
Westpac Banking Corporation – New Zealand Banking Group Disclosure Statement

For the three months ended 31 December 2016



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General information and definitions

Certain information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**') and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 ('**Order**').

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

- Westpac Banking Corporation (otherwise referred to as the '**Overseas Bank**') – refers to the worldwide business of Westpac Banking Corporation excluding its controlled entities;
- Westpac Banking Corporation Group (otherwise referred to as the '**Overseas Banking Group**') – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities;
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac);
- Westpac New Zealand Limited (otherwise referred to as '**Westpac New Zealand**') – refers to a locally incorporated subsidiary of the Overseas Bank (carrying on the Overseas Bank's New Zealand consumer, business and institutional banking operations); and
- Westpac Banking Corporation – New Zealand Banking Group (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation Group including those entities whose business is required to be reported in the financial statements of the Overseas Banking Group's New Zealand business.

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. All amounts referred to in this Disclosure Statement are in New Zealand dollars unless otherwise stated.

Limits on material financial support by the ultimate parent bank

In late 2014, the Australian Prudential Regulation Authority ('**APRA**') initiated a process to reduce Australian bank non-equity exposures to their respective New Zealand banking subsidiaries and branches, so that these non-equity exposures are minimised during ordinary times. On 19 November 2015, APRA informed the Overseas Bank that its Extended Licensed Entity ('**ELE**') non-equity exposures to New Zealand banking subsidiaries is to transition to be below a limit of five percent of the Overseas Bank's Level 1 Tier 1 capital.

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

APRA has allowed a period of five years commencing on 1 January 2016 to transition to be less than the five percent limit. Exposures for the purposes of this limit include all committed, non-intraday, non-equity exposures including derivatives and off-balance sheet exposures.

Further, APRA imposed two conditions over the transition period – the percentage excess above the five percent limit as at 30 June 2015, is to reduce by at least one fifth by the end of each calendar year over the transition period, and the absolute amount of routine New Zealand non-equity exposure is not to increase from the 30 June 2015 level until the Overseas Bank is, and expects to remain, below the five percent limit. For the purposes of assessing this exposure, the five percent limit excludes equity investments and holdings of capital instruments in New Zealand banking subsidiaries.

While the limit and associated conditions do not apply to the ELE's non-equity exposures to the NZ Branch (which is within the ELE), the limit and associated conditions do apply to the NZ Branch's non-equity exposures to the rest of the NZ Banking Group other than Westpac New Zealand Group Limited. As at 31 December 2016, the ELE's non-equity exposures to New Zealand banking subsidiaries affected by the limit was approximately 6.9% of Level 1 Tier 1 capital of the Overseas Bank. Non-equity exposure would need to reduce by approximately \$0.8 billion from the 31 December 2016 position to comply with the 5% limit. The Overseas Bank expects to achieve compliance with the 5% limit within the transition period.

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

General matters

NZ Banking Group residential mortgages by loan-to-value ratio – note 16.1

The NZ Banking Group has identified that the loan-to-value ratios ('**LVR**') in note 16.1 have not been calculated in compliance with the Order. They have been calculated by reference to the value of loans at origination rather than the current values as required by the Order. The result would be expected to be higher and hence more conservative than it would be using the method prescribed by the Order. The correct ratios will be included in the Disclosure Statement for the period ending 31 March 2017. Refer to Note 16.1 for more information.

Directors

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

Lindsay Philip Maxsted, DipBus (Gordon), FCA, FAICD – Chairman

Brian Charles Hartzler, BA, CFA – Managing Director & Chief Executive Officer

Ewen Graham Wolseley Crouch AM, BEc (Hons.), LLB, FAICD

Catriona Alison Deans, BA, MBA, GAICD

Craig William Dunn, BCom, FCA

Robert George Elstone, BA (Hons.), MA (Econ.), MCom

Peter John Oswin Hawkins, BCA (Hons.), SF Fin, FAIM, ACA (NZ), FAICD

Peter Ralph Marriott, BEc (Hons.), FCA

Changes to the Directorate

Elizabeth Blomfield Bryan ceased to be a director on 9 December 2016. There have been no other changes to the composition of the Overseas Bank's Board of Directors (the '**Board**') since 30 September 2016.

Chief Executive Officer, NZ Branch

Karen Lee Ann Silk, B.Com

Responsible person

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

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 this Disclosure Statement was signed:

Rating Agency	Current Credit Rating	Rating Outlook
Fitch Ratings	AA-	Stable
Moody's Investors Service	Aa2	Negative
S&P Global Ratings	AA-	Negative

On 7 July 2016, S&P Global Ratings ('S&P') affirmed the Overseas Bank's credit rating at AA-, however, as a result of S&P revising the outlook for the Australian sovereign rating to 'negative' from 'stable', the Overseas Bank's outlook was also revised to 'negative' from 'stable'. On 18 August 2016, Moody's Investors Service ('Moody's') affirmed the Overseas Bank's credit rating at Aa2, but revised the outlook to 'negative' from 'stable'. The revision in outlook follows Moody's revision of the Australian Macro Profile to "Very Strong -" from "Very Strong". There have been no changes to the Overseas Bank's credit rating in the two years prior to 31 December 2016.

A credit rating is not a recommendation to buy, sell or hold securities of the Overseas Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in the Overseas Bank's securities are cautioned to evaluate each rating independently of any other rating.

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

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

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2016 and can be accessed at the internet address www.westpac.com.au.

Guarantee arrangements

No material obligations of the Overseas Bank that relate to the NZ Branch are guaranteed as at the date this Disclosure Statement was signed.

Other material matters

Certain matters relating to the business or affairs of the Overseas Bank and the NZ Banking Group have been disclosed on the New Zealand and/or Australian stock exchanges.

There are no other matters relating to the business or affairs of the Overseas Bank and the NZ Banking Group which are not contained elsewhere in the Disclosure Statement and which would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Overseas Bank or any member of the NZ Banking Group is the issuer.

Conditions of registration

Changes to conditions of registration

The conditions of registration were amended on 28 September 2016 with effect from 1 October 2016 to revise the high LVR restrictions on residential mortgage lending. Property investment residential lending at LVRs of greater than 60% must not exceed 5% of the total qualifying new property investment residential mortgage loans arising during the relevant loan-to-valuation measurement period. Non property-investment residential mortgage lending with an LVR of more than 80% must not exceed 10% of the total qualifying new non property-investment residential mortgage loans arising during the relevant loan-to-valuation measurement period.

The Reserve Bank document 'Framework for Restrictions on High-LVR Residential Mortgage lending' (BS19) was also revised.

Westpac New Zealand conditions of registration

Westpac New Zealand has disclosed instances of non-compliance with its conditions of registration in Westpac New Zealand's Disclosure Statement for the three months ended 31 December 2016. These instances have no impact on the compliance by the Overseas Bank with its conditions of registration.

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

Each Director of the Overseas Bank and the Chief Executive Officer, NZ Branch, believe, 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 except as disclosed in Note 16.1 and under the heading "*NZ Banking Group residential mortgages by loan-to-value ratio*" as noted on page 1; and
- (b) is not false or misleading.

Each Director of the Overseas Bank and the Chief Executive Officer, NZ Branch, believe, after due enquiry, that, over the three months ended 31 December 2016:

- (a) the Overseas Bank has complied with all conditions of registration imposed on it pursuant to section 74 of the Reserve Bank Act; and
- (b) the NZ Branch and other members of the NZ Banking Group had systems in place to monitor and control adequately the material risks of relevant members of the NZ Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied. For this purpose, a relevant member of the NZ Banking Group means a member of the NZ Banking Group that is not a member of Westpac New Zealand's banking group, as defined in Westpac New Zealand's Disclosure Statement for the three months ended 31 December 2016.

This Disclosure Statement has been signed, on behalf of all of the Directors by David Alexander McLean, Chief Executive, Westpac New Zealand, and by Karen Lee Ann Silk as Chief Executive Officer, NZ Branch.



David Alexander McLean



Karen Lee Ann Silk

Dated this 27th day of February 2017

Income statement for the three months ended 31 December 2016

\$ millions	Note	NZ Banking Group		
		Three Months Ended 31-Dec-16 Unaudited	Three Months Ended 31-Dec-15 Unaudited	Year Ended 30-Sep-16 Audited
Interest income		1,009	1,087	4,172
Interest expense		(560)	(643)	(2,398)
Net interest income		449	444	1,774
Non-interest income	2	158	139	588
Net operating income		607	583	2,362
Operating expenses		(247)	(236)	(953)
Impairment recoveries/(charges) on loans	3	37	1	(73)
Profit before income tax expense		397	348	1,336
Income tax expense		(112)	(97)	(373)
Profit after income tax expense		285	251	963

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

Statement of comprehensive income for the three months ended 31 December 2016

\$ millions	NZ Banking Group		
	Three Months Ended 31-Dec-16 Unaudited	Three Months Ended 31-Dec-15 Unaudited	Year Ended 30-Sep-16 Audited
Profit after income tax expense	285	251	963
Other comprehensive income/(expense) which may be reclassified subsequently to the income statement:			
Available-for-sale securities:			
Net unrealised gains/(losses) from changes in fair value of available-for-sale securities	4	(7)	(21)
Income tax effect	(1)	2	6
Cash flow hedges:			
Net gains/(losses) from changes in fair value of cash flow hedges	51	(31)	(117)
Transferred to the income statement	28	35	133
Income tax effect	(22)	(1)	(4)
Total other comprehensive income/(expense) which may be reclassified subsequently to the income statement	60	(2)	(3)
Other comprehensive expense which will not be reclassified subsequently to the income statement:			
Remeasurement of employee defined benefit obligations	-	-	(7)
Income tax effect	-	-	2
Total other comprehensive expense which will not be reclassified subsequently to the income statement	-	-	(5)
Total other comprehensive income/(expense), net of tax	60	(2)	(8)
Total comprehensive income	345	249	955

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

Balance sheet as at 31 December 2016

		NZ Banking Group		
\$ millions	Note	31-Dec-16 Unaudited	31-Dec-15 Unaudited	30-Sep-16 Audited
Assets				
Cash and balances with central banks		1,857	1,785	1,472
Due from other financial institutions		927	509	844
Trading securities and other financial assets designated at fair value	4	5,648	4,837	4,035
Derivative financial instruments		3,755	3,982	4,838
Available-for-sale securities		3,721	3,386	3,790
Loans	5, 6	76,166	70,551	75,582
Life insurance assets		268	278	269
Due from related entities		2,902	2,384	1,218
Investment in associate		10	-	9
Property and equipment		153	156	161
Deferred tax assets		142	166	166
Intangible assets		648	653	650
Other assets		354	382	324
Total assets		96,551	89,069	93,358
Liabilities				
Due to other financial institutions		526	475	616
Deposits and other borrowings	8	59,995	55,530	58,791
Other financial liabilities at fair value through income statement	9	239	450	576
Derivative financial instruments		5,101	6,069	6,236
Debt issues	10	17,897	14,061	14,727
Current tax liabilities		84	39	70
Provisions		76	67	99
Other liabilities		586	611	590
Total liabilities excluding related entities liabilities		84,504	77,302	81,705
Due to related entities		3,585	3,443	3,525
Subordinated debentures		1,080	1,882	1,091
Total related entities liabilities		4,665	5,325	4,616
Total liabilities		89,169	82,627	86,321
Net assets		7,382	6,442	7,037
Equity				
Head office account				
Branch capital		1,300	1,300	1,300
Retained profits		660	549	613
Total head office account		1,960	1,849	1,913
NZ Banking Group equity				
Ordinary share capital		143	143	143
Retained profits		5,324	4,554	5,086
Available-for-sale securities reserve		4	11	1
Cash flow hedge reserve		(49)	(115)	(106)
Total equity attributable to owners of the NZ Banking Group		5,422	4,593	5,124
Total equity		7,382	6,442	7,037
Interest earning and discount bearing assets		90,635	82,735	86,427
Interest and discount bearing liabilities		77,343	70,553	73,743

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

Statement of changes in equity for the three months ended 31 December 2016

\$ millions	NZ Banking Group						Total Equity
	NZ Branch		Other Members of the NZ Banking Group				
	Head Office Account		Total equity attributable to owners of the NZ Banking Group				
	Branch Capital	Retained Profits	Ordinary Share Capital	Retained Profits	Available-for-sale Securities Reserve	Cash Flow Hedge Reserve	
As at 1 October 2015 (Audited)	1,300	524	143	4,328	16	(118)	6,193
Three months ended 31 December 2015 (Unaudited)							
Profit after income tax expense	-	25	-	226	-	-	251
Net losses from changes in fair value	-	-	-	-	(7)	(31)	(38)
Income tax effect	-	-	-	-	2	9	11
Transferred to the income statement	-	-	-	-	-	35	35
Income tax effect	-	-	-	-	-	(10)	(10)
Total comprehensive income for the three months ended 31 December 2015	-	25	-	226	(5)	3	249
As at 31 December 2015 (Unaudited)	1,300	549	143	4,554	11	(115)	6,442
Year ended 30 September 2016 (Audited)							
Profit after income tax expense	-	89	-	874	-	-	963
Net losses from changes in fair value	-	-	-	-	(21)	(117)	(138)
Income tax effect	-	-	-	-	6	33	39
Transferred to the income statement	-	-	-	-	-	133	133
Income tax effect	-	-	-	-	-	(37)	(37)
Remeasurement of employee defined benefit obligations	-	-	-	(7)	-	-	(7)
Income tax effect	-	-	-	2	-	-	2
Total comprehensive income for the year ended 30 September 2016	-	89	-	869	(15)	12	955
Transactions with owners:							
Dividends paid on ordinary shares	-	-	-	(111)	-	-	(111)
As at 30 September 2016 (Audited)	1,300	613	143	5,086	1	(106)	7,037
Three months ended 31 December 2016 (Unaudited)							
Profit after income tax expense	-	47	-	238	-	-	285
Net gains from changes in fair value	-	-	-	-	4	51	55
Income tax effect	-	-	-	-	(1)	(14)	(15)
Transferred to income statement	-	-	-	-	-	28	28
Income tax effect	-	-	-	-	-	(8)	(8)
Total comprehensive income for the three months ended 31 December 2016	-	47	-	238	3	57	345
As at 31 December 2016 (Unaudited)	1,300	660	143	5,324	4	(49)	7,382

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

Statement of cash flows for the three months ended 31 December 2016

\$ millions	NZ Banking Group		
	Three Months Ended 31-Dec-16 Unaudited	Three Months Ended 31-Dec-15 Unaudited	Year Ended 30-Sep-16 Audited
Cash flows from operating activities			
Interest income received	990	1,091	4,198
Interest expense paid	(540)	(683)	(2,403)
Non-interest income received	193	83	521
Operating expenses paid	(245)	(234)	(838)
Income tax paid	(98)	(80)	(328)
Cash flows from operating activities before changes in operating assets and liabilities	300	177	1,150
Net (increase)/decrease in:			
Due from other financial institutions	(92)	(293)	(716)
Trading securities and other financial assets designated at fair value	(1,698)	(846)	53
Loans	(602)	(1,004)	(6,107)
Due from related entities	(1,731)	883	1,897
Other assets	(6)	1	3
Net increase/(decrease) in:			
Due to other financial institutions	(90)	(362)	(221)
Deposits and other borrowings	1,204	2,544	5,805
Other financial liabilities at fair value through income statement	(337)	171	297
Other liabilities	(2)	(8)	(4)
Net movement in external and related entity derivative financial instruments	206	(362)	(1,915)
Net cash provided by/(used in) operating activities	(2,848)	901	242
Cash flows from investing activities			
Purchase of available-for-sale securities	-	-	(652)
Proceeds from maturities/sale of available-for-sale securities	-	-	300
Net movement in life insurance assets	1	(13)	(4)
Purchase of capitalised computer software	(12)	(10)	(56)
Purchase of property and equipment	(4)	(2)	(25)
Net cash used in investing activities	(15)	(25)	(437)
Cash flows from financing activities			
Proceeds from debt issues	4,550	1,371	7,840
Repayments of debt issues	(1,395)	(969)	(6,018)
Net movement in due to related entities	84	(384)	(261)
Redemption of subordinated debentures	-	-	(762)
Dividends paid to ordinary shareholders	-	-	(111)
Net cash provided by financing activities	3,239	18	688
Net increase in cash and cash equivalents	376	894	493
Cash and cash equivalents at beginning of the period/year	1,530	1,037	1,037
Cash and cash equivalents at end of the period/year	1,906	1,931	1,530
Cash and cash equivalents at end of the period/year comprise:			
Cash on hand	331	300	253
Cash and balances with central banks	1,526	1,485	1,219
Due from other financial institutions	49	146	58
Cash and cash equivalents at end of the period/year	1,906	1,931	1,530

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

Notes to the financial statements

Note 1 Statement of accounting policies

Statutory base

In these condensed consolidated interim financial statements ('financial statements') reference is made to the following reporting groups:

- Westpac Banking Corporation (otherwise referred to as the '**Overseas Bank**') – refers to the worldwide business of Westpac Banking Corporation excluding its controlled entities;
- Westpac Banking Corporation Group (otherwise referred to as the '**Overseas Banking Group**') – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities;
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac);
- Westpac New Zealand Limited (otherwise referred to as '**Westpac New Zealand**') – refers to a locally incorporated subsidiary of the Overseas Bank (carrying on the Overseas Bank's New Zealand consumer, business and institutional banking operations); and
- Westpac Banking Corporation - New Zealand Banking Group (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation Group including those entities whose business is required to be reported in the financial statements of the Overseas Banking Group's New Zealand business.

These financial statements have been prepared and presented in accordance with the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**') and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 ('**Order**').

These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit-oriented entities, and the New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* and should be read in conjunction with the Disclosure Statement for the year ended 30 September 2016. These financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

These financial statements were authorised for issue by the Overseas Bank's Board of Directors (the '**Board**') on 27 February 2017. The Board has the power to amend the financial statements after they are authorised for issue.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by applying fair value accounting to available-for-sale securities and financial assets and financial liabilities (including derivative instruments) measured at fair value through income statement or in other comprehensive income. The going concern concept and the accrual basis of accounting have been applied. All amounts are expressed in New Zealand dollars unless otherwise stated.

There were no amendments to the New Zealand Accounting Standards adopted during the reporting period that had a material impact on the NZ Banking Group.

The same accounting policies and methods of computation have been followed in preparing these financial statements as were used in preparing the financial statements for the year ended 30 September 2016.

Certain comparative information has been restated to ensure consistent treatment with the current reporting period. Where there has been a material restatement of comparative information the nature of, and the reason for, the restatement is disclosed in the relevant note.

Note 2 Non-interest income

\$ millions	NZ Banking Group		
	Three Months Ended 31-Dec-16 Unaudited	Three Months Ended 31-Dec-15 Unaudited	Year Ended 30-Sep-16 Audited
Fees and commissions			
Transaction fees and commissions	46	42	189
Lending fees	16	16	64
Other non-risk fee income	15	13	49
Total fees and commissions	77	71	302
Wealth management revenue			
Fees from trust and other fiduciary activities	12	11	42
Net life insurance income and change in policy liabilities	10	22	108
Total wealth management revenue	22	33	150
Trading income			
Foreign exchange trading	31	23	106
Other trading products	30	8	(2)
Total trading income	61	31	104
Net ineffectiveness on qualifying hedges	(5)	2	4
Other non-interest income			
Share of profit of associate accounted for using the equity method	1	-	11
Other	2	2	17
Total other non-interest income	3	2	28
Total non-interest income	158	139	588

Notes to the financial statements

Note 3 Impairment charges on loans

\$ millions	NZ Banking Group		
	Three Months Ended	Three Months Ended	Year Ended
	31-Dec-16 Unaudited	31-Dec-15 Unaudited	30-Sep-16 Audited
Collectively assessed provisions	(5)	(10)	8
Individually assessed provisions ¹	(41)	-	6
Bad debts written off directly to the income statement	9	9	59
Total impairment (recoveries)/charges on loans	(37)	(1)	73

¹ Individually assessed provisions reduced during the reporting period as a result of recoveries of amounts previously impaired, which exceeded recovery expectations.

Note 4 Trading securities and other financial assets designated at fair value

\$ millions	NZ Banking Group		
	31-Dec-16 Unaudited	31-Dec-15 Unaudited	30-Sep-16 Audited
Government and semi-government securities	3,361	1,465	1,350
Other Debt securities	2,082	2,734	2,374
Securities purchased under agreement to resell	205	638	311
Total trading securities and financial assets designated at fair value	5,648	4,837	4,035

Note 5 Loans

\$ millions	NZ Banking Group		
	31-Dec-16 Unaudited	31-Dec-15 Unaudited	30-Sep-16 Audited
Overdrafts	1,244	1,197	1,313
Credit card outstandings	1,562	1,581	1,503
Money market loans	1,263	1,291	1,362
Term loans:			
Housing	45,576	42,514	45,126
Non-housing	25,680	23,180	25,425
Other	1,235	1,196	1,288
Total gross loans	76,560	70,959	76,017
Provisions for impairment charges on loans	(394)	(408)	(435)
Total net loans	76,166	70,551	75,582

As at 31 December 2016, \$7,154 million of housing loans were used by the NZ Banking Group to secure the obligations of Westpac Securities NZ Limited ('WSNZL') under Westpac New Zealand's Global Covered Bond Programme ('CB Programme') (31 December 2015: \$4,519 million, 30 September 2016: \$6,591 million). These housing loans were not derecognised from the NZ Banking Group's balance sheet in accordance with the accounting policies outlined in Note 1 to the financial statements included in the Disclosure Statement for the year ended 30 September 2016. As at 31 December 2016, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was \$3,365 million (31 December 2015: \$3,957 million, 30 September 2016: \$3,480 million).

Notes to the financial statements

Note 6 Credit quality, impaired assets and provisions for impairment charges on loans

\$ millions	NZ Banking Group	
	31-Dec-16	Unaudited
Neither past due nor impaired		75,064
Past due but not impaired assets:		
Less than 90 days past due		1,246
At least 90 days past due		69
Total past due assets not impaired		1,315
Individually impaired assets		181
Total gross loans		76,560
Individually assessed provisions		63
Collectively assessed provisions		363
Total provisions for impairment charges on loans and credit commitments		426
Provision for credit commitments		(32)
Total provisions for impairment charges on loans		394
Total net loans		76,166

Note 7 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 (refer to Note 5), the carrying value of these financial assets pledged as collateral is:

\$ millions	NZ Banking Group		
	31-Dec-16 Unaudited	31-Dec-15 Unaudited	30-Sep-16 Audited
Cash	878	363	786
Securities pledged under repurchase agreements			
Available-for-sale securities	-	-	400
Trading securities and other financial assets designated at fair value	90	279	44
Total amount pledged to secure liabilities (excluding CB Programme)	968	642	1,230

Note 8 Deposits and other borrowings

\$ millions	NZ Banking Group		
	31-Dec-16 Unaudited	31-Dec-15 Unaudited	30-Sep-16 Audited
Deposits and other borrowings at fair value			
Certificates of deposit	1,268	1,407	1,250
Total deposits and other borrowings at fair value	1,268	1,407	1,250
Deposits and other borrowings at amortised cost			
Non-interest bearing, repayable at call	5,008	4,300	4,621
Other interest bearing:			
At call	24,737	25,029	23,741
Term	28,982	24,794	29,179
Total deposits and other borrowings at amortised cost	58,727	54,123	57,541
Total deposits and other borrowings	59,995	55,530	58,791

The NZ Branch held no retail deposits from individuals as at 31 December 2016 (31 December 2015: nil, 30 September 2016: nil).

Note 9 Other financial liabilities at fair value through income statement

\$ millions	NZ Banking Group		
	31-Dec-16 Unaudited	31-Dec-15 Unaudited	30-Sep-16 Audited
Securities sold short	150	171	132
Security repurchase agreements	89	279	444
Total other financial liabilities at fair value through income statement	239	450	576

Notes to the financial statements

Note 10 Debt issues

\$ millions	NZ Banking Group		
	31-Dec-16 Unaudited	31-Dec-15 Unaudited	30-Sep-16 Audited
Short-term debt			
Commercial paper	2,386	2,423	2,410
Total short-term debt	2,386	2,423	2,410
Long-term debt			
Non-domestic medium-term notes	8,934	4,766	5,616
Covered Bonds	3,365	3,957	3,480
Domestic medium-term notes	3,212	2,915	3,221
Total long-term debt	15,511	11,638	12,317
Total debt issues	17,897	14,061	14,727
Debt issues at amortised cost	15,511	11,638	12,317
Debt issues at fair value	2,386	2,423	2,410
Total debt issues	17,897	14,061	14,727
Movement in debt issues			
Balance at beginning of the period/year	14,727	14,685	14,685
Issuance during the period/year	4,550	1,371	7,840
Repayments during the period/year	(1,395)	(969)	(6,018)
Effect of foreign exchange movements during the period/year	101	(1,010)	(1,824)
Effect of fair value movements and amortisation adjustments during the period/year	(86)	(16)	44
Balance at end of the period/year	17,897	14,061	14,727

Note 11 Related entities

Controlled entities of the NZ Banking Group as at 30 September 2016 are set out in Note 25 to the financial statements included in the NZ Banking Group's Disclosure Statement for the year ended 30 September 2016.

The total liabilities of the NZ Branch, net of amounts due to related entities as at 31 December 2016, amounted to \$4,985 million (31 December 2015: \$6,493 million, 30 September 2016: \$6,189 million).

Note 12 Fair value of financial instruments

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.

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 following hierarchy:

Level 1 instruments

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

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

Level 2 instruments

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

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

Notes to the financial statements

Note 12 Fair value of financial instruments (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 judgment.

Financial instruments measured at fair value

The following table summarises the attribution of financial instruments to the fair value hierarchy based on the measurement basis after initial recognition:

NZ Banking Group 31-Dec-16 Unaudited				
\$ millions	Level 1	Level 2	Level 3 ¹	Total
Financial assets				
Trading securities and other financial assets designated at fair value	655	4,904	89	5,648
Derivative financial instruments	1	3,750	4	3,755
Available-for-sale securities	1,582	2,139	-	3,721
Life insurance assets	-	268	-	268
Due from related entities	-	647	-	647
Total financial assets carried at fair value	2,238	11,708	93	14,039
Financial liabilities				
Deposits at fair value	-	1,268	-	1,268
Other financial liabilities at fair value through income statement	150	89	-	239
Derivative financial instruments	-	5,101	-	5,101
Debt issues at fair value	-	2,386	-	2,386
Due to related entities	-	852	-	852
Total financial liabilities carried at fair value	150	9,696	-	9,846

NZ Banking Group 31-Dec-15 Unaudited				
\$ millions	Level 1	Level 2	Level 3 ¹	Total
Financial assets				
Trading securities and other financial assets designated at fair value	155	4,638	44	4,837
Derivative financial instruments	-	3,978	4	3,982
Available-for-sale securities	1,602	1,784	-	3,386
Life insurance assets	13	265	-	278
Due from related entities	-	841	-	841
Total financial assets carried at fair value	1,770	11,506	48	13,324
Financial liabilities				
Deposits at fair value	-	1,407	-	1,407
Other financial liabilities at fair value through income statement	152	298	-	450
Derivative financial instruments	-	6,069	-	6,069
Debt issues at fair value	-	2,423	-	2,423
Due to related entities	-	931	-	931
Total financial liabilities carried at fair value	152	11,128	-	11,280

¹ Balances within this category of the fair value hierarchy are not considered material to the total trading securities and other financial assets designated at fair value, derivative financial instruments balances.

Notes to the financial statements

Note 12 Fair value of financial instruments (continued)

\$ millions	NZ Banking Group 30-Sep-16 Audited			
	Level 1	Level 2	Level 3 ¹	Total
Financial assets				
Trading securities and other financial assets designated at fair value	668	3,268	99	4,035
Derivative financial instruments	-	4,833	5	4,838
Available-for-sale securities	1,608	2,182	-	3,790
Life insurance assets	-	269	-	269
Due from related entities	-	694	-	694
Total financial assets carried at fair value	2,276	11,246	104	13,626
Financial liabilities				
Deposits at fair value	-	1,250	-	1,250
Other financial liabilities at fair value through income statement	132	444	-	576
Derivative financial instruments	-	6,236	-	6,236
Debt issues at fair value	-	2,410	-	2,410
Due to related entities	-	881	-	881
Total financial liabilities carried at fair value	132	11,221	-	11,353

¹ Balances within this category of the fair value hierarchy are not considered material to the total trading securities and other financial assets designated at fair value and derivative financial instruments balances.

Analysis of movements between fair value hierarchy levels

There were no material amounts of changes in fair value 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 three months ended 31 December 2016 (31 December 2015: no material changes in fair value, 30 September 2016: no material changes in fair value).

During the period, there were no material transfers between levels of the fair value hierarchy (31 December 2015: nil, 30 September 2016: nil).

Financial instruments not measured at fair value

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

\$ millions	NZ Banking Group					
	31-Dec-16 Unaudited		31-Dec-15 Unaudited		30-Sep-16 Audited	
	Total Carrying Amount	Estimated Fair Value	Total Carrying Amount	Estimated Fair Value	Total Carrying Amount	Estimated Fair Value
Financial assets						
Loans	76,166	76,311	70,551	70,686	75,582	75,831
Total	76,166	76,311	70,551	70,686	75,582	75,831
Financial liabilities						
Deposits and other borrowings	58,727	58,777	54,123	54,206	57,541	57,597
Debt issues	15,511	15,662	11,638	11,656	12,317	12,473
Subordinated debentures	1,080	1,095	1,882	1,865	1,091	1,111
Due to related entities	2,733	2,742	2,512	2,524	2,644	2,658
Total	78,051	78,276	70,155	70,251	73,593	73,839

For cash and balances with central banks, due from and due to other financial institutions and non-derivative balances due from related entities which are carried at amortised cost and other types of short-term financial instruments recognised in the balance sheet under 'other assets' and 'other liabilities', the carrying amount is equivalent to fair value. These items are either short-term in nature or reprice frequently, and are of a high credit rating.

A description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 27 of the NZ Banking Group's financial statements for the year ended 30 September 2016.

Notes to the financial statements

Note 13 Contingent liabilities, contingent assets and credit commitments

\$ millions	NZ Banking Group		
	31-Dec-16 Unaudited	31-Dec-15 Unaudited	30-Sep-16 Audited
Commitments for capital expenditure	12	5	3
Lease commitments¹			
One year or less	56	56	57
Between one and five years	134	141	141
Over five years	14	28	16
Total lease commitments	204	225	214
Undrawn credit commitments			
Letters of credit and guarantees	1,058	1,184	1,084
Commitments to extend credit	23,910	23,466	23,988
Other commitments	200	-	263
Total undrawn credit commitments	25,168	24,650	25,335

¹ The NZ Banking Group mainly leases commercial and retail premises and related plant and equipment.

In March 2013, litigation funder, Litigation Lending Services (NZ) Limited, announced potential representative actions against five New Zealand banks in relation to certain fees. Westpac New Zealand is the defendant in proceedings filed on 20 August 2014 by the plaintiff group. Proceedings have also been filed against three other banks. At this stage the impact of the proceedings against Westpac New Zealand cannot be determined with any certainty.

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

Additional information relating to any provision or contingent liability has not been provided where disclosure of such information might be expected to seriously prejudice the position of the NZ Banking Group.

Note 14 Segment information

The NZ Banking Group operates predominantly in the consumer banking and wealth, commercial, corporate and institutional banking, and investments and insurance sectors within New Zealand. On this basis, no geographical segment information 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.

Comparative information for the three months ended 31 December 2015 and the year ended 30 September 2016 has been restated following customer segmentation changes to the NZ Banking Group's operating segments in the current reporting period. Comparative information has been restated to ensure consistent presentation with the current reporting period. The revised presentation has no impact on total profit before income tax expense for the three months ended 31 December 2015 and the year ended 30 September 2016.

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;
- Commercial, Corporate and Institutional Banking provides a broad range of financial services for commercial, corporate, property finance, agricultural, institutional and government customers, and the supply of derivatives and risk management products to the entire Westpac customer base in New Zealand; and
- Investments and Insurance provides funds management and insurance services.

Reconciling items primarily represent:

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

Notes to the financial statements

Note 14 Segment information (continued)

\$ millions	NZ Banking Group				Total
	Consumer Banking and Wealth	Commercial, Corporate and Institutional	Investments and Insurance	Reconciling Items	
Three months ended 31 December 2016 (Unaudited)					
Net interest income	264	181	-	4	449
Non-interest income	47	81	32	(2)	158
Net operating income	311	262	32	2	607
Net operating income from external customers	428	341	33	(195)	607
Net internal interest expense	(117)	(79)	(1)	197	-
Net operating income	311	262	32	2	607
Operating expenses	(173)	(63)	(6)	(5)	(247)
Impairment (charges)/recoveries on loans	(16)	53	-	-	37
Profit before income tax expense	122	252	26	(3)	397
Total gross loans	43,276	33,245	-	39	76,560
Total deposits	33,718	25,009	-	1,268	59,995
Three months ended 31 December 2015 (Unaudited)					
Net interest income/(expense)	254	175	(1)	16	444
Non-interest income	44	66	32	(3)	139
Net operating income	298	241	31	13	583
Net operating income from external customers	412	346	32	(207)	583
Net internal interest expense	(114)	(105)	(1)	220	-
Net operating income	298	241	31	13	583
Operating expenses	(172)	(62)	(6)	4	(236)
Impairment (charges)/recoveries on loans	(10)	11	-	-	1
Profit before income tax expense	116	190	25	17	348
Total gross loans	40,209	30,760	-	(10)	70,959
Total deposits	32,177	21,946	-	1,407	55,530
Year ended 30 September 2016 (Unaudited)					
Net interest income/(expense)	1,033	717	(4)	28	1,774
Non-interest income	196	245	128	19	588
Net operating income	1,229	962	124	47	2,362
Net operating income from external customers	1,706	1,337	129	(810)	2,362
Net internal interest expense	(477)	(375)	(5)	857	-
Net operating income	1,229	962	124	47	2,362
Operating expenses	(673)	(247)	(26)	(7)	(953)
Impairment charges on loans	(33)	(28)	-	(12)	(73)
Profit before income tax expense	523	687	98	28	1,336
Total gross loans	42,695	33,288	-	34	76,017
Total deposits	33,219	24,322	-	1,250	58,791

Note 15 Insurance business

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

\$ millions	31-Dec-16 Unaudited
Total assets of life insurance business	210
As a percentage of total consolidated assets of the NZ Banking Group	0.22%

Note 16 Risk management**16.1 Credit risk****The NZ Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 31 December 2016**

The NZ Banking Group has identified that the LVRs in the table below have not been calculated in compliance with the Order. The NZ Banking Group has been calculating the ratios by reference to the value of loans at origination rather than the current values as required by the Order. The result would be expected to be higher and hence more conservative than it would be using the method prescribed by the Order. Due to the timing of discovering the matter the NZ Banking Group has not been able to correct the calculations in the table below. The Disclosure Statement for the six months ending 31 March 2017 will contain the correct ratios and the NZ Banking Group will re-state the ratios as at 30 September 2016 at that time. The Reserve Bank is also considering the matter and will determine if further steps are necessary once the re-stated ratios have been published.

For loans originated from 1 January 2008, the NZ Banking Group utilises its loan origination system. For loans originated prior to 1 January 2008, the origination LVR is not separately recorded and is therefore not available for disclosure. For these loans, the NZ Banking Group utilises its dynamic LVR process to calculate an origination LVR. Exposures for which no LVR is available have been included in the 'Exceeds 90%' category in accordance with the requirements of the Order.

LVR range (\$ millions)	NZ Banking Group 31-Dec-16 Unaudited			Total
	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
On-balance sheet exposures	38,360	5,227	1,755	45,342
Undrawn commitments and other off-balance sheet exposures	8,427	449	145	9,021
Value of exposures	46,787	5,676	1,900	54,363

16.2 Market risk

The following table provides a summary of the NZ Banking Group's notional capital charges by risk type as at the reporting date.

\$ millions	NZ Banking Group 31-Dec-16 Unaudited	
	Implied risk-weighted exposure	Notional capital charge
End-of-period		
Interest rate risk	3,056	245
Foreign currency risk	13	1
Equity risk	-	-

16.3 Liquidity risk**Liquid assets**

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

\$ millions	NZ Banking Group 31-Dec-16 Unaudited
Cash and balances with central banks	1,857
Due from other financial institutions	48
Supranational securities	1,281
NZ Government securities	4,330
NZ public securities	1,401
NZ corporate securities	1,936
Residential mortgage-backed securities	3,992
Total liquid assets	14,845

Notes to the financial statements

Note 17 Concentration of credit exposures to individual counterparties

The following credit exposures are based on actual credit exposures to individual counterparties and groups of closely related counterparties. The number of individual bank counterparties (which are not members of a group of closely related counterparties), and groups of closely related counterparties of which a bank is the parent, to which the NZ Banking Group has an aggregate credit exposure or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Overseas Banking Group's equity:

- as at 31 December 2016 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 December 2016 was nil.

The number of individual non-bank counterparties (which are not members of a group of closely related counterparties), and groups of closely related counterparties of which a bank is not the parent, to which the NZ Banking Group has an aggregate credit exposure or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Overseas Banking Group's equity:

- as at 31 December 2016 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 December 2016 was nil.

The peak end-of-day aggregate credit exposure to each individual counterparty (which are not members of a group of closely related counterparties) or a group of closely related counterparties has been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure over the relevant three-month period and then dividing that amount by the Overseas Banking Group's equity as at 31 December 2016.

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

Note 18 Overseas Bank and Overseas Banking Group capital adequacy

The table below represents the capital adequacy calculation for the Overseas Banking Group and Overseas Bank based on the Australian Prudential Regulation Authority's ('APRA') application of the Basel III capital adequacy framework.

%	31-Dec-16 Unaudited	31-Dec-15 Unaudited
Overseas Banking Group (excluding entities specifically excluded by APRA regulations) ^{1,2}		
Common Equity Tier 1 capital ratio	9.3	10.2
Additional Tier 1 capital ratio	1.6	1.8
Tier 1 capital ratio	10.9	12.0
Tier 2 capital ratio	2.5	1.9
Total regulatory capital ratio	13.4	13.9
Overseas Bank (Extended Licensed Entity) ^{1,3}		
Common Equity Tier 1 capital ratio	9.4	10.4
Additional Tier 1 capital ratio	1.8	2.0
Tier 1 capital ratio	11.2	12.4
Tier 2 capital ratio	2.8	2.1
Total regulatory capital ratio	14.0	14.5

¹ The capital ratios represent information mandated by APRA. The capital ratios of the Westpac Group (including defined terms) 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).

The Overseas Banking Group is accredited by APRA to apply the Advanced Internal Ratings Based ('Advanced IRB') approach for credit risk, the Advanced Measurement Approach ('AMA') for operational risk and the internal model approach for interest rate risk in the banking book for calculating regulatory capital (known as 'Advanced Accreditation') and is required by APRA to hold minimum capital at least equal to that specified under the Advanced IRB and AMA methodologies.

Under New Zealand regulations this methodology is referred to as the Basel III (internal models based) approach. With this accreditation, 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 aim is to allow the market to better assess the Overseas Banking Group's risk and reward assessment process and hence increase the scrutiny of this process.

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 December 2016. APRA specifies a minimum prudential capital ratio for the Overseas Banking Group, which is not made publicly available.

Notes to the financial statements

Note 19 Other information on the Overseas Banking Group

Other information on the Overseas Banking Group is from the most recently published financial statements of the Overseas Banking Group for the year ended 30 September 2016.

Profitability		30-Sep-16
Net profit after tax for the year ended 30 September 2016 (A\$ millions)		7,460
Net profit after tax (for the 12 month period to 30 September 2016) as a percentage of average total assets		0.9%
Total assets and equity		30-Sep-16
Total assets (A\$ millions)		839,202
Percentage change in total assets over the 12 months ended 30 September 2016		3.3%
Total equity (A\$ millions)		58,181
Asset quality		30-Sep-16
Total individually impaired assets ^{1, 2} (A\$ millions)		2,159
Total individually impaired assets as a percentage of total assets		0.3%
Total individual credit impairment allowance ³ (A\$ millions)		1,067
Total individual credit impairment allowance as a percentage of total individually impaired assets		49.4%
Total collective credit impairment allowance ³ (A\$ millions)		2,733

¹ Total individually impaired assets are before allowances for credit impairment loss and net of interest held in suspense. Total individually impaired assets includes A\$551 million of assets which are determined to be impaired, but which are not individually significant, and therefore have been grouped into pools of assets for the purpose of collectively calculating an impairment provision.

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

³ Total individual credit impairment allowance and total collective credit impairment allowance both include A\$198 million of credit impairment allowance that has been calculated collectively on groups of assets which have been determined to be impaired, but which are not individually significant.

