,100**
Commitments to extend credit	**27,249**
Total undrawn credit commitments	**28,349**
Total maximum credit risk exposure	**159,513**

Registered bank disclosures

Unaudited

ii. Additional financial disclosures (continued)

	NZ BANKING GROUP
$ millions	**31 Mar 23**
On-balance sheet credit exposures	
Analysis of on-balance sheet credit exposures by geographical areas	
New Zealand	120,434
Overseas	11,271
Subtotal	131,705
Provision for ECL on loans	(541)
Total on-balance sheet credit exposures	131,164
Analysis of on-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	393
Agriculture	9,241
Construction	522
Finance and insurance	11,411
Forestry and fishing	476
Government, administration and defence	19,262
Manufacturing	2,274
Mining	191
Property	8,246
Property services and business services	1,174
Services	1,456
Trade	2,603
Transport and storage	1,080
Utilities	2,510
Retail lending	66,571
Other	2
Subtotal	127,412
Provision for ECL	(541)
Due from related entities	4,200
Other financial assets	93
Total on-balance sheet credit exposures	131,164
Off-balance sheet credit exposures consists of	
Credit risk-related instruments	28,349
Total off-balance sheet credit exposures	28,349
Analysis of off-balance sheet credit exposures by geographical areas	
New Zealand	27,689
Overseas	660
Total off-balance sheet credit exposures	28,349
Analysis of off-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	74
Agriculture	627
Construction	518
Finance and insurance	2,046
Forestry and fishing	157
Government, administration and defence	908
Manufacturing	1,516
Mining	53
Property	1,521
Property services and business services	665
Services	1,196
Trade	1,518
Transport and storage	681
Utilities	1,781
Retail lending	15,088
Total off-balance sheet credit exposures	28,349

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

Registered bank disclosures

Unaudited

ii. Additional financial disclosures (continued)

Additional information on concentrations of funding

	NZ BANKING GROUP
$ millions	**31 Mar 23**
Funding consists of	
Collateral received	412
Deposits and other borrowings	82,566
Other financial liabilities[1]	6,693
Due to related entities[2]	1,700
Debt issues[3]	19,801
Loan capital	2,437
Total funding	**113,609**
Analysis of funding by geographical area[3]	
New Zealand	88,548
Australia	2,425
United Kingdom	10,126
United States of America	7,261
China	2,850
Other	2,399
Total funding	**113,609**
Analysis of funding by industry sector	
Accommodation, cafes and restaurants	453
Agriculture	1,736
Construction	2,630
Finance and insurance	42,002
Forestry and fishing	162
Government, administration and defence	3,264
Manufacturing	2,307
Mining	69
Property services and business services	7,649
Services	6,083
Trade	2,179
Transport and storage	1,077
Utilities	936
Households	35,403
Other[4]	5,959
Subtotal	**111,909**
Due to related entities[2]	1,700
Total funding	**113,609**

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

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

ii. Additional financial disclosures (continued)

Additional information on interest rate sensitivity

The following table presents a breakdown of the earlier of the contractual repricing or maturity dates of the NZ Banking Group's net asset position as at 31 March 2023. The NZ Banking Group uses this contractual repricing information as a base, which is then altered to take account of customer behaviour, to manage its interest rate risk.

	NZ BANKING GROUP						
	31 Mar 23						
$ millions	Up to 3 Months	Over 3 Months and Up to 6 Months	Over 6 Months and Up to 1 Year	Over 1 Year and Up to 2 Years	Over 2 Years	Non-interest Bearing	Total
Financial assets							
Cash and balances with central banks	**10,913**	**-**	**-**	**-**	**-**	**454**	**11,367**
Collateral paid	**89**	**-**	**-**	**-**	**-**	**-**	**89**
Trading securities and financial assets measured at FVIS	**2,405**	**320**	**61**	**78**	**1,510**	**-**	**4,374**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**4,406**	**4,406**
Investment securities	**432**	**89**	**329**	**1,125**	**4,788**	**-**	**6,763**
Loans	**44,185**	**9,578**	**16,612**	**20,115**	**8,816**	**(684)**	**98,622**
Other financial assets	**1**	**-**	**-**	**-**	**-**	**1,342**	**1,343**
Due from related entities	**2,549**	**-**	**-**	**-**	**-**	**1,651**	**4,200**
Total financial assets	**60,574**	**9,987**	**17,002**	**21,318**	**15,114**	**7,169**	**131,164**
Non-financial assets							**1,571**
Total assets							**132,735**
Financial liabilities							
Collateral received	**412**	**-**	**-**	**-**	**-**	**-**	**412**
Deposits and other borrowings	**47,246**	**10,727**	**9,666**	**1,125**	**720**	**13,082**	**82,566**
Other financial liabilities	**6,568**	**80**	**-**	**-**	**-**	**1,362**	**8,010**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**4,189**	**4,189**
Due to related entities	**1,548**	**-**	**-**	**-**	**-**	**2,589**	**4,137**
Debt issues	**2,990**	**647**	**1,883**	**4,188**	**11,025**	**(932)**	**19,801**
Loan capital	**-**	**-**	**-**	**-**	**2,572**	**(135)**	**2,437**
Total financial liabilities	**58,764**	**11,454**	**11,549**	**5,313**	**14,317**	**20,155**	**121,552**
Non-financial liabilities							**696**
Total liabilities							**122,248**
On-balance sheet interest rate repricing gap	**1,810**	**(1,467)**	**5,453**	**16,005**	**797**		
Net derivative notional principals							
Net interest rate contracts (notional):							
Receivable/(payable)	**16,876**	**(13,320)**	**(530)**	**(10,586)**	**7,560**		
Net interest rate repricing gap	**18,686**	**(14,787)**	**4,923**	**5,419**	**8,357**		

Registered bank disclosures

Unaudited

ii. Additional financial disclosures (continued)

Additional information on liquidity risk

Contractual maturity of financial liabilities

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

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

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

	NZ BANKING GROUP						
	31 Mar 23						
$ millions	On Demand	Up to 1 Month	Over 1 Month and Up to 3 Months	Over 3 Months and Up to 1 Year	Over 1 Year and Up to 5 Years	Over 5 Years	Total
Financial liabilities							
Collateral received	-	412	-	-	-	-	412
Deposits and other borrowings	41,751	7,412	11,519	21,026	1,985	-	83,693
Other financial liabilities	2,221	304	-	80	5,570	-	8,175
Derivative financial instruments:							
Held for trading	3,072	-	-	-	-	-	3,072
Held for hedging purposes (net settled)	-	49	140	57	281	4	531
Held for hedging purposes (gross settled):							
Cash outflow	-	47	81	1,258	6,924	1,934	10,244
Cash inflow	-	-	(3)	(924)	(6,205)	(1,948)	(9,080)
Due to related entities:							
Non-derivative balances	1,701	-	-	-	17	-	1,718
Derivative financial instruments:							
Held for trading	2,419	-	-	-	-	-	2,419
Debt issues	-	688	1,152	3,947	12,786	3,298	21,871
Loan capital	-	-	9	28	147	2,752	2,936
Total undiscounted financial liabilities	51,164	8,912	12,898	25,472	21,505	6,040	125,991
Total contingent liabilities and commitments							
Letters of credit and guarantees	1,100	-	-	-	-	-	1,100
Commitments to extend credit	27,249	-	-	-	-	-	27,249
Total undiscounted contingent liabilities and commitments	28,349	-	-	-	-	-	28,349

Registered bank disclosures

Unaudited

ii. Additional financial disclosures (continued)

Liquid assets

The following table shows the NZ Banking Group's holding of liquid assets. Liquid assets include high quality assets readily convertible to cash to meet the NZ Banking Group's liquidity requirements. The level of liquid asset holdings is reviewed frequently and is consistent with both the requirements of the balance sheet and market conditions.

	NZ BANKING GROUP
$ millions	**31 Mar 23**
Cash and balances with central banks	**11,367**
Interbank lending	**17**
Supranational securities	**2,383**
NZ Government securities	**2,460**
NZ public securities	**2,753**
NZ corporate securities	**1,706**
Residential mortgage-backed securities	**6,150**
Available liquid assets	**26,836**

Overseas Banking Group profitability and size

Information on the Overseas Banking Group is from the most recently published financial statements of the Overseas Banking Group for the six months ended 31 March 2023.

Profitability	31 Mar 23
Net profit after tax for the six months ended 31 March 2023 (A$ millions)[1]	**4,005**
Net profit after tax for the 12 month period to 31 March 2023 as a percentage of average total assets	**0.6%**

Total assets and equity	31 Mar 23
Total assets (A$ millions)	**1,019,108**
Percentage change in total assets over the 12 months ended 31 March 2023	**5.6%**
Total equity (A$ millions)	**72,668**

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

Reconciliation of mortgage-related amounts

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

	NZ BANKING GROUP
$ millions	**31 Mar 23**
Residential mortgages - total gross loans (as disclosed in Note 6)	**65,223**
Reconciling items:	
Unamortised deferred fees and expenses	**(297)**
Fair value hedge adjustments	**267**
Value of undrawn commitments and other off-balance sheet amounts relating to residential mortgages	**12,296**
Undrawn at default[1]	**(3,419)**
Residential mortgages by LVR (as disclosed in Additional mortgage information in Section iv. Credit and market risk exposures and capital adequacy)	**74,070**

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

Registered bank disclosures

Unaudited

iii. Asset quality

Past due assets

$ millions	NZ BANKING GROUP 31 Mar 23
Past due but not individually impaired assets	
Less than 30 days past due	**1,318**
At least 30 days but less than 60 days past due	**286**
At least 60 days but less than 90 days past due	**142**
At least 90 days past due	**309**
Total past due but not individually impaired assets	**2,055**

Movements in components of loss allowance

Refer to Note 7 for the movements in components of loss allowance.

Impact of changes in gross financial assets on loss allowances

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

	NZ BANKING GROUP 31 Mar 23 Unaudited				
	Performing		Non-performing		
	Stage 1	Stage 2	Stage 3	Stage 3	
$ millions	CAP	CAP	CAP	IAP	Total
Total gross carrying amount as at 30 September 2022	**85,810**	**11,439**	**483**	**60**	**97,792**
Transfers:					
Transfers to Stage 1	**3,511**	**(3,488)**	**(22)**	**(1)**	**-**
Transfers to Stage 2	**(8,812)**	**8,893**	**(81)**	**-**	**-**
Transfers to Stage 3 CAP	**(41)**	**(277)**	**320**	**(2)**	**-**
Transfers to Stage 3 IAP	**-**	**(6)**	**(15)**	**21**	**-**
Net further lending/(repayment)	**(1,824)**	**769**	**(1)**	**1**	**(1,055)**
New financial assets originated	**7,234**	**-**	**-**	**-**	**7,234**
Financial assets derecognised during the period	**(4,083)**	**(646)**	**(63)**	**(4)**	**(4,796)**
Amounts written-off	**-**	**-**	**(11)**	**(1)**	**(12)**
Total gross carrying amount as at 31 March 2023	**81,795**	**16,684**	**610**	**74**	**99,163**
Provision for ECL as at 31 March 2023	**(86)**	**(330)**	**(94)**	**(31)**	**(541)**
Total net carrying amount as at 31 March 2023	**81,709**	**16,354**	**516**	**43**	**98,622**

Other asset quality information

$ millions	NZ BANKING GROUP 31 Mar 23
Undrawn commitments with individually impaired counterparties	**3**
Other assets under administration	**-**

iii. Asset quality (continued)

Overseas Banking Group asset quality

Information on the Overseas Banking Group is from the most recently published financial results and Pillar 3 report of the Overseas Banking Group for the six months ended 31 March 2023.

	31 Mar 23
Total non-performing exposures[1] (A$ millions)	**8,230**
Total non-performing exposures expressed as a percentage of total assets	**0.8%**
Total provision for ECL on non-performing exposures[2] (A$ millions)	**1,393**
Total provision for ECL on non-performing exposures expressed as a percentage of total non-performing exposures	**16.9%**
Total collectively assessed provision for ECL[2] (A$ millions)	**4,530**

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

[2] Total provision for ECL on non-performing exposures and total collectively assessed provision for ECL both include A$1,011 million of provision for ECL that has been calculated collectively on groups of assets which have been determined to be non-performing, but which are not individually significant.

iv. Credit and market risk exposures and capital adequacy

Additional mortgage information

Residential mortgages by LVR as at 31 March 2023

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

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

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

	NZ BANKING GROUP					
	31 Mar 23					
LVR range ($ millions)	Does not exceed 60%	Exceeds 60% and not 70%	Exceeds 70% and not 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
On-balance sheet exposures	31,944	14,745	13,705	3,266	1,533	65,193
Undrawn commitments and other off-balance sheet exposures	7,005	1,011	599	100	162	8,877
Value of exposures	**38,949**	**15,756**	**14,304**	**3,366**	**1,695**	**74,070**

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

Market risk

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

For each category of market risk, the NZ Banking Group's peak end-of-day aggregate capital charge is derived in accordance with the scalar approach as referred to in BPR140. Under this approach, the end-of-period capital charge is scaled by the ratio of peak capital charge to end-of-period capital charge using the internal value-at-risk method.

The following table provides a summary of the NZ Banking Group's notional capital charges by risk type as at the reporting date and the peak end-of-day notional capital charges by risk type for the six months ended 31 March 2023:

	NZ BANKING GROUP	
	31 Mar 23	
$ millions	Implied risk-weighted exposure	Notional capital charge
End-of-period		
Interest rate risk	**8,553**	**684**
Currency risk	**3**	**-**
Equity risk	**-**	**-**
Peak end-of-day		
Interest rate risk	**13,761**	**1,101**
Foreign currency risk	**44**	**4**
Equity risk	**-**	**-**

Overseas Bank and Overseas Banking Group capital adequacy

The following table represents the capital adequacy calculation for the Overseas Banking Group and Overseas Bank as at 31 March 2023 based on APRA's application of the Basel III capital adequacy framework.

%	31 Mar 23	31 Mar 22
Overseas Banking Group (excluding entities specifically excluded by APRA regulations)[1, 2]		
Common Equity Tier 1 capital ratio	**12.3**	11.3
Additional Tier 1 capital ratio	**2.2**	2.1
Tier 1 capital ratio	**14.5**	13.4
Tier 2 capital ratio	**5.3**	4.3
Total regulatory capital ratio	**19.8**	17.7
Overseas Bank (Extended Licensed Entity)[1, 3]		
Common Equity Tier 1 capital ratio	**12.5**	11.2
Additional Tier 1 capital ratio	**2.4**	2.2
Tier 1 capital ratio	**14.9**	13.4
Tier 2 capital ratio	**5.8**	4.7
Total regulatory capital ratio	**20.7**	18.1

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

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

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

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

Under APRA's Prudential Standards, Australian authorised deposit-taking institutions, including the Overseas Banking Group and the Overseas Bank are required to maintain minimum ratios of capital to risk weighted assets, as determined by APRA. The minimum capital ratios are at least equal to those specified under the Basel III capital framework. For the calculation of risk weighted assets, the Overseas Banking Group and the Overseas Bank are accredited by APRA to apply advanced models permitted by the Basel III global capital adequacy regime. The Overseas Banking Group and the Overseas Bank use the IRB approach for credit risk, the Standardised Measurement Approach for operational risk and the internal model approach for interest rate risk in the banking book for calculating regulatory capital.

From 1 January 2023, APRA's revised capital framework, including updated prudential standards for capital adequacy and credit risk capital, became effective. As part of the revised framework, APRA has set a Total Common Equity Tier 1 (CET1) Requirement for Domestic Systemically Important Banks (D-SIBs) of 10.25% (noting that APRA may apply higher CET1 requirements for an individual bank). This requirement includes a capital conservation buffer of 4.75% applicable to D-SIBs and a base level for the countercyclical capital buffer of 1.0%. APRA indicated that it expects that D-SIBs (including the Overseas Banking Group) will likely operate with CET1 capital ratio above 11% in normal operating conditions under the new framework.

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

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

The Overseas Banking Group (excluding entities specifically excluded by APRA regulations), and the Overseas Bank (Extended Licensed Entity as defined by APRA), exceeded the minimum capital adequacy requirements as specified by APRA as at 31 March 2023.

v. Insurance business

The NZ Banking Group does not conduct any insurance business.

vi. Risk management policies

Refer to Section vi. Risk management policies of the Registered bank disclosure, Note 13. Credit risk management and Note 31. Risk management, funding and liquidity risk and market risk included in the NZ Banking Group Disclosure Statement for the year ended 30 September 2022 for further details on the NZ Banking Group's risk management policies.

Conditions of registration

Changes to conditions of registration

There have been no changes to the Overseas Bank's conditions of registration since the reporting date for the previous disclosure statement.

On 28 April 2023 the Reserve Bank advised the Overseas Bank of proposed changes to its conditions of registration which would ease mortgage loan-to-value ratio (LVR) restrictions. These changes are proposed to take effect from 1 June 2023 and ease LVR restrictions as follows:

- from 10% limit for loans with LVR above 80% for owner occupiers, to 15% limit for loans with LVR above 80% for owner occupiers; and
- from 5% limit for loans with LVR above 60% for investors, to 5% limit for loans with LVR above 65% for investors.

Independent auditor's review report

To the Directors of Westpac Banking Corporation

Report on the condensed consolidated interim Financial Statements and the Supplementary Information (excluding credit and market risk exposures and capital adequacy information disclosed in accordance with Schedule 9)

Our conclusion

We have reviewed the condensed consolidated interim financial statements (the "Financial Statements") for the six month period ended 31 March 2023 of the Westpac Banking Corporation (the "Overseas Bank") in respect of the New Zealand operations (the "NZ Banking Group") as required by clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order (the "Supplementary Information"), excluding information relating to credit and market risk exposures and capital adequacy required to be disclosed in accordance with Schedule 9 of the Order contained in the half year disclosure statement (the "Disclosure Statement").

The Financial Statements comprise the balance sheet as at 31 March 2023, the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and explanatory notes.

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

- Financial Statements of the NZ Banking Group have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* ("NZ IAS 34") and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"); and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order:
  - does not present fairly, in all material respects, the matters to which it relates; or
  - is not disclosed, in all material respects, in accordance with those schedules.

Basis for conclusion

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

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

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Responsibilities of the Directors for the Disclosure Statement

The Directors of the Overseas Bank (the "Directors") are responsible, on behalf of the Overseas Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 26 of the Order, NZ IAS 34 and IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

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

- all of the information prescribed in Schedule 3 of the Order; and
- the information prescribed in Schedules 5, 7, 9, 12 and 14 of the Order.

Auditor's responsibilities for the review of the Financial Statements and Supplementary Information

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

- Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34; and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order:
  - does not present fairly, in all material respects, the matters to which it relates; or
  - is not disclosed, in all material respects, in accordance with those schedules; or
  - if applicable, has not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

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

Who we report to

This report is made solely to the Directors, as a body. Our review work has been undertaken so that we might state to them 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 Directors, as a body, for our review procedures, for this report, or for the conclusions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
24 May 2023

Auckland, New Zealand

Independent Assurance Report

To the Directors of Westpac Banking Corporation

Limited assurance report on compliance with the information required on credit and market risk exposures and capital adequacy

Our conclusion

We have undertaken a limited assurance engagement on the New Zealand operations of Westpac Banking Corporation (the "NZ Banking Group")'s compliance, in all material respects, with clause 23 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order") which requires information prescribed in Schedule 9 of the Order relating to credit and market risk exposures and capital adequacy to be disclosed in its half year Disclosure Statement for the six month period ended 31 March 2023 (the "Disclosure Statement").

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the NZ Banking Group's information relating to credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with clause 23 of the Order and disclosed in note iv of the registered bank disclosures, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusion

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

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

Directors' responsibilities

The Directors are responsible on behalf of Westpac Banking Corporation for compliance with the Order, including clause 23 of the Order which requires information relating to credit and market risk exposures and capital adequacy prescribed in Schedule 9 of the Order to be included in the NZ Banking Group's Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

Our independence and quality management

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

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

We are independent of the NZ Banking Group. In addition to our role as auditor, our firm carries out other services for the NZ Banking Group in the areas of other audit and assurance services in respect to non-consolidated entities managed by the NZ Banking Group, system pre-implementation and data migration assessment, and other audit related services. Other audit related services include agreed upon procedures over the issue of comfort letters and debt issuance programmes. In addition, certain partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Banking Group. The provision of these other services and these relationships have not impaired our independence.

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Assurance practitioner’s responsibilities

Our responsibility is to express a limited assurance conclusion on whether the NZ Banking Group’s information relating to credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with clause 23 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the NZ Banking Group’s information relating to credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with clause 23 is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 23 of the Order in respect of the information relating to credit and market risk exposures and capital adequacy is likely to arise.

Given the circumstances of the engagement we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to credit and market risk exposures and capital adequacy;
- obtained an understanding of the NZ Banking Group’s compliance framework and internal control environment to ensure the information relating to credit and market risk exposures and capital adequacy is in compliance with the Reserve Bank of New Zealand’s (the “RBNZ”) prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ’s prudential requirements for banks that relate to credit and market risk exposures and capital adequacy and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to credit and market risk exposures and capital adequacy disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the interim financial statements; and
- agreed the information relating to credit and market risk exposures and capital adequacy disclosed in accordance with Schedule 9 of the Order to information extracted from the NZ Banking Group’s models, accounting records or other supporting documentation, which included publicly available information as prescribed by clause 5 and 6 of Schedule 9 of the Order.

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

Inherent limitations

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

A limited assurance engagement on the NZ Banking Group’s information relating to credit and market risk exposures and capital adequacy prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 23 of the Order does not provide assurance on whether compliance will continue in the future.

Use of report
This report has been prepared for use by the Directors, as a body, for the purpose of establishing that these compliance requirements have been met.

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

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

PricewaterhouseCoopers

Chartered Accountants
24 May 2023

Auckland, New Zealand