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25 May 2022

Westpac Banking Corporation – New Zealand Banking Group Disclosure Statement

Westpac Banking Corporation ("Westpac") today provides the attached Westpac New Zealand Banking Group Disclosure Statement for the six months ended 31 March 2022.

For further information:

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

WESTPAC BANKING CORPORATION – NEW ZEALAND BANKING GROUP

Disclosure Statement

For the six months ended 31 March 2022

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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 2021 and changes to the NZ Banking Group since 30 September 2021 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.

ADI	Authorised deposit-taking institution
ANZSIC	Australia and New Zealand Standard Industrial Classification
AT1	Additional Tier 1 capital
AUSTRAC	Australian Transaction Reports and Analysis Centre
BCBS	Basel Committee on Banking Supervision
BPRs	Banking Prudential Requirements
BS2A	Capital Adequacy Framework (Standardised Approach)
CAP	Collectively assessed provisions
CB Programme	Westpac New Zealand's Global Covered Bond Programme
CLF	Committed Liquidity Facility
ECL	Expected credit losses
ELE	Extended Licensed Entity
Fidelity Life	Fidelity Life Assurance Company Limited
Financial statements	Condensed consolidated interim financial statements
FMA	Financial Markets Authority
FVIS	Fair value through income statement
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
IAP	Individually assessed provisions
IRB	Internal Rating Based
LCR	Liquidity coverage ratio
LVR	Loan-to-value ratio
RWA	Risk weighted assets
RBNZ Act	Reserve Bank of New Zealand Act 1989
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 2022:

(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 pages 30 and 31, 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 2022.

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 2022

Income statement for the six months ended 31 March 2022

$ millions	Note	NZ BANKING GROUP Six Months Ended 31 Mar 22 Unaudited	Six Months Ended 31 Mar 21 Unaudited
Interest income:			
Calculated using the effective interest rate method	2	**1,608**	1,556
Other	2	**32**	10
Total interest income	2	**1,640**	1,566
Interest expense	2	**(542)**	(548)
Net interest income		**1,098**	1,018
Net fees and commissions income	3	**95**	84
Net wealth management and insurance income	3	**44**	50
Trading income	3	**88**	109
Other income	3	**133**	5
Net operating income before operating expenses and impairment charges		**1,458**	1,266
Operating expenses	4	**(579)**	(550)
Impairment (charges)/benefits	5	**15**	99
Profit before income tax		**894**	815
Income tax expense		**(216)**	(226)
Net profit attributable to the owner of the NZ Banking Group		**678**	589

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

Statement of comprehensive income for the six months ended 31 March 2022

$ millions	NZ BANKING GROUP Six Months Ended 31 Mar 22 Unaudited	Six Months Ended 31 Mar 21 Unaudited
Net profit attributable to the owner of the NZ Banking Group	**678**	589
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) recognised in equity on:		
Investment securities	**(182)**	(103)
Cash flow hedging instruments	**259**	81
Transferred to income statement:		
Cash flow hedging instruments	**21**	33
Income tax on items taken to or transferred from equity:		
Investment securities	**51**	29
Cash flow hedging instruments	**(79)**	(32)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit obligation recognised in equity (net of tax)	**7**	13
Other comprehensive income for the period (net of tax)	**77**	21
Total comprehensive income attributable to the owner of the NZ Banking Group	**755**	610

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

Balance sheet as at 31 March 2022

		NZ BANKING GROUP	
		31 Mar 22	30 Sep 21
$ millions	Note	**Unaudited**	Audited
Assets			
Cash and balances with central bank		**11,726**	8,604
Collateral paid		**164**	207
Trading securities and financial assets measured at FVIS		**4,139**	4,535
Derivative financial instruments		**4,170**	3,852
Investment securities		**4,986**	4,680
Loans	6	**94,464**	93,025
Other financial assets		**667**	1,388
Current tax assets		**23**	-
Due from related entities		**3,322**	1,739
Property and equipment		**416**	410
Deferred tax assets		**129**	226
Intangible assets		**762**	721
Other assets		**57**	79
Assets held for sale	14	**-**	382
Total assets		**125,025**	119,848
Liabilities			
Collateral received		**200**	320
Deposits and other borrowings	8	**81,364**	79,367
Other financial liabilities		**3,608**	4,850
Derivative financial instruments		**4,589**	2,620
Due to related entities		**2,270**	2,410
Debt issues	9	**19,508**	16,304
Current tax liabilities		**-**	61
Provisions		**245**	243
Other liabilities		**380**	382
Loan capital		**2,874**	2,988
Liabilities held for sale	14	**-**	99
Total liabilities		**115,038**	109,644
Net assets		**9,987**	10,204
Head office account			
Branch capital		**1,300**	1,300
Retained profits		**1,234**	1,187
Total head office account		**2,534**	2,487
NZ Banking Group equity			
Share capital		**488**	488
Reserves		**73**	3
Retained profits		**6,892**	7,226
Total NZ Banking Group equity		**7,453**	7,717
Total equity attributable to the owner of the NZ Banking Group		**9,987**	10,204

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 2022

	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 2020 (Audited)	1,300	1,078	143	57	(69)	6,536	9,045
Impact from a change in accounting policy	-	-	-	-	-	(6)	(6)
Restated opening balance	1,300	1,078	143	57	(69)	6,530	9,039
Six months ended 31 March 2021 (Unaudited)							
Net profit attributable to the owner of the NZ Banking Group	-	50	-	-	-	539	589
Net gains/(losses) from changes in fair value	-	-	-	(103)	81	-	(22)
Income tax effect	-	-	-	29	(23)	-	6
Transferred to income statement	-	-	-	-	33	-	33
Income tax effect	-	-	-	-	(9)	-	(9)
Remeasurement of defined benefit obligations	-	-	-	-	-	18	18
Income tax effect	-	-	-	-	-	(5)	(5)
Total comprehensive income for the six months ended 31 March 2021	-	50	-	(74)	82	552	610
Transactions with owner:							
Ordinary share capital issued	-	-	345	-	-	-	345
As at 31 March 2021 (Unaudited)	1,300	1,128	488	(17)	13	7,082	9,994
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 (refer to Note 10)	**-**	**-**	**-**	**-**	**-**	**(972)**	**(972)**
As at 31 March 2022 (Unaudited)	**1,300**	**1,234**	**488**	**(191)**	**264**	**6,892**	**9,987**

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 2022

$ millions	Note	NZ BANKING GROUP Six Months Ended 31 Mar 22 Unaudited	Six Months Ended 31 Mar 21 Unaudited
Cash flows from operating activities			
Interest received[1]		**1,649**	1,618
Interest paid		**(485)**	(679)
Non-interest income received[2]		**372**	81
Operating expenses paid		**(524)**	(463)
Income tax paid		**(248)**	(260)
Cash flows from operating activities before changes in operating assets and liabilities		**764**	297
Net (increase)/decrease in:			
Collateral paid		**43**	34
Trading securities and financial assets measured at FVIS		**400**	422
Loans[1]		**(1,640)**	(2,607)
Other financial assets		**(7)**	(6)
Due from related entities		**(1,286)**	1,500
Other assets		**1**	3
Net increase/(decrease) in:			
Collateral received		**(120)**	(160)
Deposits and other borrowings		**1,991**	3,375
Other financial liabilities		**(1,041)**	(92)
Due to related entities		**48**	14
Other liabilities		**1**	44
Net movement in external and related entity derivative financial instruments[2,3]		**457**	(1,429)
Net cash provided by/(used in) operating activities		**(389)**	1,395
Cash flows from investing activities			
Purchase of investment securities		**(707)**	(271)
Proceeds from investment securities		**150**	175
Net movement in life insurance assets		**60**	42
Purchase of capitalised computer software		**(66)**	(41)
Purchase of property and equipment		**(10)**	(9)
Purchase of associates		**-**	(2)
Proceeds from disposal of controlled entities		**422**	-
Proceeds from other investing activities		**-**	7
Net cash provided by/(used in) investing activities		**(151)**	(99)
Cash flows from financing activities			
Issue of ordinary share capital	10	**-**	345
Net movement in due to related entities		**11**	(603)
Proceeds from debt issues[3]		**7,970**	3,078
Repayments of debt issues[3]		**(3,825)**	(2,368)
Payments for the principal portion of lease liabilities		**(32)**	(23)
Dividends paid to ordinary shareholders	10	**(972)**	-
Net cash provided by/(used in) financing activities		**3,152**	429
Net increase/(decrease) in cash and cash equivalents		**2,612**	1,725
Cash and cash equivalents at beginning of the period		**9,145**	4,543
Cash and cash equivalents at end of the period		**11,757**	6,268
Cash and cash equivalents at end of the period comprise:			
Cash on hand		**488**	380
Balances with central bank		**11,238**	5,855
Interbank lending classified as cash and cash equivalents		**31**	33
Cash and cash equivalents at end of the period		**11,757**	6,268

[1] Comparatives have been restated to correctly reflect the classification of amortisation of deferred acquisition costs as a non-cash movement within interest income and loans. The restatement resulted in a $33 million increase in loans and a corresponding increase in interest income received.

[2] Comparatives have been restated to correctly reflect cash flows of ($54) million in non-interest income received relating to realised gains and losses on FX trading derivatives which were previously presented in net movement in external and related entity derivative financial instruments.

[3] Comparatives have been restated to correctly reflect the classification of cash and non-cash movements relating to certain matured deals and to reclassify the movement in related entities and internal holding of debt issues. The restatement resulted in a $160 million decrease in net movement in external and related entity derivative financial instruments, a $69 million decrease in proceeds from debt issues and a $229 million decrease in repayments of debt issues.

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 2021.

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 2022.

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 the financial statements for the year ended 30 September 2021.

Critical accounting assumptions and estimates

In preparing these financial statements, the application of the NZ Banking Group's accounting policies require 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 2021. Details on specific judgements in relation to the calculation of 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 half year ended 31 March 2022. There have been no amendments to existing accounting standards that have a material impact on the NZ Banking Group.

Interest rate benchmark reform

The interest rate benchmark reform and the enterprise-wide IBOR transition programme, that the Overseas Bank has established to manage the impacts of this reform are detailed in Note 31.5 to the Disclosure Statement for the year ended 30 September 2021.

A number of interbank offered rates had a 31 December cessation date. The NZ Banking Group ceased to enter into new contracts referencing these rates and the NZ Banking Group's existing exposures at 30 September 2021 have either matured or transitioned to an alternative reference rate with the exception of a small number of trades with immaterial balances. These remaining balances will be valued using synthetic rates, however no new trades will be entered into referencing these synthetic rates.

Certain US LIBOR tenors have not yet transitioned to an alternative reference rate as they have a cessation date of 30 June 2023. The NZ Banking Group has monitoring controls in place to assess US LIBOR exposures on a regular basis. These include assessing customers and counterparties for readiness to transition or the inclusion of fallback provisions as well as compliance with an overall programme objective to transition away from USD LIBOR transactions. In addition, the NZ Banking Group's exposure to new contracts referencing these rates is limited by regulatory guidelines whereby transactions from 31 December 2021 can only be entered into for risk management purposes.

Notes to the financial statements

Note 2 Net interest income

$ millions	NZ BANKING GROUP **Six Months Ended 31 Mar 22 Unaudited**	 Six Months Ended 31 Mar 21 Unaudited
Interest income		
Calculated using the effective interest rate method		
Cash and balances with central bank	**34**	8
Investment securities	**39**	42
Loans	**1,534**	1,506
Due from related entities	**1**	-
Total interest income calculated using the effective interest rate method	**1,608**	1,556
Other		
Trading securities and financial assets measured at FVIS	**32**	10
Total other	**32**	10
Total interest income	**1,640**	1,566
Interest expense		
Calculated using the effective interest rate method		
Collateral received	**1**	-
Deposits and other borrowings	**240**	243
Due to related entities	**9**	10
Debt issues	**73**	80
Loan capital	**62**	61
Other interest expense	**13**	5
Total interest expense calculated using the effective interest rate method	**398**	399
Other		
Deposits and other borrowings	**17**	10
Debt issues	**6**	3
Other interest expense[1]	**121**	136
Total other	**144**	149
Total interest expense	**542**	548
Net interest income	**1,098**	1,018

[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 22 Unaudited**	Six Months Ended 31 Mar 21 Unaudited
Net fees and commissions income			
Facility fees		**22**	30
Transaction fees and commissions		**94**	72
Other non-risk fee income		**11**	12
Fees and commissions income		**127**	114
Credit card loyalty programs		**(18)**	(18)
Transaction fees and commissions related expenses		**(14)**	(12)
Fees and commissions expenses		**(32)**	(30)
Net fees and commissions income		**95**	84
Net wealth management and insurance income			
Wealth management income		**18**	27
Net life insurance income and change in policy liabilities		**26**	23
Total net wealth management and insurance income		**44**	50
Trading income		**88**	109
Other income			
Net ineffectiveness on qualifying hedges		**7**	(5)
Net gain on disposal of controlled entity	14	**126**	-
Other non-interest income		**-**	10
Total other income		**133**	5
Total non-interest income		**360**	248

Notes to the financial statements

Note 3 Non-interest income (continued)

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	Investments and Insurance	Reconciling Items	Total
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	**-**	**-**	**-**	**13**	**5**	**18**
Six months ended 31 March 2021 (Unaudited)						
Fees and commissions income						
Facility fees	19	8	-	-	3	30
Transaction fees and commissions	52	19	1	-	-	72
Other non-risk fee income	3	7	6	-	(4)	12
Fees and commissions income	74	34	7	-	(1)	114
Fees and commissions expenses	(29)	-	-	-	(1)	(30)
Net fees and commissions income	45	34	7	-	(2)	84
Wealth management income	-	-	-	19	8	27

Notes to the financial statements

Note 4 Operating expenses

$ millions	NZ BANKING GROUP Six months Ended 31 Mar 22 Unaudited	Six months Ended 31 Mar 21 Unaudited
Staff expenses	**337**	272
Lease expense	**9**	13
Depreciation	**46**	50
Technology services and telecommunications	**65**	79
Purchased services	**47**	46
Software amortisation	**21**	29
Related entities - management fees	**6**	7
Other	**48**	54
Total operating expenses	**579**	550

Note 5 Impairment charges/(benefits)

$ millions	NZ BANKING GROUP Six Months Ended 31 Mar 22 Unaudited	Six Months Ended 31 Mar 21 Unaudited
Provisions raised/(released):		
Performing	**(19)**	(91)
Non-performing	**(1)**	(14)
Bad debts written-off/(recovered) directly to the income statement	**5**	6
Impairment charges/(benefits)	**(15)**	(99)
of which relates to:		
Loans and credit commitments	**(15)**	(99)
Impairment charges/(benefits)	**(15)**	(99)

Impairment charges/(benefits) on all other financial assets are not material to the NZ Banking Group. Refer to Note 7 for details on the impact of COVID-19 on the provision for ECL.

Note 6 Loans

$ millions	NZ BANKING GROUP 31 Mar 22 Unaudited	30 Sep 21 Audited
Residential mortgages	**62,166**	60,849
Other retail	**2,855**	2,976
Corporate	**29,696**	29,547
Other	**155**	129
Total gross loans	**94,872**	93,501
Provision for ECL on loans (refer to Note 7)	**(408)**	(476)
Total net loans	**94,464**	93,025

As at 31 March 2022, $5,907 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 Westpac Securities NZ Limited ('**WSNZL**') under Westpac New Zealand's Global Covered Bond Programme ('**CB Programme**') (30 September 2021: $7,520 million). In addition, $2,513 million of residential mortgages, accrued interest and cash 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 2021: $2,513 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 to the financial statements included in the Disclosure Statement for the year ended 30 September 2021. As at 31 March 2022, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was $3,990 million (30 September 2021: $4,347 million) and the cash value of the repurchase agreements with the Reserve Bank was $2,096 million (30 September 2021: $2,096 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 draw-downs 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.

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 22 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 2021	**102**	**279**	**75**	**69**	**525**
Due to changes in credit quality:					
Transfers to Stage 1	61	(54)	(7)	-	-
Transfers to Stage 2	(3)	26	(22)	(1)	-
Transfers to Stage 3 CAP	-	(16)	17	(1)	-
Transfers to Stage 3 IAP	-	-	-	-	-
Reversals of previously recognised impairment charges	-	-	-	(5)	(5)
New financial assets originated	8	-	-	-	8
Financial assets derecognised during the period	(5)	(14)	(8)	-	(27)
Changes in CAP due to amounts written off	-	-	(12)	-	(12)
Other charges/(credits) to the income statement	(68)	46	34	4	16
Total charges/(credits) to the income statement for ECL	**(7)**	**(12)**	**2**	**(3)**	**(20)**
Amounts written off from IAP	-	-	-	(45)	(45)
Total provision for ECL on loans and credit commitments as at 31 March 2022	**95**	**267**	**77**	**21**	**460**
Presented as:					
Provision for ECL on loans (refer to Note 6)	79	232	76	21	408
Provision for ECL on credit commitments	16	35	1	-	52
Total provision for ECL on loans and credit commitments as at 31 March 2022	**95**	**267**	**77**	**21**	**460**

Notes to the financial statements

Note 7 Provision for expected credit losses (continued)

	NZ BANKING GROUP				
	30 Sep 21				
	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 2020	116	360	107	74	657
Due to changes in credit quality:					
Transfers to Stage 1	133	(113)	(20)	-	-
Transfers to Stage 2	(12)	88	(76)	-	-
Transfers to Stage 3 CAP	-	(31)	33	(2)	-
Transfers to Stage 3 IAP	-	(1)	(1)	2	-
Reversals of previously recognised impairment charges	-	-	-	(33)	(33)
New financial assets originated	16	-	-	-	16
Financial assets derecognised during the year	(12)	(42)	(23)	-	(77)
Changes in CAP due to amounts written off	-	-	(34)	-	(34)
Other charges/(credits) to the income statement	(139)	18	89	64	32
Total charges/(credits) to the income statement for ECL	(14)	(81)	(32)	31	(96)
Amounts written off from IAP	-	-	-	(36)	(36)
Total provision for ECL on loans and credit commitments as at 30 September 2021	102	279	75	69	525
Presented as:					
Provision for ECL on loans (refer to Note 6)	85	248	74	69	476
Provision for ECL on credit commitments	17	31	1	-	49
Total provision for ECL on loans and credit commitments as at 30 September 2021	102	279	75	69	525

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 22 Unaudited					30 Sep 21 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	**42**	**53**	**44**	**9**	**148**	46	70	46	8	170
Other retail	**22**	**63**	**19**	**-**	**104**	21	62	23	1	107
Corporate	**31**	**151**	**14**	**12**	**208**	35	147	6	60	248
Total provision for ECL on loans and credit commitments	**95**	**267**	**77**	**21**	**460**	102	279	75	69	525

Impact of overlays on the provision for ECL

The following table attributes the provision for ECL 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 22	30 Sep 21
$ millions	Unaudited	Audited
Modelled provision for ECL	**376**	448
Portfolio Overlays	**84**	77
Total provision for ECL	**460**	525

Details of these changes, which are based on reasonable and supportable information up to the date of this disclosure statement are provided below.

Note 7 Provision for expected credit losses (continued)

Modelled provision for ECL

The modelled provision for ECL 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 Economics' forecasts as at 31 March 2022. Those forecasts allow for a recovery in activity as restrictions related to COVID-19 are eased. The forecasts also allow for a rise in the Official Cash Rate and related easing in demand over time, including in the housing market.

The NZ Banking Group's forecasts assume the following:

Key macroeconomic assumptions for base case scenario	31 Mar 22 Unaudited	30 Sep 21 Audited
Annual GDP	Forecast growth of 5.5% over the next 12 months.	Forecasted growth of 10.9% over the next 12 months.
Residential property prices	Forecast growth to fall to 0.4% by the end of financial year 2022 and contraction of 5.2% by the end of financial year 2023.	Forecasted growth to peak at 26% during the financial year and then fall to 1.6% at September 2022.
Cash rate	Increase of 150 bps expected over the next 12 months.	Increase of 100 bps expected over the next 12 months.
Unemployment rate	Forecast to further decrease to 3% during the financial year 2022.	Forecast to peak at 4.2% in December 2021 then ease to 3.5% by September 2022.

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

The decline in provision for loans and credit commitments in the period ending 31 March 2022 was primarily due to a more positive forward-looking economic forecast, improved portfolio performance including a decline in some higher risk exposures and a partial write-off of a single named exposure.

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

	NZ BANKING GROUP	
	31 Mar 22	30 Sep 21
$ millions	Unaudited	Audited
Reported probability-weighted ECL	**460**	525
100% base case ECL	**346**	412
100% downside ECL	**615**	700

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 would increase by $58 million (30 September 2021: $57 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 2022 and 30 September 2021.

	NZ BANKING GROUP	
	31 Mar 22	30 Sep 21
Economic scenario weightings (%)	**Unaudited**	Audited
Upside	**5**	5
Base	**50**	55
Downside	**45**	40

The increase in weighting to the downside reflects an elevated level of uncertainty in potential credit losses driven by new geopolitical and economic headwinds, supply chain disruptions, capacity constraints and rising inflation.

Portfolio Overlays

Portfolio overlays are used to address areas of risk, including significant uncertainty 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 reassessed and if the risk is judged to have dissipated or is subsequently captured in the underlying modelled ECL the overlay will be released or remeasured.

The NZ Banking Group's total overlays at 31 March 2022 were $84 million (30 September 2021: $77 million), of which $81 million (30 September 2021: $74 million) relates to COVID-19 impacts; and $3 million (30 September 2021: $3 million) relates to overlays for other risks.

COVID-19 overlays

Business lending (including institutional)

An overlay was retained at 31 March 2022 to reflect the risk that some businesses may have been protected from default or stress because of COVID-19 related support packages and government stimulus and the continued likelihood that those losses have still been suppressed. This overlay was included in stage 1 and stage 2. As at 31 March 2022, the COVID-19 overlay for business lending (including institutional) is $28 million for the NZ Banking Group (30 September 2021: $28 million).

Retail lending

An overlay was retained at 31 March 2022 to reflect the ongoing risk associated with customers who received retail deferral packages. It has been resized at 31 March 2022 due to the uncertainty around the impact of recent COVID-19 restrictions and unemployment risk, increasing the likelihood for temporarily suppressing losses. In addition, a further overlay was retained at 31 March 2022 to reflect the flow-on impact to the retail portfolio from the delayed business losses and unemployment risk. The quantum of this overlay remains unchanged from 30 September 2021. These two retail overlays are included in stage 1 and stage 2. As at 31 March 2022, the COVID-19 overlays for retail lending are $53 million for the NZ Banking Group (30 September 2021: $46 million).

Note 7 Provision for expected credit losses (continued)

Impact of changes in credit exposures on the provision for ECL

- Stage 1 credit exposures had a net increase of $2.5 billion (30 September 2021: increased by $3.8 billion) for the NZ Banking Group, primarily driven by increases in residential mortgages and corporate portfolios, due to new lending in this financial year and movement in exposures from stage 2 to stage 1 from improved portfolio performance. The increase is partially offset by derecognitions and repayments. Stage 1 ECL has decreased mainly due to a more positive macro-economic outlook as at 31 March 2022 compared to 30 September 2021.
- Stage 2 credit exposures decreased by $1.1 billion (30 September 2021: increased by $792 million) for the NZ Banking Group, mainly driven by an improved portfolio performance and derecognitions. Stage 2 ECL has decreased mainly due to improved portfolio performance and a more positive macro-economic outlook as at 31 March 2022 compared to 30 September 2021.
- Stage 3 credit exposures had a net decrease of $7 million (30 September 2021: decreased by $100 million) for the NZ Banking Group driven by reductions in 90 days past due exposures in residential mortgages and other retail, and write-offs from the corporate portfolio. This decrease is partially offset by an increase in high-risk exposures from the corporate portfolio. Stage 3 ECL has decreased in line with the decrease in stage 3 exposures.

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

Note 8 Deposits and other borrowings

	NZ BANKING GROUP	
$ millions	**31 Mar 22 Unaudited**	30 Sep 21 Audited
Certificates of deposit	**2,994**	3,450
Non-interest bearing, repayable at call	**15,822**	14,737
Other interest bearing:		
At call	**32,479**	32,849
Term	**30,069**	28,331
Total deposits and other borrowings	**81,364**	79,367

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.

Notes to the financial statements

Note 9 Debt issues

	NZ BANKING GROUP	
$ millions	**31 Mar 22 Unaudited**	30 Sep 21 Audited
Short-term debt		
Commercial paper	**4,554**	2,979
Total short-term debt	**4,554**	2,979
Long-term debt		
Non-domestic medium-term notes	**7,148**	5,570
Covered bonds	**3,983**	4,347
Domestic medium-term notes	**3,823**	3,408
Total long-term debt	**14,954**	13,325
Total debt issues	**19,508**	16,304

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 2021, except as noted below.

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. Refer to Note 14 for details.

On 22 February 2022, Westpac New Zealand Group Limited declared and paid a dividend of $455 million to Westpac Overseas Holdings No.2 Pty Limited.

On 22 March 2022, Westpac Financial Services Group-NZ- Limited declared and paid a dividend of $400 million to Westpac Equity Holdings Pty Limited, predominantly reflecting the distribution of proceeds from the sale of Westpac Life.

On 23 March 2022, $117.4 million of dividends were declared and paid by the following entities:

- Westpac Group Investment-NZ-Limited declared and paid a dividend of $82 million to Westpac Overseas Holdings Pty Limited; and
- BT Financial Group (NZ) Limited declared and paid a dividend of $35.4 million to Westpac Equity Holdings Pty Limited.

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 adjustments and funding valuation adjustments, which incorporate credit risk and funding costs and benefits that arise in relation to uncollateralised derivative positions, respectively.

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

Financial instruments measured at fair value

Level 1 instruments

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

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

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

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.
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.
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 applicable credit rating of the NZ Banking Group.
Life insurance assets	Life insurance assets included in assets held for sale	Local authority securities, investment grade corporate bonds, life insurance contract liabilities and units in unlisted unit trusts	Valued using observable market prices or other widely used and accepted valuation techniques utilising observable market inputs.

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 22 Unaudited				30 Sep 21 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	**213**	**3,926**	**-**	**4,139**	891	3,644	-	4,535
Derivative financial instruments	**2**	**4,168**	**-**	**4,170**	1	3,851	-	3,852
Investment securities	**2,041**	**2,945**	**-**	**4,986**	2,152	2,528	-	4,680
Assets held for sale	**-**	**-**	**-**	**-**	-	370	-	370
Due from related entities	**14**	**1,398**	**-**	**1,412**	16	1,099	-	1,115
Total financial assets measured at fair value	**2,270**	**12,437**	**-**	**14,707**	3,060	11,492	-	14,552
Financial liabilities measured at fair value on a recurring basis								
Deposits and other borrowings[2]	**-**	**2,994**	**-**	**2,994**	-	3,450	-	3,450
Other financial liabilities[2]	**333**	**512**	**-**	**845**	932	948	-	1,880
Derivative financial instruments	**12**	**4,573**	**4**	**4,589**	10	2,607	3	2,620
Due to related entities	**3**	**980**	**-**	**983**	7	1,177	-	1,184
Debt issues	**-**	**4,554**	**-**	**4,554**	-	2,979	-	2,979
Total financial liabilities measured at fair value	**348**	**13,613**	**4**	**13,965**	949	11,161	3	12,113

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

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

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 2022 (30 September 2021: no material changes in fair value).

Analysis of movements between fair value hierarchy levels

During the period, there were no material transfers between levels of the fair value hierarchy (30 September 2021: 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 22 Unaudited		30 Sep 21 Audited	
$ millions	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets not measured at fair value				
Cash and balances with central bank	**11,726**	**11,726**	8,604	8,604
Collateral paid	**164**	**164**	207	207
Loans	**94,464**	**93,512**	93,025	92,880
Other financial assets	**667**	**667**	1,388	1,388
Due from related entities	**1,910**	**1,910**	624	624
Total financial assets not measured at fair value	**108,931**	**107,979**	103,848	103,703
Financial liabilities not measured at fair value				
Collateral received	**200**	**200**	320	320
Deposits and other borrowings	**78,370**	**78,376**	75,917	75,948
Other financial liabilities	**2,763**	**2,763**	2,970	2,970
Due to related entities	**1,287**	**1,287**	1,226	1,226
Debt issues[1]	**14,954**	**14,806**	13,325	13,423
Loan capital[1]	**2,874**	**2,895**	2,988	3,037
Liabilities held for sale	**-**	**-**	2	2
Total financial liabilities not measured at fair value	**100,448**	**100,327**	96,748	96,926

[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 2021.

Note 12 Credit related commitments, contingent assets and contingent liabilities

	NZ BANKING GROUP	
$ millions	31 Mar 22 Unaudited	30 Sep 21 Audited
Letters of credit and guarantees	**944**	948
Commitments to extend credit	**27,975**	28,140
Total undrawn credit commitments	**28,919**	29,088

Contingent assets

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

Contingent liabilities

The NZ Banking Group is reviewing its processes for some products relating to the requirements of the Credit Contracts and Consumer Finance Act 2003. The outcome of this complex review is uncertain and could result in customer remediation, regulatory action, litigation and reputational damage.

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 is probable but cannot be reliably estimated.

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 outlined in Note 14. The warranties, indemnities and other commitments cover a range of matters and risks, including certain accounting, compliance and taxation matters.

Notes to the financial statements

Note 13 Segment reporting

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

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

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

On 28 February 2022, the sale of Westpac Life to Fidelity Life was completed. As such, from 1 March 2022, the Investments and Insurance segment no longer provides insurance services. Refer to Note 14 for details.

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;
- 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; and
- Investments and Insurance provided funds management and insurance services until 28 February 2022. From 1 March 2022, it only provides funds management services.

Reconciling items primarily represent:

- business units that do not meet the definition of operating segments under NZ IFRS *8 Operating Segments*;
- elimination entries on consolidation/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 13 Segment reporting (continued)

	NZ BANKING GROUP					
$ millions	Consumer Banking and Wealth	Institutional and Business Banking	Financial Markets, International Trade and Payments	Investments and Insurance	Reconciling Items	Total
Six months ended 31 March 2022 (Unaudited)						
Net interest income	**559**	**537**	**20**	**-**	**(18)**	**1,098**
Non-interest income[1]	**69**	**52**	**52**	**43**	**144**	**360**
Net operating income before operating expenses and impairment charges	**628**	**589**	**72**	**43**	**126**	**1,458**
Operating expenses	**(317)**	**(204)**	**(16)**	**(27)**	**(15)**	**(579)**
Impairment (charges)/benefits	**5**	**5**	**-**	**-**	**5**	**15**
Profit before income tax	**316**	**390**	**56**	**16**	**116**	**894**
Six months ended 31 March 2021 (Unaudited)						
Net interest income	559	485	11	1	(38)	1,018
Non-interest income	74	50	77	52	(5)	248
Net operating income before operating expenses and impairment charges	633	535	88	53	(43)	1,266
Operating expenses	(333)	(179)	(9)	(17)	(12)	(550)
Impairment (charges)/benefits	40	59	-	-	-	99
Profit before income tax	340	415	79	36	(55)	815
As at 31 March 2022 (Unaudited)						
Total gross loans	**56,044**	**38,636**	**481**	**-**	**(289)**	**94,872**
Total deposits and other borrowings	**42,651**	**35,717**	**-**	**-**	**2,996**	**81,364**
As at 30 September 2021 (Audited)						
Total gross loans	54,374	38,809	403	-	(85)	93,501
Total deposits and other borrowings	40,371	35,546	-	-	3,450	79,367

[1]Reconciling items include the $126 million gain on sale of Westpac Life. Refer to Note 14 for details.

Note 14 Assets and liabilities held for sale

Businesses no longer held for sale as at 31 March 2022

The Overseas Banking Group's New Zealand life insurance business

On 6 July 2021, the Overseas Banking Group announced the sale of Westpac Life to Fidelity Life. On 28 February 2022, the sale was completed. Westpac Life was subsequently renamed Fidelity Insurance Limited. As part of the transaction, Westpac New Zealand has entered into a 15-year alliance with Fidelity Insurance Limited for the distribution of life insurance products to Westpac New Zealand's customers.

The sale was completed for $417 million resulting in a pre-tax gain on sale of $126 million recognised on completion date in non-interest income. Ongoing commission payments from Fidelity Insurance Limited to Westpac New Zealand will be received in accordance with the distribution agreement.

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
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 Marriott, BEc (Hons.), FCA
Peter Nash, BCom, FCA, F Fin
Nora Scheinkestel, LLB (Hons), PhD, FAICD
Margaret (Margie) Seale, BA, FAICD

Changes to Directorate

There have been two changes in the composition of the Board of Directors of the Overseas Bank since 30 September 2021. Steven Harker and Craig Dunn retired as Non-executive Directors of the Overseas Bank on 26 October 2021 and 15 December 2021 respectively.

Chief Executive Officer, NZ Branch

Christopher Leuschke, BCOM, NZFMA (Chair)

On 6 April 2022, Christopher Leuschke was appointed Chief Executive Officer, NZ Branch replacing Andrew Bashford in that role.

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 Reserve Bank 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 RBNZ Act

On 23 March 2021, the Reserve Bank issued two notices to Westpac New Zealand under section 95 of the RBNZ Act requiring Westpac New Zealand to supply two external reviews to the Reserve Bank (the 'Risk Governance Review' and the 'Liquidity Review').

The Risk Governance Review related to the effectiveness of Westpac New Zealand's risk governance, with a focus on the role played by the Westpac New Zealand Board. This review was undertaken by Oliver Wyman Limited and completed in November 2021. The review identified deficiencies in Westpac New Zealand's risk governance practices and operations which impacted the Westpac New Zealand Board's effectiveness in governing risk. These deficiencies are likely to have contributed to issues of non-compliance with some of Westpac New Zealand's conditions of registration, and technology resiliency issues. Westpac New Zealand has a programme of work underway to address the issues raised, which is being overseen by the Westpac New Zealand Board. Westpac New Zealand has engaged Oliver Wyman Limited to provide independent assurance that Westpac New Zealand's remediation has been delivered to an appropriate standard.

The Liquidity Review related to the effectiveness of Westpac New Zealand's actions to improve liquidity risk management and the associated risk culture. This followed previously identified breaches of the Reserve Bank's Liquidity Policy (BS13) and non-compliances with condition of registration 14 identified through the Reserve Bank's liquidity thematic review (which the Reserve Bank subsequently concluded constituted non-compliance with condition of registration 14 in a material respect, when considered collectively). This review was undertaken by Deloitte Touche Tohmatsu (Deloitte) and completed in May 2022. The review: found that Westpac New Zealand had improved its liquidity control environment; did not identify any material control gaps or issues; and made some recommendations for improvement, which will be implemented as part of Westpac New Zealand's continuous improvement activity. The review also found that Westpac New Zealand had made improvements to its associated risk culture.

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% which at 31 March 2022 was $3.1 billion. This overlay will apply until the Reserve Bank is satisfied that:

- the Reserve Bank's concerns regarding liquidity risk controls have been resolved; and
- sufficient progress has been made to address risk culture issues in Westpac New Zealand's Treasury and Market and Liquidity Risk functions.

Commitments to regulators

Separate to the section 95 reviews, Westpac New Zealand has also committed to:

- the Reserve Bank and FMA to address its technology issues, and has engaged Deloitte to monitor progress; and
- review the programme delivery plan for compliance with the Reserve Bank's Outsourcing Policy.

While work has been underway to address these areas for some time, more work is required to meet Westpac New Zealand's expectations and those of the regulators.

Deposit Takers Bill

A Deposit Takers Bill is expected to be introduced to the House of Parliament in 2022 that will create a single regulatory regime for banks and non-bank deposit takers and introduce a depositor compensation scheme to protect up to $100,000 per eligible depositor, per institution, if a payout event is triggered. Consultation on an exposure draft of the legislation closed on 21 February 2022. Initial implementation of the depositor compensation scheme is expected in early 2024.

Overseas Bank and APRA enforceable undertaking on risk governance remediation

Following APRA's risk governance review, in December 2020, the Overseas Bank confirmed that it had entered into an enforceable undertaking with APRA in relation to the Overseas Bank's risk governance remediation (EU) which among other things required it to develop an Integrated Plan outlining all major risk governance remediation activities in relation to both financial and non-financial risk and provide independent assurance over the implementation of the Integrated Plan.

The Overseas Bank's Customer Outcomes and Risk Excellence (CORE) Program is delivering the Integrated Plan and supporting the strengthening of the Overseas Bank's risk governance, accountability and culture. Execution of the CORE program is ongoing and over half of the activities in the Integrated Plan have been completed and submitted for independent assurance.

Promontory Australia was appointed as the Independent Reviewer to provide regular updates to APRA on the Overseas Bank's compliance with the EU and the Integrated Plan. Promontory Australia has provided four reports to APRA so far, with its next report due in May 2022. These reports are provided quarterly and published on the Overseas Bank's website every six months at www.westpac.com.au/about-westpac/media/core.

i. General information (continued)

Overseas Bank risk management

The Overseas Bank is continuing to strengthen its end-to-end management of risk. A range of shortcomings and areas for improvement in the Overseas Bank's risk governance have been highlighted in recent reviews, including embedding of its risk management framework, policies and systems, regulatory reporting, data quality and management, product governance, prudential compliance plans and associated control frameworks and its risk capabilities. The Overseas Banking Group has a number of risks currently considered outside of risk appetite or that do not meet the expectations of regulators.

The Overseas Bank's CORE program is designed to deliver improvements in many of these areas, including embedding a more proactive risk culture, embedding clear risk management accountabilities, improving the control environment, and uplifting risk awareness, capability and capacity for ongoing risk management.

Other areas of improvement such as operational risk, compliance, financial crime, stress testing, modelling, regulatory reporting and data quality and management are being addressed through investment in risk management expertise.

APRA action against the Overseas Bank for breaches of liquidity requirements

On 1 December 2020, APRA announced that it was taking action for breaches by the Overseas Bank of APRA's prudential standards on liquidity. A program of work is underway to address APRA's requirements, including APRA mandated reviews and remediation of shortcomings identified as part of these reviews. From 1 January 2021, APRA has required the Overseas Banking Group to increase the value of its net cash outflows by 10% for the purpose of calculating the liquidity coverage ratio (LCR). This overlay will be in place until the Overseas Bank meets APRA's requirements, and reduced the average LCR for the quarter ended 31 March 2022 by 14 percentage points.

APRA phasing out reliance on Committed Liquidity Facility

On 10 September 2021, APRA announced it expects authorised deposit-taking institutions (ADIs) to reduce their Committed Liquidity Facility (CLF) usage to zero in stages and no ADI should rely on the CLF to meet its minimum 100% LCR requirement from the beginning of 2022. The Overseas Bank has complied with APRA's announcement to date. In line with APRA's expectations, the Overseas Bank expects to reduce its CLF allocation to zero by 1 January 2023. To replace the reduction in the CLF, the Overseas Bank has increased its holdings of High Quality Liquid Assets. This is also expected to increase the capital required for Interest Rate Risk in the Banking Book to be held by the Group. As at 31 March 2022, the Overseas Bank's CLF allocation was $27.75 billion, and this was subsequently reduced to $18.5 billion on 1 May 2022.

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 Concise Statement. A hearing date for this matter has been set down for 18 March 2024.

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 AUSTRAC civil proceedings. The damages sought are unspecified. However, given the time period in question and the nature of the claims, it is likely any alleged damages will be significant.

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 2021 and for the six months ended 31 March 2022, 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 22 Unaudited	30 Sep 21 Audited
Interest earning and discount bearing assets	**117,455**	112,258
Interest and discount bearing liabilities	**92,576**	89,291
Total amounts due from related entities	**3,322**	1,739
Total amounts due to related entities	**3,389**	3,498
Total liabilities of the NZ Branch, net of amounts due to related entities	**7,639**	6,441
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 22 Unaudited	30 Sep 21 Audited
Cash	**164**	207
Securities pledged under repurchase agreements:		
Trading securities and financial assets measured at FVIS	**452**	580
Investment securities	**20**	338
Residential mortgage-backed securities[1]	**2,513**	2,513
Total amount pledged to secure liabilities (excluding CB Programme)	**3,149**	3,638

[1] As at 31 March 2022, 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 2022 is $2,000 million (30 September 2021: $2,000 million), which is recorded within other financial liabilities on the balance sheet, with underlying securities to the value of $2,398 million provided under the arrangement (30 September 2021: $2,398 million). For the Term Lending Facility, the repurchase cash amount at 31 March 2022 is $96 million (30 September 2021: $96 million), which is recorded within other financial liabilities on the balance sheet, with underlying securities to the value of $115 million provided under the arrangement (30 September 2021: $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 22
Financial assets	
Cash and balances with central banks	**11,726**
Collateral paid	**164**
Trading securities and financial assets measured at FVIS	**4,139**
Derivative financial instruments	**4,170**
Investment securities	**4,986**
Loans	**94,464**
Other financial assets	**667**
Due from related entities	**3,322**
Total financial assets	**123,638**
Undrawn credit commitments	
Letters of credit and guarantees	**944**
Commitments to extend credit	**27,975**
Total undrawn credit commitments	**28,919**
Total maximum credit risk exposure	**152,557**

ii. Additional financial disclosures (continued)

	NZ BANKING GROUP
$ millions	**31 Mar 22**
On-balance sheet credit exposures	
Analysis of on-balance sheet credit exposures by geographical areas	
New Zealand	**115,116**
Overseas	**8,930**
Subtotal	**124,046**
Provision for ECL on loans	**(408)**
Total on-balance sheet credit exposures	**123,638**
Analysis of on-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	**446**
Agriculture	**9,363**
Construction	**546**
Finance and insurance	**11,125**
Forestry and fishing	**501**
Government, administration and defence	**17,140**
Manufacturing	**1,808**
Mining	**280**
Property	**7,652**
Property services and business services	**1,212**
Services	**1,720**
Trade	**2,062**
Transport and storage	**1,328**
Utilities	**1,977**
Retail lending	**63,464**
Other	**1**
Subtotal	**120,625**
Provision for ECL	**(408)**
Due from related entities	**3,322**
Other financial assets	**99**
Total on-balance sheet credit exposures	**123,638**
Off-balance sheet credit exposures consists of	
Credit risk-related instruments	**28,919**
Total off-balance sheet credit exposures	**28,919**
Analysis of off-balance sheet credit exposures by geographical areas	
New Zealand	**28,381**
Overseas	**538**
Total off-balance sheet credit exposures	**28,919**
Analysis of off-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	**102**
Agriculture	**786**
Construction	**561**
Finance and insurance	**1,735**
Forestry and fishing	**193**
Government, administration and defence	**748**
Manufacturing	**1,742**
Mining	**70**
Property	**1,799**
Property services and business services	**786**
Services	**1,290**
Trade	**1,857**
Transport and storage	**824**
Utilities	**1,797**
Retail lending	**14,629**
Total off-balance sheet credit exposures	**28,919**

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

ii. Additional financial disclosures (continued)

Additional information on concentrations of funding

	NZ BANKING GROUP
$ millions	31 Mar 22
Funding consists of	
Collateral received	200
Deposits and other borrowings	81,364
Other financial liabilities[1]	2,956
Due to related entities[2]	1,261
Debt issues[3]	19,508
Loan capital	2,874
Total funding	108,163
Analysis of funding by geographical area[3]	
New Zealand	84,425
Australia	2,153
United Kingdom	9,854
United States of America	6,626
China	2,374
Other	2,731
Total funding	108,163
Analysis of funding by industry sector	
Accommodation, cafes and restaurants	535
Agriculture	1,972
Construction	2,517
Finance and insurance	38,817
Forestry and fishing	206
Government, administration and defence	3,415
Manufacturing	2,367
Mining	61
Property services and business services	8,297
Services	5,947
Trade	2,170
Transport and storage	526
Utilities	843
Households	33,921
Other[4]	5,308
Subtotal	106,902
Due to related entities[2]	1,261
Total funding	108,163

[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 2022. 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 22						
$ 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 bank	11,238	-	-	-	-	488	11,726
Collateral paid	164	-	-	-	-	-	164
Trading securities and financial assets measured at FVIS	2,443	1,077	11	44	564	-	4,139
Derivative financial instruments	-	-	-	-	-	4,170	4,170
Investment securities	77	86	35	864	3,924	-	4,986
Loans	45,824	7,865	14,051	15,461	11,823	(560)	94,464
Other financial assets	-	-	-	-	-	667	667
Due from related entities	1,904	-	-	-	-	1,418	3,322
Total financial assets	61,650	9,028	14,097	16,369	16,311	6,183	123,638
Non-financial assets							1,387
Total assets							125,025
Financial liabilities							
Collateral received	200	-	-	-	-	-	200
Deposits and other borrowings	47,321	8,669	8,128	896	528	15,822	81,364
Other financial liabilities	2,845	96	-	-	-	667	3,608
Derivative financial instruments	-	-	-	-	-	4,589	4,589
Due to related entities	1,132	-	-	-	-	1,138	2,270
Debt issues	3,890	1,777	2,168	1,384	10,668	(379)	19,508
Loan capital	1,119	-	-	-	1,755	-	2,874
Total financial liabilities	56,507	10,542	10,296	2,280	12,951	21,837	114,413
Non-financial liabilities							625
Total liabilities							115,038
On-balance sheet interest rate repricing gap	5,143	(1,514)	3,801	14,089	3,360		
Net derivative notional principals							
Net interest rate contracts (notional):							
Receivable/(payable)	15,689	(5,112)	(6,183)	(6,282)	1,888		
Net interest rate repricing gap	20,832	(6,626)	(2,382)	7,807	5,248		

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 22						
$ 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	-	200	-	-	-	-	200
Deposits and other borrowings	46,423	6,501	10,312	17,017	1,480	-	81,733
Other financial liabilities	1,091	273	-	96	2,142	-	3,602
Derivative financial instruments:							
Held for trading	3,555	-	-	-	-	-	3,555
Held for hedging purposes (net settled)	-	16	43	23	218	2	302
Held for hedging purposes (gross settled):							
Cash outflow	-	10	35	228	5,898	3,278	9,449
Cash inflow	-	-	(3)	(46)	(4,861)	(3,010)	(7,920)
Due to related entities:							
Non-derivative balances	1,272	-	-	-	15	-	1,287
Derivative financial instruments:							
Held for trading	984	-	-	-	-	-	984
Debt issues	-	1,774	1,841	4,320	9,592	3,010	20,537
Loan capital	-	-	9	27	1,227	1,796	3,059
Total undiscounted financial liabilities	53,325	8,774	12,237	21,665	15,711	5,076	116,788
Total contingent liabilities and commitments							
Letters of credit and guarantees	944	-	-	-	-	-	944
Commitments to extend credit	27,975	-	-	-	-	-	27,975
Total undiscounted contingent liabilities and commitments	28,919	-	-	-	-	-	28,919

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. In management's opinion, liquidity is sufficient to meet the NZ Banking Group's present requirements.

	NZ BANKING GROUP
$ millions	**31 Mar 22**
Cash and balances with central bank	11,726
Interbank lending	31
Supranational securities	1,201
NZ Government securities	1,470
NZ public securities	2,303
NZ corporate securities	2,634
Residential mortgage-backed securities	7,342
Total liquid assets	**26,707**

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 2022.

Profitability	31 Mar 22
Net profit after tax for the six months ended 31 March 2022 (A$ millions)[1]	3,284
Net profit after tax for the 12 month period to 31 March 2022 as a percentage of average total assets	0.6%

Total assets and equity	31 Mar 22
Total assets (A$ millions)	964,749
Percentage change in total assets over the 12 months ended 31 March 2022	8.5%
Total equity (A$ millions)	70,333

[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 22**
Residential mortgages - total gross loans (as disclosed in Note 6)	62,166
Reconciling items:	
Unamortised deferred fees and expenses	(267)
Fair value hedge adjustments	248
Value of undrawn commitments and other off-balance sheet amounts relating to residential mortgages	11,677
Undrawn at default[1]	(3,098)
Residential mortgages by LVR (as disclosed in Additional mortgage information in Section iv.)	**70,726**

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

iii. Asset quality

Past due assets

$ millions	NZ BANKING GROUP 31 Mar 22
Past due but not individually impaired assets	
Less than 30 days past due	**1,026**
At least 30 days but less than 60 days past due	**238**
At least 60 days but less than 90 days past due	**72**
At least 90 days past due	**271**
Total past due but not individually impaired assets	**1,607**

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 22 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 2021	**85,020**	**7,871**	**501**	**109**	**93,501**
Transfers:					
Transfers to Stage 1	**1,922**	**(1,887)**	**(35)**	**-**	**-**
Transfers to Stage 2	**(1,172)**	**1,284**	**(109)**	**(3)**	**-**
Transfers to Stage 3 CAP	**(63)**	**(201)**	**273**	**(9)**	**-**
Transfers to Stage 3 IAP	**(1)**	**-**	**(3)**	**4**	**-**
Net further lending/(repayment)	**(1,999)**	**(36)**	**(12)**	**4**	**(2,043)**
New financial assets originated	**10,576**	**-**	**-**	**-**	**10,576**
Financial assets derecognised during the period	**(6,784)**	**(261)**	**(58)**	**(2)**	**(7,105)**
Amounts written-off	**-**	**-**	**(12)**	**(45)**	**(57)**
Total gross carrying amount as at 31 March 2022	**87,499**	**6,770**	**545**	**58**	**94,872**
Provision for ECL as at 31 March 2022	**(79)**	**(232)**	**(76)**	**(21)**	**(408)**
Total net carrying amount as at 31 March 2022	**87,420**	**6,538**	**469**	**37**	**94,464**

Other asset quality information

$ millions	NZ BANKING GROUP 31 Mar 22
Undrawn commitments with individually impaired counterparties	**1**
Other assets under administration	**-**

iii. Asset quality

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 2022.

	31 Mar 22
Total impaired exposures[1] (A$ millions)	1,653
Total impaired exposures expressed as a percentage of total assets	0.2%
Total provision for ECL on impaired exposures[2] (A$ millions)	794
Total provision for ECL on impaired exposures expressed as a percentage of total impaired exposures	48.0%
Total collectively assessed provision for ECL[2] (A$ millions)	4,181

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

[2] Total provision for ECL on impaired assets and total collectively assessed provision for ECL both include A$293 million of provision for ECL that has been calculated collectively on groups of assets which have been determined to be impaired, 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 2022

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 22					
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	30,101	14,464	13,257	3,047	1,278	62,147
Undrawn commitments and other off-balance sheet exposures	6,516	1,122	679	104	158	8,579
Value of exposures	**36,617**	**15,586**	**13,936**	**3,151**	**1,436**	**70,726**

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 2022:

	NZ BANKING GROUP	
	31 Mar 22	
$ millions	Implied risk-weighted exposure	Notional capital charge
End-of-period		
Interest rate risk	**8,319**	**666**
Currency risk	**14**	**1**
Equity risk	**-**	**-**
Peak end-of-day		
Interest rate risk	**10,161**	**813**
Foreign currency risk	**75**	**6**
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 2022 based on APRA's application of the Basel III capital adequacy framework.

%	31 Mar 22	31 Mar 21
Overseas Banking Group (excluding entities specifically excluded by APRA regulations)[1, 2]		
Common Equity Tier 1 capital ratio	**11.3**	12.3
Additional Tier 1 capital ratio	**2.1**	2.2
Tier 1 capital ratio	**13.4**	14.5
Tier 2 capital ratio	**4.3**	3.9
Total regulatory capital ratio	**17.7**	18.4
Overseas Bank (Extended Licensed Entity)[1, 3]		
Common Equity Tier 1 capital ratio	**11.2**	12.6
Additional Tier 1 capital ratio	**2.2**	2.2
Tier 1 capital ratio	**13.4**	14.8
Tier 2 capital ratio	**4.7**	4.0
Total regulatory capital ratio	**18.1**	18.8

[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 ADIs, 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, which are at least equal to that 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 Advanced Internal Rating Based 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.

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

The 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 2022.

v. Insurance business

The NZ Banking Group previously conducted insurance business through its subsidiary Westpac Life. On 28 February 2022, the sale of Westpac Life to Fidelity Life was completed. Westpac Life was subsequently renamed Fidelity Insurance Limited. As at 31 March 2022, the NZ Banking Group does not conduct any insurance business. Refer to Note 14 for details.

vi. Risk management policies

Refer to Registered bank disclosures vi. Risk management policies and Note 31. Financial risk included in the NZ Banking Group Disclosure Statement for the year ended 30 September 2021 for further details on the NZ Banking Group's risk management policies.

Conditions of registration

Changes to conditions of registration

The following changes to the Overseas Bank's conditions of registration have occurred between the reporting date for the previous disclosure statement and the reporting date for this disclosure statement:

- With effect from 1 October 2021, references to BS2A were replaced with the relevant new Banking Prudential Requirements references (BPR001 and BPR131).
- With effect from 1 November 2021, LVR restrictions for owner-occupiers were restricted to a maximum of 10% of new lending at LVRs above 80%.
- With effect from 1 January 2022, the timing in the conditions of registration wording for the LVR restrictions was clarified.

Independent auditor's review report

To the Directors of Westpac Banking Corporation

Report on the Disclosure Statement

Our conclusions

We have reviewed pages 6 to 28 and pages 32 to 41 of the Disclosure Statement for the six months ended 31 March 2022 (the "Disclosure Statement") of Westpac Banking Corporation, which includes the condensed consolidated interim financial statements (the "financial statements") of Westpac Banking Corporation – New Zealand Banking Group (the "NZ Banking Group") required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information required by Schedules 5, 7, 9, 12 and 14 of the Order. The NZ Banking Group comprises the New Zealand operations of Westpac Banking Corporation.

The financial statements on pages 6 to 28 comprise the balance sheet as at 31 March 2022, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended on that date, and significant accounting policies and other explanatory information.

The supplementary information is included within notes 3, 5 and 6 of the financial statements and notes ii to vi of the registered bank disclosures.

We have examined the financial statements and supplementary information and based on our review, nothing has come to our attention that causes us to believe that the accompanying:

a) financial statements of the NZ Banking Group (excluding the supplementary information) have not been prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34);

b) supplementary information that is required to be disclosed under Schedules 5, 7, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those schedules; and

c) supplementary information relating to credit and market risk exposures and capital adequacy that is required to be disclosed under Schedule 9 of the Order, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

Basis for conclusions

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our 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 ethical 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-related services, which relate to agreed upon procedures over the issue of comfort letters, net tangible asset return and debt issuance programmes. We also provide audit and assurance services in respect of funds managed by the NZ Banking Group. 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 has not impaired our independence.

Other Matter

We draw attention to note i of the registered bank disclosures on page 30 which reports that Westpac New Zealand Limited is required to supply two external reviews to the Reserve Bank under section 95 of the Reserve Bank of New Zealand Act 1989.

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Directors' responsibilities for the Disclosure Statement
The Directors of Westpac Banking Corporation (the "Directors") are responsible on behalf of Westpac Banking Corporation for the preparation and fair presentation of the Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of Westpac Banking Corporation, for the preparation and fair presentation of the supplementary information in the Disclosure Statement which complies with Schedules 3, 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 the following conclusions on the financial statements and supplementary information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the:

- financial statements (excluding the supplementary information), taken as a whole, have not been prepared in all material respects, in accordance with IAS 34 and NZ IAS 34;
- supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy), taken as a whole, does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 12 and 14 of the Order; and
- supplementary information relating to credit and market risk exposures and capital adequacy, taken as a whole, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

A review of financial statements and supplementary information 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 and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the financial statements and the supplementary information.

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 the Directors 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 Westpac Banking Corporation and 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 2022

Auckland, New Zealand