# WESTPAC NEW ZEALAND LIMITED

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

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# Contents

# Glossary of terms

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

In this Disclosure Statement, reference is made to:

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

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

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

| | |
|---|---|
| **ADI** | Authorised deposit-taking institution |
| **ALCO** | Asset and Liability Committee |
| **ALM** | Asset and liability risk management |
| **AMA** | Advanced Measurement Approach |
| **ANZSIC** | Australian and New Zealand Standard Industrial Classification |
| **APRA** | Australian Prudential Regulation Authority |
| **APS 222** | APRA’s Prudential Standard APS 222 Associations with Related Entities |
| **ASX** | Australian Securities Exchange |
| **AT1** | Additional Tier 1 capital |
| **BKBM** | Bank bill benchmark rate |
| **Board** | Board of Directors of the Bank |
| **BPRs** | Banking Prudential Requirements |
| **BRCC** | Board Risk and Compliance Committee |
| **BS13** | Reserve Bank document 'Liquidity Policy' |
| **CAP** | Collectively assessed provisions |
| **CB** | Covered bonds |
| **CCCFA** | Credit Contracts and Consumer Finance Act 2003 |
| **CCF** | Credit Conversion Factor |
| **CGU** | Cash generating unit |
| **CREDCO** | Credit Risk Committee |
| **CRG** | Customer risk grade |
| **EAD** | Exposure at default |
| **ECL** | Expected credit losses |
| **ELE** | Extended licensed entity |
| **ESG** | Environmental, social and governance |
| **Financial statements** | Consolidated financial statements |
| **Fitch** | Fitch Ratings |
| **FVIS** | Fair value through income statement |
| **FVOCI** | Fair value through other comprehensive income |
| **FX** | Foreign exchange |
| **GDP** | Gross domestic product |
| **GST** | Goods and services tax |
| **IAP** | Individually assessed provisions |
| **ICAAP** | Internal capital adequacy assessment process |
| **IRB** | Internal Rating Based |
| **IRRBB** | Interest rate risk in the banking book |
| **LGD** | Loss given default |
| **LVR** | Loan-to-value ratio |
| **Moody's** | Moody's Investors Services |
| **NaR** | Net interest income-at-risk |
| **NII** | Net interest income |
| **NZ IAS** | New Zealand equivalent to International Accounting Standard |
| **NZ IFRS** | New Zealand equivalents to International Financial Reporting Standards |
| **NZX** | New Zealand's Exchange |
| **OCI** | Other comprehensive income |
| **PD** | Probability of default |
| **PIE** | Portfolio investment entities |
| **PPS** | Perpetual preference shares |
| **Reserve Bank** | Reserve Bank of New Zealand |
| **RISKCO** | Executive Risk Committee |
| **RMBS** | Residential mortgage-backed securities |
| **RWA/RWE** | Risk weighted assets or risk weighted exposures |
| **S&P** | S&P Global Ratings |
| **SME** | Small and medium-sized enterprises |
| **SPPI** | Solely payments of principal and interest |
| **SPV** | Special purpose vehicle |
| **VaR** | Value-at-Risk |
| **XRB** | External Reporting Board |

# Annual report

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

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

For and on behalf of the Board of Directors:

Philippa Greenwood
Chair
3 November 2024

Catherine McGrath
Chief Executive
3 November 2024

# Directors' Statement

Each Director of the Bank believes, after due enquiry, that, as at the date on which this Disclosure Statement is signed, the Disclosure Statement:

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

(b) is not false or misleading.

Each Director of the Bank believes, after due enquiry, that over the year ended 30 September 2024:

(a) except as noted on page 113, the Bank has complied in all material respects with each condition of registration that applied during that period;

(b) credit exposures to connected persons were not contrary to the interests of the Banking Group; and

(c) the Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement has been signed by all the Directors:

Philippa Greenwood

Catherine McGrath

Debra Birch

David Green

Robert Hamilton

David Havercroft

Ian Samuel Knowles

Christine Parker

Michael Rowland

Dated this 3rd day of November 2024

# Income statement for the year ended 30 September 2024

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

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

# Statement of comprehensive income for the year ended 30 September 2024

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

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

# Balance sheet as at 30 September 2024

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

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

Signed on behalf of the Board of Directors.

Philippa Greenwood
Chair of Board
3 November 2024

David Green
Chair of Board Audit Committee
3 November 2024

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

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

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

# Statement of cash flows for the year ended 30 September 2024

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

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

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

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

# Notes to the financial statements

## **Note 1** Financial statements preparation

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

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

The financial statements are for the Banking Group.

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

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

### a. Basis of preparation

#### *(i) Basis of accounting*

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

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

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

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

#### *(ii) Historical cost convention*

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

#### *(iii) Comparative revisions*

Comparative information has been revised where appropriate to conform to changes in presentation in the current year and to enhance comparability. Where there has been a material restatement of comparative information the nature of, and the reason for, the restatement is disclosed in the relevant section.

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

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

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

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

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

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

#### *(v) Business combinations*

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

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

#### *(vi) Foreign currency translation*

***Functional and presentation currency***

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

## **Note 1** Financial statements preparation (continued)

***Transactions and balances***

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

***(vii) Reserves***

***Investment securities reserve***

This comprises the changes in the fair value of debt securities measured at FVOCI (except for interest income, impairment charges and FX gains and losses which are recognised in the income statement), net of any related hedge accounting adjustments and tax. These changes are transferred to non-interest income in the income statement when the asset is disposed of.

***Cash flow hedge reserve***

This comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments, net of tax.

### b. Principles of consolidation

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

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

### c. Financial assets and financial liabilities

***(i) Recognition***

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

***(ii) Derecognition***

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

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

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

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

***(iii) Classification and measurement basis***

***Financial assets***

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

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

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

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

***Debt instruments***

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

# Notes to the financial statements

## **Note 1** Financial statements preparation (continued)

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

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

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

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

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

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

***Financial liabilities***

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

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

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

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

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

### d. Critical accounting assumptions and estimates

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

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

***Impact of climate-related risks***

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

### e. Future developments in accounting standards

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

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

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

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

The amendments include:

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

# Notes to the financial statements

## Note 1 Financial statements preparation (continued)

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

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

## Note 2 Net interest income

### Accounting policy

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

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

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

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

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

# Notes to the financial statements

## Note 3 Non-interest income

### Accounting policy

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

***Net fees and commissions income***

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

***Fees and commissions income***

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

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

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

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

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

***Fees and commissions expenses***

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

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

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

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

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

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

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

## Note 4 Operating expenses

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

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

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

## Note 5 Auditor's remuneration

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

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

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

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

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

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

## **Note 6** Impairment charges/(benefits)

### Accounting policy

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

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

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

***Uncollectable loans***

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

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

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

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

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

## **Note 7** Income tax expense

### Accounting policy

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

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

***Goods and services tax***

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

***Critical accounting assumptions and estimates***

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

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

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

## **Note 8** Imputation credit account

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

# Notes to the financial statements

## **Note 9** Trading securities and financial assets measured at FVIS

### Accounting policy

***Trading securities***

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

***Reverse repurchase agreements***

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

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

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

## **Note 10** Investment securities

### Accounting policy

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

***Debt securities measured at FVOCI***

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

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

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

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

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

## **Note 11** Loans

### Accounting policy

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

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

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

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

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

## **Note 12** Provision for expected credit losses

### Accounting policy

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

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

The ECL is recognised as follows:

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

*Measurement*

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

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

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

*Model stages*

The three stages are as follows:

*Stage 1: 12 months ECL - performing*

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

*Stage 2: Lifetime ECL – performing*

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

*Stage 3: Lifetime ECL – non-performing*

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

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

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

*Collective and individual assessment*

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

*Expected life*

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

*Movement between stages*

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

## **Note 12** Provision for expected credit losses (continued)

### Accounting policy (continued)

*Critical accounting assumptions and estimates*

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

*Significant increase in credit risk*

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

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

*Forward-looking macroeconomic information*

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

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

- Base case scenario

  This scenario utilises the internal Westpac Economic forecasts used for strategic decision making and forecasting.
- Upside scenario

  This scenario represents a modest improvement on the base case scenario.
- Downside scenario

  The downside scenario is a more severe scenario with ECL higher than those under the base case scenario. This scenario assumes a recession with a combination of negative GDP growth, declines in residential property prices and an increase in the unemployment rate, which simultaneously impact ECL across all portfolios from the reporting date.

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

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

*Portfolio overlays*

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

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

## **Note 12** Provision for expected credit losses (continued)

### Loans and credit commitments

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

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

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

### Movements in components of loss allowance

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

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

## **Note 12** Provision for expected credit losses (continued)

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

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

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

## **Note 12** Provision for expected credit losses (continued)

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

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

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

The above movements in components of loss allowance table does not include 'Other' credit exposures on the basis that the provision for ECL is nil.

## Note 12 Provision for expected credit losses (continued)

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

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

The above movements in components of loss allowance table does not include 'Other' credit exposures on the basis that the provision for ECL is nil.

# Notes to the financial statements

## **Note 12** Provision for expected credit losses (continued)

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

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

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

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

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

### Modelled provision for ECL on loans and credit commitments

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

The base case scenario uses the following Westpac Economic forecasts:

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

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

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

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

## Note 12 Provision for expected credit losses (continued)

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

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

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

### Portfolio overlays

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

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

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

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

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

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

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

### Write-offs still under enforcement activity

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

# Notes to the financial statements

## Note 13 Credit risk management

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

### 13.1 Credit risk management framework

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

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

## Note 13 Credit risk management (continued)

### 13.2 Credit risk ratings system

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

***Transaction-managed customers***

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

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

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

***Program-managed portfolio***

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

## Note 13 Credit risk management (continued)

### 13.3 Credit concentrations and maximum exposure to credit risk

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

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

***Individual customers or groups of related customers***

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

***Specific industries***

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

***Individual countries***

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

**Maximum exposure to credit risk**

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

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

## Note 13 Credit risk management (continued)

### Concentration of credit exposures

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

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

# Notes to the financial statements

## Note 13 Credit risk management (continued)

### 13.4 Credit quality of financial assets

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

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

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

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

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

## Note 13 Credit risk management (continued)

### 13.5 Credit risk mitigation, collateral and other credit enhancements

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

This includes the Banking Group having processes in place to ensure that it has direct, irrevocable and unconditional recourse to collateral and other credit enhancements through obtaining legally enforceable documentation.

The Banking Group includes the effect of credit risk mitigation through eligible guarantees within the calculation applied to LGD. Due to system limitations, the value of the guarantee is not always separately recorded, and therefore, neither this value nor a close alternative is available for disclosure under Clause 7 of Schedule 11 to the Order.

***Collateral***

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

| | |
|---|---|
| **Loans – residential mortgages**[1] | Housing loans are secured by a mortgage over property and additional security may take the form of guarantees and deposits. |
| **Loans – other retail**[1] | Personal lending (including credit cards and overdrafts) is predominantly unsecured. Where security is taken, it is restricted to eligible motor vehicles, caravans, campers, motor homes and boats.<br>SME loans may be secured, partially secured or unsecured. Security is typically taken by way of a mortgage over property and/or a general security agreement over business assets or other assets. |
| **Loans – corporate**[1] | Business loans may be secured, partially secured or unsecured. Security is typically taken by way of a mortgage over property and/or a general security agreement over business assets or other assets.<br>Other security such as guarantees or standby letters of credit may also be taken as collateral, if appropriate. |
| **Trading securities and financial assets measured at FVIS, due from related entities and derivative financial instruments** | These exposures are carried at fair value which reflects the credit risk.<br>For trading securities, no collateral is sought directly from the issuer or counterparty; however this may be implicit in the terms of the instrument (such as an asset-backed security). The terms of debt securities may include collateralisation.<br>Master netting agreements are typically used to enable the effects of derivative assets and derivative liabilities with the same counterparty to be offset when measuring these exposures. Additionally, collateralisation agreements are also typically entered into with major institutional counterparties to avoid the potential build-up of excessive mark-to-market positions. |

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

## Note 13 Credit risk management (continued)

### Management of risk mitigation

The Banking Group mitigates credit risk through controls covering:

| | |
|---|---|
| **Collateral and valuation management** | The Ultimate Parent Bank manages collateral under collateralisation agreements centrally for all branches of the Ultimate Parent Bank and the Bank.<br>The Banking Group revalues collateral related to financial markets positions on a daily basis and has formal processes in place to promptly call for collateral top-ups, if required. These processes include margining for non-centrally cleared customer derivatives where required under APRA Prudential Standard CPS226. The collateralisation arrangements are documented via the Credit Support Annex of the International Swaps and Derivatives Association dealing agreements and Global Master Repurchase Agreements for repurchase transactions.<br>The estimated realisable value of collateral held in support of loans is based on a combination of:<br>● formal valuations currently held for such collateral; and<br>● management's assessment of the estimated realisable value of all collateral held.<br>This analysis also takes into consideration any other relevant knowledge available to management at the time. Updated valuations are obtained when appropriate. |
| **Other credit enhancements** | The Banking Group only recognises guarantees, standby letters of credit, or credit derivative protection from entities meeting minimum eligibility requirements (provided they are not related to the entity with which the Banking Group has a credit exposure) including but not limited to:<br>● Sovereign;<br>● Australia and New Zealand public sector;<br>● Authorised deposit-taking institutions and overseas banks with a minimum risk grade equivalent of A3 / A-; and<br>● Other entities with a minimum risk grade equivalent of A3 / A-.<br>Credit Portfolio Management manages the Banking Group's corporate, sovereign and bank credit portfolios through monitoring the exposure and any offsetting hedge positions. |
| **Offsetting** | Creditworthy customers domiciled in New Zealand may enter into formal agreements with the Banking Group, permitting the Banking Group to set-off gross credit and debit balances in their nominated accounts. Cross-border set-offs are not permitted.<br>Close-out netting is undertaken with counterparties with whom the Banking Group has entered into a legally enforceable master netting agreement for their off-balance sheet financial market transactions in the event of default.<br>Further details of offsetting are provided in Note 26. |
| **Central clearing** | The Banking Group increasingly executes derivative transactions through central clearing counterparties. Central clearing counterparties mitigate risk through stringent membership requirements, the collection of margin against all trades placed, the default fund, and an explicitly defined order of priority of payments in the event of default. |

### Collateral held against loans

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

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

## Note 13 Credit risk management (continued)

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

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

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

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

### Collateral held against financial assets other than loans

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

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

## Note 14 Other financial assets

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

## Note 15 Deferred tax assets

### Accounting policy

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

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

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

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

Deferred tax is not recognised for the following temporary differences:

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

***Critical accounting assumptions and estimates***

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

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

## Note 16 Intangible assets

### Accounting policy

**Indefinite life intangible assets**

***Goodwill***

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

i. the consideration paid; over

ii. the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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

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

***Finite life intangible assets***

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

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

**Critical accounting assumptions and estimates**

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

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

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

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

### Impairment testing and results

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

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

## **Note 16** Intangible assets (continued)

### Significant assumptions used in recoverable amount calculations

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

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

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

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

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

## **Note 17** Deposits and other borrowings

### Accounting policy

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

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

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

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

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

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

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

## Note 18 Other financial liabilities

### Accounting policy

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

***Repurchase agreements***

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

The cash consideration received is recognised as a liability (repurchase agreements). Repurchase agreements are designated at fair value when they are managed as part of a trading portfolio, otherwise they are measured on an amortised cost basis.

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

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

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

## Note 19 Debt issues

### Accounting policy

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

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

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

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

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

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

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

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

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

## Note 20 Provisions

### Accounting policy

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

***Employee benefits – annual leave and other employee benefits***

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

***Provision for ECL on credit commitments***

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

***Compliance, regulation and remediation provisions***

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

***Critical accounting assumptions and estimates***

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

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

### Compliance, regulation and remediation provisions

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

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

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

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

# Notes to the financial statements

## Note 21 Loan capital

### Accounting policy

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

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

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

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

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

### Additional Tier 1 loan capital (AT1 notes)

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

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

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

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

***Interest payable***

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

***Redemption***

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

# Notes to the financial statements

## **Note 21** Loan capital (continued)

***Conversion***

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

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

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

### Tier 2 loan capital

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

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

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

### Common features of subordinated notes

***Interest payable***

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

***Early redemption***

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

## **Note 22** Shareholders' equity

### Accounting policy

#### Ordinary shares

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

#### Perpetual preference shares

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

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

## **Note 22** Shareholders' equity (continued)

### Ordinary share capital

**Ordinary shares fully paid**

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

In accordance with the Reserve Bank document 'Capital Definitions' (BPR110) dated 1 October 2023, ordinary share capital is classified as Common Equity Tier 1 capital.

The ordinary shares have no par value. Subject to the constitution of the Bank, each ordinary share of the Bank carries the right to one vote on a poll at meetings of shareholders, the right to an equal share in dividends authorised by the Board and the right to an equal share in the distribution of the surplus assets of the Bank in the event of liquidation.

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

### AT1 Perpetual preference shares (AT1 PPS)

**Perpetual preference shares fully paid**

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

[1] Net of $6 million issue costs.

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

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

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

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

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

## **Note 22** Shareholders' equity (continued)

***Ranking and rights in liquidation***

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

***AT1 PPS dividends payable***

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

AT1 PPS dividends are non-cumulative. In respect of a class of AT1 PPS, if an AT1 PPS dividend is not paid in full, the Bank may not determine or pay any dividends on its ordinary shares or undertake a discretionary buy-back or capital reduction of the Bank's ordinary shares until a subsequent AT1 PPS dividend is paid in full on that class (except in limited circumstances).

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

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

***Redemption***

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

***Conversion***

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

## Note 23 Related entities

### Related entities

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

### Banking Group

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

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

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

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

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

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

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

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

## Note 23 Related entities (continued)

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

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

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

### Nature of transactions

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

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

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

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

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

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

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

### Transactions with related entities

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

[1] Includes interest income on reverse repurchase agreements.

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

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

## Note 23 Related entities (continued)

### Due from and to related entities

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

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

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

### Key management personnel compensation

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

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

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

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

### Loans and deposits with key management personnel

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

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

### Other key management personnel transactions

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

## **Note 24** Derivative financial instruments

### Accounting policy

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

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

***Trading derivatives***

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

***Hedging derivatives***

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

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

***Fair value hedges***

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

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

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

***Cash flow hedges***

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

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

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

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

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

## **Note 24** Derivative financial instruments (continued)

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

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

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

## **Note 24** Derivative financial instruments (continued)

### Hedge accounting

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

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

### Fair value hedges

***Interest rate risk***

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

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

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

### Cash flow hedges

***Interest rate risk***

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

***FX risk***

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

***Economic hedges***

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

## Note 24 Derivative financial instruments (continued)

### Hedging instruments

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

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

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

## Note 24 Derivative financial instruments (continued)

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

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

### Impact of hedge accounting on the balance sheet and reserves

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

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

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

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

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

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

## Note 24 Derivative financial instruments (continued)

### Hedge effectiveness

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

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

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

| | | | THE BANKING GROUP | | |
|---|---|---|---|---|---|
| | | | **2024** | | |
| **$ millions** | **Hedging instrument** | **Hedged risk** | **Change in fair value of hedging instrument used for calculating ineffectiveness** | **Change in value of the hedged item used for calculating ineffectiveness** | **Hedge ineffectiveness recognised in non-interest income** |
| **Fair value hedges** | Interest rate swap | Interest rate risk | **(491)** | **501** | **10** |
| | Cross currency swap | Interest rate risk | **724** | **(729)** | **(5)** |
| **Cash flow hedges** | Interest rate swap | Interest rate risk | **(451)** | **440** | **(11)** |
| | Cross currency swap | FX risk | **(11)** | **11** | **-** |
| **Total** | | | **(229)** | **223** | **(6)** |

| | | | THE BANKING GROUP | | |
|---|---|---|---|---|---|
| | | | 2023 | | |
| $ millions | Hedging instrument | Hedged risk | Change in fair value of hedging instrument used for calculating ineffectiveness | Change in value of the hedged item used for calculating ineffectiveness | Hedge ineffectiveness recognised in non-interest income |
| **Fair value hedges** | Interest rate swap | Interest rate risk | (130) | 138 | 8 |
| | Cross currency swap | Interest rate risk | 62 | (59) | 3 |
| **Cash flow hedges** | Interest rate swap | Interest rate risk | (28) | 17 | (11) |
| | Cross currency swap | FX risk | (45) | 45 | - |
| **Total** | | | (141) | 141 | - |

## **Note 25** Fair values of financial assets and financial liabilities

### Accounting policy

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

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

***Critical accounting assumptions and estimates***

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

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

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

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

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

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

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

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

### Fair Valuation Control Framework

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

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

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

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

### Fair value hierarchy

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

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

### Valuation techniques

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

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

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

### Financial instruments measured at fair value

***Level 1 instruments***

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

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

| Instrument | Balance sheet category | Includes | Valuation |
|---|---|---|---|
| **Debt instruments** | Trading securities and financial assets measured at FVIS<br>Investment securities | New Zealand Government bonds | These instruments are traded in liquid, active markets where prices are readily observable. No modelling or assumptions are used in the valuation. |

***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<br>Due from related entities<br>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<br>Due from related entities<br>Due to related entities | FX swaps – derivative financial instruments | Derived from market observable inputs or consensus pricing providers using industry standard models. If consensus prices are not available, these are classified as Level 3 instruments. |
| **Non-asset backed debt instruments** | Trading securities and financial assets measured at FVIS<br>Investment securities<br>Due from related entities<br>Due to related entities<br>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<br>Repurchase agreements and reverse repurchase agreements over non-asset backed debt securities | Valued using observable market prices which are sourced from independent pricing services, broker quotes or inter-dealer prices. If prices are not available from these sources, these are classified as Level 3 instruments. |
| **Deposits and other borrowings at fair value** | Deposits and other borrowings | Certificates of deposit | Discounted cash flow using market rates offered for deposits of similar remaining maturities. |
| **Debt issues at fair value** | Debt issues | Commercial paper | Discounted cash flows, using a discount rate which reflects the terms of the instrument and the timing of cash flows adjusted for market observable changes in the Banking Group's implied creditworthiness. |

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

***Level 3 instruments***

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

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

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

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

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

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

### Analysis of movements between fair value hierarchy levels

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

### Financial instruments not measured at fair value

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

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

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

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

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

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

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

## **Note 26** Offsetting financial assets and financial liabilities

### Accounting policy

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

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

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

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

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

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

## Note 26 Offsetting financial assets and financial liabilities (continued)

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

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

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

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

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

***Other recognised financial instruments***

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

***Cash collateral and financial instrument collateral***

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

## Note 27 Credit related commitments, contingent assets and contingent liabilities

### Accounting policy

***Undrawn credit commitments***

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

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

***Contingent assets***

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

***Contingent liabilities***

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

### Undrawn credit commitments

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

| | THE BANKING GROUP | |
|---|---|---|
| **$ millions** | **2024** | 2023 |
| Letters of credit and guarantees[1,2] | **1,631** | 1,614 |
| Commitments to extend credit[3] | **26,901** | 27,588 |
| **Total undrawn credit commitments** | **28,532** | 29,202 |

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

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

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

### Contingent assets

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

### Contingent liabilities

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

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

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

### Guarantees

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

# Notes to the financial statements

## **Note 28** Segment reporting

### Accounting policy

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

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

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

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

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

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

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

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

Reconciling items primarily represent:

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

## Note 28 Segment reporting (continued)

| | THE BANKING GROUP | | | |
|---|---|---|---|---|
| $ millions | Consumer Banking and Wealth | Institutional and Business Banking | Reconciling Items | Total |
| **Year ended 30 September 2024** | | | | |
| **Net interest income** | 1,219 | 1,294 | 326 | 2,839 |
| Net fees and commissions | | | | |
| Facility fees | 25 | 26 | - | 51 |
| Transaction fees and commissions | 172 | 78 | 1 | 251 |
| Other non-risk fee income | 5 | 13 | 3 | 21 |
| **Fees and commissions income** | 202 | 117 | 4 | 323 |
| Fees and commissions expenses | (76) | - | - | (76) |
| **Net fees and commissions** | 126 | 117 | 4 | 247 |
| Other non-interest income | - | - | 9 | 9 |
| **Total non-interest income** | 126 | 117 | 13 | 256 |
| **Net operating income** | 1,345 | 1,411 | 339 | 3,095 |
| Operating expenses | (793) | (514) | (58) | (1,365) |
| Impairment (charges)/benefits | (19) | (8) | - | (27) |
| **Profit before income tax expense** | 533 | 889 | 281 | 1,703 |
| **As at 30 September 2024** | | | | |
| Total gross loans | 62,190 | 40,217 | 241 | 102,648 |
| Total deposits and other borrowings | 46,616 | 33,060 | 1,863 | 81,539 |

| | | | | |
|---|---|---|---|---|
| **Year ended 30 September 2023 (revised)** | | | | |
| **Net interest income** | 1,200 | 1,216 | 237 | 2,653 |
| Net fees and commissions | | | | |
| Facility fees | 27 | 18 | (1) | 44 |
| Transaction fees and commissions | 165 | 83 | 1 | 249 |
| Other non-risk fee income | 5 | 12 | (2) | 15 |
| **Fees and commissions income** | 197 | 113 | (2) | 308 |
| Fees and commissions expenses | (75) | - | 1 | (74) |
| **Net fees and commissions** | 122 | 113 | (1) | 234 |
| Other non-interest income | - | - | 14 | 14 |
| **Total non-interest income** | 122 | 113 | 13 | 248 |
| **Net operating income** | 1,322 | 1,329 | 250 | 2,901 |
| Operating expenses | (734) | (508) | (49) | (1,291) |
| Impairment (charges)/benefits | (77) | (58) | - | (135) |
| **Profit before income tax expense** | 511 | 763 | 201 | 1,475 |
| **As at 30 September 2023** | | | | |
| Total gross loans | 60,004 | 39,911 | (85) | 99,830 |
| Total deposits and other borrowings | 44,980 | 34,804 | 2,412 | 82,196 |

## **Note 29** Securitisation, covered bonds and other transferred assets

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

### Securitisation

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

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

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

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

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

### Covered bonds

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

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

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

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

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

### Repurchase agreements

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

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

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

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

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

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

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

## Note 30 Structured entities

### Accounting policy

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

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

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

### Consolidated structured entities

***Securitisation and covered bonds***

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

***Funds managed by a member of the Ultimate Parent Bank Group***

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

***Non-contractual financial support***

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

## **Note 30** Structured entities (continued)

***Unconsolidated structured entities***

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

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

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

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

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

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

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

***Non-contractual financial support***

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

## **Note 31** Capital management

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

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

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

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

## Note 31 Capital management (continued)

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

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

[1] Excludes capitalised transaction costs.

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

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

***Reserve Bank Capital Review***

On 5 December 2019, the Reserve Bank announced changes to the capital adequacy framework that applies to New Zealand incorporated registered banks (including the Bank) requiring:

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

  These ratios include the minimum capital ratios that banks must maintain and the prudential capital buffer above the minimum capital ratios that banks must maintain to avoid restrictions on distributions (among other things).
- Eligible Tier 1 capital under the new framework comprises common equity and redeemable perpetual preference shares. Existing, non-qualifying AT1 instruments are being progressively phased out by 1 July 2028;

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

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

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

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

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

## 32.1 Risk management frameworks

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

The Board has delegated authority to the BRCC to:

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

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

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

| Risk | Risk management framework and controls |
|---|---|
| **Funding and liquidity risk** | - Funding and liquidity risk is measured and managed in accordance with the policies and processes defined in the BRCC approved Liquidity Risk Management Framework which is part of the Banking Group's Board-approved Risk Management Framework.<br>- Responsibility for managing the Banking Group's liquidity and funding positions in accordance with the Liquidity Risk Management Framework is delegated to Treasury, under the oversight of the Banking Group's ALCO and the Financial Markets and Treasury Risk unit.<br>- The Banking Group's Liquidity Risk Management Framework sets out the Banking Group's funding and liquidity risk appetite, roles and responsibilities of key people managing funding and liquidity risk within the Banking Group, risk reporting and control processes and limits and targets used to manage the Banking Group's balance sheet.<br>- Treasury undertakes an annual funding review that outlines the Banking Group's balance sheet funding strategy over a three year period. This review encompasses trends in global markets, peer analysis, wholesale funding capacity, expected funding requirements and a funding risk analysis. This strategy is continuously reviewed to take account of changing market conditions, investor sentiment and estimations of asset and liability growth rates. This review is subsequently submitted to the BRCC for approval.<br>- The Banking Group monitors the composition and stability of its funding to allow it to remain within the Banking Group's funding risk appetite and comply with regulatory requirements.<br>- The Banking Group holds a portfolio of liquid assets for several purposes, including as a buffer against unforeseen funding requirements. The level of liquid assets held takes into account the liquidity requirements of the Banking Group's balance sheet under normal and stress conditions.<br>- Treasury also maintains a contingent funding plan that outlines the steps that should be taken by the Banking Group in the event of an emerging 'funding crisis'. The plan is aligned with the Banking Group's broader Liquidity Crisis Management Policy which is approved by the BRCC.<br>- Daily liquidity risk reports are reviewed by Treasury and the Financial Markets and Treasury Risk unit. Liquidity reports are presented to ALCO monthly and to the RISKCO and BRCC quarterly. |
| **Market risk** | - Market risk is measured and managed in accordance with the policies and processes defined in the BRCC approved Market Risk Management Framework which is part of the Banking Group's Board-approved Risk Management Framework.<br>- Responsibility for managing the Banking Group's non-traded market risk in accordance with the Market Risk Management Framework is delegated to Treasury, under the oversight of the Banking Group's ALCO and the Financial Markets and Treasury Risk unit.<br>- The Banking Group's Market Risk Management Framework sets out the Banking Group's market risk appetite, roles and responsibilities of key people managing market risk within the Banking Group, risk reporting and control processes and limits and targets used to manage market risk.<br>- The Banking Group's Market Risk Management Framework makes a distinction between traded and non-traded market risk for the purposes of risk management, measurement and reporting.<br>- The Banking Group's Market Risk Management Framework does not allow for traded market risk, including equity and commodity price risks. Any traded market risk activities are conducted by the Ultimate Parent Bank's financial markets business through its NZ Branch and in accordance with the Ultimate Parent Bank's Market Risk Management Framework.<br>- Non-traded market risk arises from banking book activities and is primarily comprised of IRRBB. The Banking Group does not carry material foreign exchange risks due to the risks being hedged.<br>- Market risk is managed using VaR limit, NaR and structural risk limits (including credit spread and interest rate basis point value limits) as well as scenario analysis and stress testing.<br>- Daily market risk reports are reviewed by Treasury, and the Financial Markets and Treasury Risk unit. Key market risk metrics are presented to ALCO monthly and to RISKCO and BRCC quarterly. |

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

### Climate change risk

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

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

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

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

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

## 32.2 Funding and liquidity risk

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

### 32.2.1 Liquidity modelling

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

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

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

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

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

### 32.2.2 Sources of funding

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

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

**Term Lending Facility and Funding for Lending Programme**

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

On 11 November 2020, the Reserve Bank announced that additional stimulus would be provided through a Funding for Lending Programme ('**FLP**'), commencing in December 2020. The FLP provides funding to banks at the prevailing OCR for a term of three years, secured by high quality collateral. The size of funding available under the FLP includes an initial allocation of 4% of each bank's eligible loans (as defined by the Reserve Bank). A conditional additional allocation of up to 2% of eligible loans is also available, subject to growth in eligible loans, for a total size of up to 6% of eligible loans. The FLP ran from 7 December 2020 to 6 June 2022 for the initial allocations and ended on 6 December 2022 for the additional allocations. The FLP term sheet is available on the Reserve Bank's website. As at 30 September 2024, the Banking Group has a balance of $2,981 million under the FLP (30 September 2023: $4,981 million).

### Liquid assets

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

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

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

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

### Concentration of funding

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

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

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

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

[4] Includes deposits from non-residents.

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

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

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

### 32.2.3 Assets pledged as collateral

The Banking Group is required to provide collateral to other financial institutions, as part of standard terms, to secure liabilities. In addition to assets supporting the Covered Bond Programme disclosed in Note 29, the carrying value of these financial assets pledged as collateral is:

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

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

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

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

### 32.2.4 Contractual maturity of financial liabilities

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

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

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

# Notes to the financial statements

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

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

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

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

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

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

### 32.2.5 Expected maturity

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

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

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

## 32.3 Market risk

### 32.3.1 VaR

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

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

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

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

The key parameters of VaR are:

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

### 32.3.2 Non-traded market risk

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

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

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

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

***Net interest income-at-Risk***

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

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

***VaR – IRRBB***[1]

The table below depicts VaR for IRRBB:

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

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

***Risk mitigation***

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

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

## Note 33 Notes to the statement of cash flows

### Accounting policy

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

### Cash and cash equivalents

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

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

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

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

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

# Registered bank disclosures

This section contains the additional disclosures required by the Order.

## i. General information (Unaudited)

### Ultimate Parent Bank

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

### Limits on material financial support by the Ultimate Parent Bank

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

APS 222 includes the following prudential requirements:

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

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

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

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

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

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

APRA requires that the ELE of the Ultimate Parent Bank limit its non-equity exposures to New Zealand banking subsidiaries to 5% of the Ultimate Parent Bank’s Level 1 Tier 1 capital, as part of an initiative to reduce Australian bank non-equity exposure to their respective New Zealand banking subsidiaries and branches.

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

## i. General information (Unaudited) (continued)

Exposures for the purposes of this limit include all committed, non-intraday, non-equity exposures including derivatives and off-balance sheet exposures. For the purposes of assessing this exposure, the 5% limit excludes equity investments and holdings of capital instruments in New Zealand banking subsidiaries. As at 30 September 2024, the ELE's non-equity exposures to New Zealand banking subsidiaries affected by the limit were below 5% of Level 1 Tier 1 capital of the Ultimate Parent Bank.

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

### Voting securities and power to appoint directors

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

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

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

### Priority of financial liabilities in the event of liquidation

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

### Guarantee arrangements

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

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

### Directorate

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

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

## i. General information (Unaudited) (continued)

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

### Changes to Directorate

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

# Registered bank disclosures

## i. General information (Unaudited) (continued)

### Address for communications

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

### Board Audit Committee

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

### Conflicts of Interest Policy

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

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

### Transactions with directors

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

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

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

### Auditor

**PricewaterhouseCoopers**

PwC Tower, Level 27

15 Customs Street West

Auckland, New Zealand

### Pending proceedings or arbitration

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

### Credit ratings

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

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

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

## i. General information (Unaudited) (continued)

### Descriptions of credit rating scales[1]

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

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

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

### Historical summary of financial statements

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

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

## i. General information (Unaudited) (continued)

### Other material matters

***Technology programme***

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

***Reserve Bank review of overseas bank branches***

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

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

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

***External auditor rotation***

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

## ii. Additional financial disclosures

### Additional information on balance sheet

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

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

### Additional information on concentrations of credit risk

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

## ii. Additional financial disclosures (continued)

### Additional information on interest rate sensitivity

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

The following table presents a breakdown of the earlier of the contractual repricing or maturity dates of the Banking Group's net asset position as at 30 September 2024. The Banking Group uses this contractual repricing information as a base, which is then altered to take account of customer behaviour, to manage its interest rate risk.

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

### Additional information on liquidity risk

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

## ii. Additional financial disclosures (continued)

### Reconciliation of mortgage-related amounts

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

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

## iii. Asset quality

### Past due assets

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

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

### Movements in components of loss allowance

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

## iii. Asset quality (continued)

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

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

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

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

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

## iii. Asset quality (continued)

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

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

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

## iii. Asset quality (continued)

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

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

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

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

## iii. Asset quality (continued)

### Other asset quality information

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

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

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

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

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

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

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

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

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

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

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

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

### Capital Structure

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

### Credit risk subject to the IRB approach

### Credit risk exposures by asset class

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

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

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

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

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

| | THE BANKING GROUP | | | |
|---|---|---|---|---|
| | 30 Sep 24 | | | |
| | Undrawn commitments and other off-balance sheet contingent liabilities[1] | | Counterparty credit risk on derivatives and securities financing transactions | |
| $ millions | Value | EAD | Value | EAD |
| Residential mortgages | 13,325 | 9,517 | - | - |
| Other retail | 3,425 | 2,131 | - | - |
| Corporate | 9,101 | 9,070 | 2,783 | 70 |
| **Total** | **25,851** | **20,718** | **2,783** | **70** |

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

### Additional mortgage information

#### Residential mortgages by LVR as at 30 September 2024

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

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

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

| | THE BANKING GROUP | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| LVR range ($ millions) | Does not exceed 60% | Exceeds 60% and not 70% | Exceeds 70% and not 80% | Exceeds 80% and not 90% | Exceeds 90% | Total |
| On-balance sheet exposures | 31,837 | 14,468 | 14,853 | 4,471 | 1,840 | 67,469 |
| Undrawn commitments and other off-balance sheet exposures | 7,554 | 1,033 | 654 | 125 | 151 | 9,517 |
| **Value of exposures** | **39,391** | **15,501** | **15,507** | **4,596** | **1,991** | **76,986** |

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

**Specialised lending subject to the slotting approach**

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

| On-balance sheet exposures subject to the slotting approach | Total Exposures After Credit Risk Mitigation (EAD) $ millions | Risk Weight % | RWA[1] $ millions |
|---|---|---|---|
| **Supervisory slotting grade** | | | |
| Strong | 4,080 | 70 | 3,425 |
| Good | 2,678 | 90 | 2,892 |
| Satisfactory | 358 | 115 | 495 |
| Weak | 98 | 250 | 295 |
| Default | 5 | - | - |

| Off-balance sheet exposures subject to the slotting approach | EAD $ millions | Average Risk Weight % | RWA[1] $ millions |
|---|---|---|---|
| Undrawn commitments and other off-balance sheet exposures | 1,275 | 77 | 1,182 |
| **Total specialised lending exposures subject to the slotting approach** | 8,494 | - | 8,289 |

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

### Standardised equivalents of IRB risk weighted assets

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

| | THE BANKING GROUP | | | |
|---|---|---|---|---|
| | 30 Sep 24 | | | |
| $ millions | Exposure Under the IRB Approach | IRB RWA[1] | Equivalent Exposure Under the Standardised Approach | Standardised Equivalents of RWA |
| **IRB Exposure Class** | | | | |
| Residential mortgages | 77,107 | 22,492 | 73,993 | 29,357 |
| Other retail | 4,718 | 2,204 | 2,692 | 2,458 |
| Corporate | 35,139 | 21,402 | 29,754 | 28,497 |
| Specialised lending subject to the slotting approach | 8,494 | 8,289 | 7,819 | 7,700 |
| **Total** | 125,458 | 54,387 | 114,258 | 68,012 |

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

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

### Credit risk exposures subject to the standardised approach

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

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

| Other on-balance sheet exposures by average risk weight[2] | Total Exposure After Credit Risk Mitigation $ millions | Average Risk Weight % | RWA[1] $ millions |
|---|---|---|---|
| Past due assets | - | 150 | 1 |
| Other assets[3] | 1,747 | 62 | 1,080 |

| Off-balance sheet exposures[2] | Total Exposure Or Principal Amount $ millions | Average Credit Conversion Factor % | Credit Equivalent Amount $ millions | Average Risk Weight % | RWA[1] $ millions |
|---|---|---|---|---|---|
| Total off-balance sheet exposures subject to the standardised approach | 956 | 42.57 | 407 | 22 | 91 |

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

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

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

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

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

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

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

### Credit risk mitigation

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

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

### Impact of the Standardised Floor on Total Credit Risk RWAs

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

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

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

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

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

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

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

### Operational risk

#### Operational risk capital requirement

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

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

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

### Market risk

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

For each category of market risk, the Banking Group's peak end-of-day aggregate capital charge is derived by determining the maximum over the six months ended 30 September 2024 of the aggregate capital charge for that category of market risk derived in accordance with BPR140.

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

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

### Total capital requirements

#### Banking Group Pillar 1 Total Capital Requirement

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

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

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

### Capital ratios

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

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

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

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

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

### Capital for other material risks

#### Summary of ICAAP

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

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

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

### Standardised equivalent capital ratios

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

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

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

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

### Historical comparison with standardised capital ratios and risk weights

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

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

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

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

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

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

### Ultimate Parent Bank Group Basel III capital adequacy ratios

The following table represents the capital adequacy calculation for the Ultimate Parent Bank and the Ultimate Parent Bank Group based on APRA's application of the Basel III capital adequacy framework.

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

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

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

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

Under APRA's Prudential Standards, ADIs, including the Ultimate Parent Bank Group and the Ultimate Parent Bank, are required to maintain minimum ratios of capital to risk weighted assets, as determined by APRA, which are at least equal to those specified under the Basel III capital framework. For the calculation of RWAs, the Ultimate Parent Bank Group is accredited by APRA to apply advanced models. The Ultimate Parent Bank Group uses the Advanced IRB approach for credit risk, the Standardised Measurement Approach for operational risk and the internal model approach for IRRBB for calculating regulatory capital.

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

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

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

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

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

The Ultimate Parent Bank Group (excluding entities specifically excluded by APRA regulations), and the Ultimate Parent Bank (Extended Licensed Entity as defined by APRA), exceeded the minimum capital adequacy requirements as specified by APRA as at 30 September 2024.

### Regulatory liquidity ratios

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

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

## v. Concentration of credit exposures to individual counterparties

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

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

| | THE BANKING GROUP | |
|---|---|---|
| | **Exposure as at 30 September 2024[1]** | **Peak end-of-day exposure over six months to 30 September 2024** |
| **Exposures to non-bank counterparties[2]** | | |
| With a long-term credit rating of A- or A3 or above, or its equivalent | | |
| Exceeds 10% and not 15% | **1** | **1** |
| Exceeds 15% and not 20% | **1** | **1** |

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

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

The peak end-of-day aggregate credit exposure to each individual counterparty (which are not members of a group of closely related counterparties) or a group of closely related counterparties has been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure over the six-month period ending 30 September 2024, and then dividing that amount by the Banking Group's Common Equity Tier 1 capital as at 30 September 2024.

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

## vi. Credit exposures to connected persons

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

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

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

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

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

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

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

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

### Insurance business

The Banking Group does not conduct any insurance business.

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

***Securitisation***

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

***Funds management and other fiduciary activities***

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

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

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

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

***Marketing and distribution of insurance products***

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

### Arrangements to ensure no adverse impacts arising from the above activities

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

### Financial services provided to entities conducting the above activities

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

### Assets purchased from entities conducting the above activities

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

### Funding provided to entities in aggregate and individually

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

## viii. Risk management policies

### Information about risk

### Risk Management Framework

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

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

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

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

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

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

## viii. Risk management policies (continued)

***The Third Line of Defence provides independent objective assurance***

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

### Financial risks

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

### Other key material risks

**Operational risk**

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

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

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

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

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

**Compliance and conduct risk**

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

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

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

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

**Financial crime risk**

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

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

**Cyber risk**

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

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

**Reputational & sustainability risk**

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

## viii. Risk management policies (continued)

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

**Strategic risk**

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

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

**Risk culture**

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

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

### Capital adequacy

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

### Reviews of the Banking Group's risk management systems

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

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

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

### Internal audit function of the Banking Group

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

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

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

### Measurement of impaired assets

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

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

### Credit risk mitigation

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

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

### Additional information about credit risk

***Classification of Banking Group exposures by regulatory exposure class***

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

## viii. Risk management policies (continued)

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

***Overview of the internal credit risk ratings process by portfolio***

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

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

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

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

***Definitions, methods and data for estimation and validation of PD, LGD and EAD***

***PD***

The PD is a through-the-cycle assessment of the likelihood of a customer defaulting on its financial obligations within one year. The Banking Group reflects its PD estimate in a CRG.

# Registered bank disclosures

## viii. Risk management policies (continued)

***LGD***

The LGD represents an estimate of the expected severity of a loss to the Banking Group should a customer default occur during an economic downturn. The Banking Group assigns an LGD to each credit facility, assuming an event of default has occurred, and taking into account a conservative estimate of the net realisable value of assets to which the Banking Group has recourse and over which it has security. LGDs also reflect the seniority of exposures in the customer's capital and debt structure.

LGD estimates are benchmarked against observed historical LGDs from internal and external data and are calibrated to reflect losses expected in an economic downturn. The calculation of historical LGDs is based on an economic loss and includes allowances for workout costs and the discounting of future cash flows to the date of default.

LGD values range from 5% to 100%. The range of LGD values ensures that the risk of loss is differentiated across many credit facilities extended to customers.

***EAD and CCF***

EAD represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default. The proportion of undrawn commitments ultimately utilised by customers is termed the CCF. EAD therefore consists of the initial outstanding balances plus the CCF multiplied by undrawn commitments.

*(b)* ***Program-managed approach (including residential mortgages, small business and other retail)***

Each customer is rated using details of their account performance or application details and segmented into pools of similar risk. These segments are created by analysing characteristics that have historically proven predictive in determining if an account is likely to go into default. Customers are then grouped according to these predictive characteristics of default. The retail (program-managed) portfolio is divided into a number of segments per product with each segment assigned a quantified measurement of its PD, LGD and EAD.

Retail asset class exposures included in the retail (program-managed) portfolio approach are split into the following categories of products:

| Exposure classes | Product categories |
|---|---|
| Residential mortgages | • Mortgages |
| Small business | • Equipment finance<br>• Business overdrafts<br>• Business term loans<br>• Business credit cards |
| Other retail | • Credit cards<br>• Personal loans<br>• Overdrafts |

***PD***

PDs are assigned at the retail segment level and reflect the likelihood of accounts within that segment to default. A long-run average is used to assign a PD to each account in a segment based on the segment's characteristics. The PD estimate for each segment is based on internal data.

Models are used to help determine or establish the appropriate internal rating for program-managed portfolios.

***LGD***

LGD measures the proportion of the exposure that will be lost if default occurs. LGD is measured as a percentage of EAD. The approach to LGD varies depending on whether the retail product is secured or unsecured. A downturn period is used to reflect the effect on the collateral for secured products. For unsecured products, a long-run estimate is used for LGD.

***EAD***

EAD represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default. To calculate EAD, historical data is analysed to determine what proportion of undrawn commitments are ultimately utilised by customers who end up in default.

## viii. Risk management policies (continued)

### Additional information about operational risk

***Calculating operational risk capital***

Operational risk regulatory capital is calculated on a quarterly basis. Standardised operational risk capital is based on a prescribed formula universal to all New Zealand registered banks that apply this approach to Operational Risk capital calculation.

The standardised operational risk capital requirement is the sum of two components, covering the operational risk arising on retail and commercial banking business on the one hand and all other activities on the other. The calculation takes into account a combination of loans, advances and securities in the retail and commercial parts of the bank and proportions of various income components for all other activities.

### Controls surrounding credit risk rating systems

Refer to Note 13.1 Credit risk management framework and Note 13.2 Credit risk ratings system for a discussion of the control mechanisms for the rating systems the Banking Group uses to measure credit risk.

# Conditions of registration

## Conditions of registration for Westpac New Zealand Limited

The registration of the Bank in New Zealand is subject to the following conditions, which applied on and after 1 July 2024:

The registration of the Bank as a registered bank is subject to the following conditions:

1. That:
   (a) the Total capital ratio of the Banking Group is not less than 9%;
   (b) the Tier 1 capital ratio of the Banking Group is not less than 7%;
   (c) the Common Equity Tier 1 capital ratio of the Banking Group is not less than 4.5%;
   (d) the Total capital of the Banking Group is not less than $30 million.

For the purposes of this condition of registration,:

"Total capital ratio", "Tier 1 capital ratio", and "Common Equity Tier 1 capital ratio" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy, except that in the formulae for calculating the ratios, the term "total capital requirement for operational risk" included in "total RWA equivalents" has the same meaning as in BPR150: Standardised Operational Risk; "Total capital" has the same meaning as in BPR110: Capital Definitions.

1A. That:
   (a) the Bank has an internal capital adequacy assessment process ('**ICAAP**') that accords with the requirements set out in Part D of BPR100: Capital Adequacy;
   (b) under its ICAAP the Bank identifies and measures its "other material risks" defined in Part D of BPR100: Capital Adequacy; and
   (c) the Bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the Bank must:
   (a) comply with the minimum requirements for using the IRB approach set out in BPR134: IRB Minimum System Requirements;
   (b) comply with the minimum qualitative requirements for using the AMA approach for operational risk set out in subpart B1 of BPR151: AMA Operational Risk;
   (c) follow the process in Part E of BPR120: Capital Adequacy Process Requirements for obtaining Reserve Bank approval for any changes to any IRB credit risk model;
   (d) maintain a compendium of approved models in accordance with the requirements of section E1.5 of BPR120: Capital Adequacy Process requirements.

1C. That if the Prudential Capital Buffer ('**PCB**') ratio of the Banking Group is 4.5% or less, the Bank must:
   (a) according to the following table, limit the aggregate distributions of the Bank's earnings, other than discretionary payments payable to holders of Additional Tier 1 capital instruments, to the percentage limit on distributions that corresponds to the Banking Group's PCB ratio; and:

| Banking Group's PCB ratio | Percentage limit on distributions of the Bank's earnings | Capital Buffer Response Framework stage |
|---|---|---|
| 0% – 0.5% | 0% | Stage 3 |
| >0.5 – 1% | 30% | Stage 2 |
| >1 – 2% | 60% | Stage 1 |
| >2 – 4.5% | 100% | None |

   (b) comply with the Capital Buffer Response Framework requirements as set out in Part D of BPR120: Capital Adequacy Process Requirements.

For the purposes of this condition of registration:

"prudential capital buffer ratio", "distributions", and "earnings" have the same meaning as in Subpart B2 of BPR100: Capital Adequacy;

an Additional Tier 1 capital instrument is an instrument that meets the requirements of B2.2(2)(a), (c) or (d) of BPR110: Capital Definitions.

1CA. That the Bank must not make any distribution on a transitional AT1 capital instrument on or after the date on which on any conversion or write-off provision in the terms and conditions of the instrument is triggered due to either a loss absorption trigger event or a non-viability trigger event.

For the purposes of this condition of registration, "transitional AT1 capital instrument" has the meaning given in section A2.3 of BPR110: Capital Definitions and "loss absorption trigger event" and "non-viability trigger event" have the meanings given in sub-section C2.2(3) of BPR120: Capital Adequacy Requirements.

1D. That—
   (a) the Bank must not include the amount of an Additional Tier 1 capital instrument or Tier 2 capital instrument issued on or after 1 July 2021 in the calculation of its capital ratios unless it has completed the notification requirements in Part B of BPR120: Capital Adequacy Process Requirements in respect of the instrument; and
   (b) the Bank meets the requirements of Part C of BPR120: Capital Adequacy Process Requirements in respect of regulatory capital instruments.

For the purposes of this condition of registration,:

an Additional Tier 1 capital instrument is an instrument that meets the requirements of subsection B2.2(2)(a) or (c) of BPR110: Capital Definitions;

a Tier 2 capital instrument is an instrument that meets the requirements of subsection B3.2(2)(a) or (c) of BPR110: Capital Definitions.

1E. That for the purposes of LGD estimates for farm lending exposures covered by a Deed of Indemnity from the Crown under the North Island Weather Events Loan Guarantee Scheme, the Bank may choose to apply either the relevant minimum LGD in Table C3.2 of BPR133, or an LGD of 8.5%.

For the purposes of this condition of registration, "LGD" (loss given default) has the meaning given in BPR001: Glossary.

2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of 'material' is based on generally accepted accounting practice.

3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets.

   For the purposes of this condition of registration, the Banking Group's insurance business is the sum of the following amounts for entities in the Banking Group:

   (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

   (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the Banking Group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

   In determining the total amount of the Banking Group's insurance business:

   (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

   (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

   For the purposes of this condition of registration:

   "insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

   "insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

4. The Bank must comply with all the requirements set out in the following document: BS8 Connected Exposures 1 October 2023.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

6. That the Bank complies with the following corporate governance requirements:

   (a) the board of the Bank must have at least five directors;

   (b) the majority of the board members must be non-executive directors;

   (c) at least half of the board members must be independent directors;

   (d) an alternate director:

      (i) for a non-executive director must be non-executive; and

      (ii) for an independent director must be independent;

   (e) at least half of the independent directors of the Bank must be ordinarily resident in New Zealand;

   (f) the chairperson of the board of the Bank must be independent; and

   (g) the Bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).

   For the purposes of this condition of registration, 'non-executive' and 'independent' have the same meaning as in the Reserve Bank of New Zealand document entitled 'Corporate Governance' (BS14) dated July 2014.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the Bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

8. That a person must not be appointed as chairperson of the board of the Bank unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

9. That the Bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

   (a) the mandate of the committee must include: ensuring the integrity of the Bank's financial controls, reporting systems and internal audit standards;

   (b) the committee must have at least three members;

   (c) every member of the committee must be a non-executive director of the Bank;

   (d) the majority of the members of the committee must be independent; and

   (e) the chairperson of the committee must be independent and must not be the chairperson of the Bank.

   For the purposes of this condition of registration, "non-executive" and "independent" have the same meaning as in the Reserve Bank of New Zealand document entitled "Corporate Governance" (BS14) dated July 2014.

10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

11. That the Bank must comply with the Reserve Bank of New Zealand document "Outsourcing Policy" (BS11) dated September 2022.

12. That:

   (a) the business and affairs of the Bank are managed by, or under the direction or supervision of, the board of the Bank;

   (b) the employment contract of the chief executive officer of the Bank or person in an equivalent position (together '**CEO**') is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the Bank; and

   (c) all staff employed by the Bank have their remuneration determined by (or under the delegated authority of) the board or the CEO of the Bank and are accountable (directly or indirectly) to the CEO of the Bank.

# Conditions of registration

13. That, for the purposes of calculating the Bank's capital ratios on a solo basis, a credit conversion factor of zero is only applied to a guarantee of a financing subsidiary's financial obligations if, in substance, the guarantee does not create a risk of loss for the Bank.

14. That the Banking Group complies with the following quantitative requirements for liquidity-risk management:

    (a) the one-week mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day;

    (b) the one-month mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day; and

    (c) the one-year core funding ratio of the Banking Group is not less than 75 per cent at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled 'Liquidity Policy' (BS13) dated July 2022 and 'Liquidity Policy Annex: Liquid Assets' (BS13A) dated July 2022.

15. That the Bank has an internal framework for liquidity risk management that is adequate in the Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:

    (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

    (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

    (c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and

    (d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

16. That no more than 10% of total assets may be beneficially owned by a SPV.

    For the purposes of this condition:

    "total assets" means all assets of the Banking Group plus any assets held by any SPV that are not included in the Banking Group's assets:

    "SPV" means a person:

    (a) to whom any member of the Banking Group has sold, assigned, or otherwise transferred any asset;

    (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

    (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the Banking Group under a covered bond:

    "covered bond" means a debt security issued by any member of the Banking Group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

17. That:

    (a) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the notification threshold, and does not meet the non-objection threshold, unless:

        (i) the Bank has notified the Reserve Bank in writing of the intended acquisition or business combination and at least 10 working days have passed; and

        (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the Bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15)dated December 2011; and

    (b) no member of the Banking Group may give effect to a qualifying acquisition or business combination that meets the non-objection threshold unless:

        (i) the Bank has notified the Reserve Bank in writing of the intended acquisition or business combination;

        (ii) at the time of notifying the Reserve Bank of the intended acquisition or business combination, the Bank provided the Reserve Bank with the information required under the Reserve Bank of New Zealand Banking Supervision Handbook document 'Significant Acquisitions Policy' (BS15) dated December 2011; and

        (iii) the Reserve Bank has given the Bank a notice of non-objection to the significant acquisition or business combination.

    For the purposes of this condition of registration, "qualifying acquisition or business combination", "notification threshold" and "non-objection threshold" have the same meaning as in the Reserve Bank of New Zealand Banking Supervision Handbook document "Significant Acquisitions Policy" (BS15) dated December 2011.

18. That the Bank is pre-positioned for Open Bank Resolution and in accordance with a direction from the Reserve Bank, the Bank can:

    (a) close promptly at any time of the day and on any day of the week and that effective upon the appointment of the statutory manager:

        (i) all liabilities are frozen in full; and

        (ii) no further access by customers and counterparties to their accounts (deposits, liabilities or other obligations) is possible;

    (b) apply a de minimis to relevant customer liability accounts;

    (c) apply a partial freeze to the customer liability account balances;

    (d) reopen by no later than 9am the next business day following the appointment of a statutory manager and provide customers access to their unfrozen funds;

    (e) maintain a full freeze on liabilities not pre-positioned for open bank resolution; and

    (f) reinstate customers' access to some or all of their residual frozen funds.

    For the purposes of this condition of registration, "de minimis", "partial freeze", "customer liability account", and "frozen and unfrozen funds" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

19. That the Bank has an Implementation Plan that:

    (a) is up-to-date; and

    (b) demonstrates that the Bank's prepositioning for Open Bank Resolution meets the requirements set out in the Reserve Bank document: 'Open Bank Resolution Pre-positioning Requirements Policy' (BS17) dated June 2022.

    For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve

Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

20. That the Bank has a compendium of liabilities that:

(a) at the product-class level lists all liabilities, indicating which are:

(i) pre-positioned for Open Bank Resolution; and

(ii) not pre-positioned for Open Bank Resolution;

(b) is agreed to by the Reserve Bank; and

(c) if the Reserve Bank's agreement is conditional, meets the Reserve Bank's conditions.

For the purposes of this condition of registration, "compendium of liabilities", and "pre-positioned and non pre-positioned liabilities" have the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

21. That on an annual basis the Bank tests all the component parts of its Open Bank Resolution solution that demonstrates the Bank's prepositioning for Open Bank Resolution as specified in the Bank's Implementation Plan.

For the purposes of this condition of registration, "Implementation Plan" has the same meaning as in the Reserve Bank of New Zealand document "Open Bank Resolution (OBR) Pre-positioning Requirements Policy" (BS17) dated June 2022.

22. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the Bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

23. That, for a loan-to-valuation measurement period ending on or after 30 September 2024, the total of the Bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

24. That, for a debt-to-income measurement period, the total of the Bank's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.

25. That, for a debt-to-income measurement period, the total of the Bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement period.

26. That the Bank must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,:

"Banking Group" means Westpac New Zealand Limited (as reporting entity) and all other entities included in the group as defined in section 6(1) of the Financial Markets Conduct Act 2013 for the purposes of Part 7 of that Act.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

In these conditions of registration, the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents that are referred to in the capital adequacy conditions 1 to 1E, or are referred to in turn by those documents or by Banking Supervision Handbook (BS) documents, are —

| BPR document | Version date |
|---|---|
| BPR100: Capital adequacy | 1 July 2024 |
| BPR110: Capital definitions | 1 October 2023 |
| BPR120: Capital adequacy process requirements | 1 October 2023 |
| BPR130: Credit risk RWAs overview | 1 July 2024 |
| BPR131: Standardised credit risk RWAs | 1 July 2024 |
| BPR132: Credit risk mitigation | 1 July 2024 |
| BPR133: IRB credit risk RWAs | 1 July 2024 |
| BPR134: IRB minimum system requirements | 1 July 2024 |
| BPR140: Market risk exposure | 1 July 2024 |
| BPR150: Standardised operational risk | 1 July 2024 |
| BPR151: AMA operational risk | 1 July 2024 |
| BPR160: Insurance, securitisation, and loan transfers | 1 July 2024 |
| BPR001: Glossary | 1 October 2023 |

In conditions of registration 22 and 23,:

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021:

"loan-to-valuation measurement period" means a rolling period of three calendar months ending on the last day of the third calendar month.

In conditions of registration 24 and 25,:

"debt-to-income ratio", "debt-to-income measurement period", "non property- investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", and "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage lending" (BS20) dated 3 April 2023:

"debt-to-income measurement period" means:

(a) the initial period of six calendar months from the date of this conditions of registration (1 July 2024) ending on 31 December 2024; and

(b) thereafter, a rolling period of three calendar months ending on the last day of the third calendar month, the first of which ends on 31 January 2025 and covers the months of November and December 2024 and January 2025.

In condition of registration 26,:

"residential mortgage loan" has the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High Debt-To-Income Residential Mortgage lending" (BS20) dated 3 April 2023.

### Changes to conditions of registration

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

- With effect from 1 April 2024:
  - condition of registration 11 was replaced with the wording of Condition of Registration 22 requiring compliance with the Outsourcing Policy (BS11).
  - conditions of registration 4 and 4A were amended to require compliance with all requirements set out in BS8 Connected Exposures. Condition of registration 4B was renumbered to 4A accordingly.
- With effect from 1 July 2024:
  - the Bank's minimum total capital ratio was increased from 8% to 9% and the minimum Tier 1 capital ratio was increased from 6% to 7%.
  - Debt-to-Income (DTI) restrictions were activated at settings of: a 20% limit on new residential lending to owner-occupiers with a DTI greater than 6; and a 20% limit on new residential lending to investors with a DTI greater than 7.
  - mortgage loan-to-value ratio (LVR) restrictions were eased to a 20% limit on new lending to owner occupiers with an LVR above 80%; and to a 5% limit on new lending to investors with an LVR above 70%.
  - interim Condition of Registration 4A in respect of BS8 Connected Exposures was removed.

### Material non-compliance with conditions of registration

**Outsourcing Arrangements without required risk mitigants in place**

For a period of four years in relation to certain hardware and a period ranging from five to eight years for operating system software, the Bank has had outsourcing arrangements without the required risk mitigants in place to ensure adequate support services were available for certain payment systems operated by the Bank, which support some of the Bank's payment processing services. In this regard:

- The relevant software and hardware environments ensure high availability of key frontline applications for its retail and business customers. The failure to have the required risk mitigants in place to support these software and hardware environments was non-compliant with the Reserve Bank's Outsourcing Policy (BS11) and therefore with the Bank's condition of registration 22 at that time (with effect from 1 April 2024 condition of registration 11 was replaced with the wording of condition of registration 22).
- Despite not having adequate support contracts in place, the Bank either continued to receive support or could have acquired support on a non-contractual basis. The Bank also had internal teams in place to provide support in the event of issues arising with the software and hardware.
- However, if a critical problem had arisen with the software without the required risk mitigants in place, then this could have increased the risk that the Bank may not have been able to access support to restore the relevant services within the Bank's recovery time objectives. This would, in turn, impact the Bank's ability to provide certain services to business and retail customers who are using these services or business applications. This may also have impacted the Bank's ability to be administered under statutory management or to address the impact of a service or function provider failure.

Once the non-compliances came to the Bank's attention, internal investigations took place, and the incidents were reported to the Reserve Bank. Remediation work was completed in November 2023.

**Open Bank Resolution**

Open Bank Resolution (OBR) policy is a Reserve Bank tool for responding to the rare event of a bank failure. OBR enables authorities to re-open a failed bank the next day under statutory management. This is achieved by ensuring that banks have operational and technical arrangements in place so they can continue to operate should they enter into statutory management. The Bank identified that components of its OBR Implementation Plan (Plan) were non-compliant with the Bank's conditions of registration in the following respects:

- The Bank did not meet all of the pre-positioning requirements in condition of registration 18 as the Bank did not have a fully documented solution to reinstate customers' access to some or all of their residual frozen funds were an event to occur.
- Components of the Bank's Plan were historically not kept up-to-date. As such the Bank did not meet all of the requirements of condition of registration 19.
- The Bank's annual testing of its Plan did not meet the requirements of condition of registration 21 as the testing methods required strengthening to include timeframe and end-to-end enterprise testing.

As a result of the above, there was an increased risk that the Bank would not be able to close and re-open as required under the OBR policy. Remediation work was completed in September 2024 and is currently with the Reserve Bank for review.

# Independent auditor’s report

To the shareholder of Westpac New Zealand Limited

## Our opinion

In our opinion, the accompanying:

- consolidated financial statements, excluding the information disclosed in accordance with Schedules 4, 7, 11, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the “Order”), of Westpac New Zealand Limited (the “Bank”), including the entities it controlled as at 30 September 2024 or from time to time during the financial year (the “Banking Group”), present fairly, in all material respects, the financial position of the Banking Group as at 30 September 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (“NZ IFRS”) and International Financial Reporting Standards Accounting Standards (“IFRS Accounting Standards”); and
- information disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Order (the “Supplementary Information”), in all material respects:
  - presents fairly the matters to which it relates; and
  - is disclosed in accordance with those schedules.

**What we have audited**

- The Banking Group’s consolidated financial statements (the “Financial Statements”) required by clause 24 of the Order, comprising:
  - the balance sheet as at 30 September 2024;
  - the income statement for the year then ended;
  - the statement of comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the Financial Statements, excluding the information disclosed in accordance with Schedules 4, 7, 11, 13, 14, 15 and 17 of the Order within notes 12, 13, 31 and 32 of the Financial Statements, which includes material accounting policy information and other explanatory information.
- The Supplementary Information within notes 12, 13, 31 and 32 of the Financial Statements and notes ii, iii and v to viii of the registered bank disclosures for the year ended 30 September 2024 of the Banking Group.

We have not audited the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order within note 31 of the Financial Statements and note iv of the registered bank disclosures and our opinion does not extend to this information.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the Financial Statements and the Supplementary Information* section of our report.

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

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**Independence**

We are independent of the Banking Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Banking Group in the areas of an assessment of whether the preconditions for assurance exist in preparation for assurance over greenhouse gas disclosures and other assurance and audit related services. Other assurance and audit related services include limited assurance over compliance with the information required on capital adequacy and regulatory liquidity requirements and agreed upon procedures over the issue of comfort letters and debt issuance programmes. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities. The provision of these other services and these relationships have not impaired our independence as auditor of the Banking Group.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements and the Supplementary Information of the current year. These matters were addressed in the context of our audit of the Financial Statements and the Supplementary Information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Provision for expected credit losses on loans and credit commitments**<br><br>As disclosed in Note 12 of the Financial Statements, the provision for expected credit losses (ECL) on loans and credit commitments totalled $555 million as at 30 September 2024.<br><br>ECL is a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions. The model to determine the ECL includes significant judgement in assumptions used to determine when a significant increase in credit risk (SICR) has occurred, in estimating forward looking macroeconomic scenarios (MES), applying a probability weighting to different scenarios, and identifying and calculating adjustments to model output (portfolio overlays).<br><br>There is also a significant volume of data used in the ECL model, which is sourced from relevant Information Technology (IT) systems.<br><br>Individually assessed allowances are also recognised by the Banking Group for loans that are known to be impaired at the reporting date. | Our audit procedures included testing the design and operating effectiveness of selected controls relating to the Banking Group's ECL estimation process, which included controls over the data, model, assumptions and governance used in determining the provision for ECL on loans and credit commitments, as well as IT general controls related to the relevant IT systems.<br><br>In addition to controls testing, our other significant audit procedures included, among others:<br><br>● consideration of the appropriateness of the methodology inherent in the models for SICR and MES against the requirements of NZ IFRS 9;<br><br>● the involvement of our credit risk modelling experts to evaluate the appropriateness of the models and the reasonableness of the assumptions applied within the models, the accuracy of the ECL model calculation and evaluating the results of management's model monitoring undertaken during the year;<br><br>● the involvement of our economics experts to assist in evaluating the reasonableness of key assumptions, economic variables and data applied in determining MES; |

| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| The principal considerations for our determination that performing procedures relating to the provision for ECL on loans and credit commitments is a key audit matter are:<br>● there was significant judgement and effort in evaluating audit evidence related to the model and assumptions used to determine the provision for ECL on loans and credit commitments;<br>● there was significant judgement and effort in evaluating audit evidence related to the identification and calculation of portfolio overlay adjustments to the ECL, MES and the associated weightings applied;<br>● there was a high degree of auditor effort required to test critical data elements used in the model, and the model evaluation processes;<br>● there was a high degree of auditor effort required to test relevant IT controls used in determining the provision for ECL on loans and credit commitments; and<br>● the nature and extent of audit effort required to test the models, assumptions and judgements required specialised skill and knowledge. | ● challenging and assessing the appropriateness of portfolio overlay adjustments to provide evidence that these are reasonable;<br>● assessing the completeness of portfolio overlay adjustments by considering factors including model performance, data quality and other relevant risks;<br>● testing the completeness and accuracy of critical data elements used to calculate the portfolio overlays;<br>● assessing the review, challenge and approval by an internal governance committee of MES, probability weightings and portfolio overlay adjustments used in the ECL model and assessing the reasonableness of decisions;<br>● substantive testing on a sample basis of the input of critical data elements into source systems, and the flow and transformation of those critical data elements from source systems to the ECL model;<br>● for a sample of corporate loans not identified as impaired, considering the borrower's latest financial information provided to the Banking Group to test the reasonableness of the credit risk grade rating that has been allocated to the borrower, a critical data element which involves significant management judgement;<br>● for a sample of impaired loans where the provision is individually assessed, considering the borrower's latest financial information, value of security held as collateral, multiple weighted scenario outcomes and independent expert advice (where applicable) provided to the Banking Group to test the basis of measuring individually assessed provisions; and<br>● considering the impacts of events occurring subsequent to balance date on the ECL for loans and credit commitments.<br>We also assessed the appropriateness of the Banking Group's disclosures in the Financial Statements against the requirements of NZ IFRS. |

| Description of the key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **IT systems and controls**<br>The Banking Group is heavily dependent on complex, interdependent IT systems for the capture, processing, storage and extraction of significant volumes of transactions which is critical to the recording of financial information and the preparation of financial statements of the Banking Group. Accordingly, we considered this to be a key audit matter.<br>In common with all other major banks, access management controls are important to ensure both access and changes made to systems and data are appropriate.<br>The Banking Group's controls over IT systems include:<br>● user access to applications, process and data;<br>● program development and changes;<br>● segregation of duties and privileged user accounts; and<br>● IT operations. | For material financial statement transactions and balances, our procedures included gaining an understanding of the business processes, key controls and IT systems used to generate and support those transactions and balances and associated IT application controls and IT dependencies in manual controls. This involved the following areas:<br>● how user access is granted, reviewed and removed on a timely basis from IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed to those systems;<br>● how changes are initiated, documented, tested and authorised prior to migration into the production environment of critical IT applications. We also assessed the appropriateness of users with access to make changes to IT applications across the Banking Group;<br>● how controls are designed to enforce segregation of duties and the use of privileged accounts to ensure that data is only changed through authorised means; and<br>● how controls over operations are used to ensure that any issues are managed appropriately.<br>Where relevant to our planned audit approach, we, along with our IT specialists, assessed the design and tested the effectiveness of certain controls over the continued integrity of the in-scope IT systems that are relevant to financial reporting.<br>We also carried out tests, on a sample basis, of IT application controls and IT dependencies in manual controls that were key to our audit testing strategy in order to assess the accuracy of relevant system calculations, key reports and the operation of certain system enforced access controls.<br>Where we identified design or operating effectiveness matters relating to IT systems and application controls relevant to our audit, we performed alternative or additional audit procedures. |

## Our audit approach

### Overview


The overall Banking Group materiality is $85 million, which represents approximately 5% of the profit before income tax for the year ended 30 September 2024.

We chose profit before income tax because, in our view, it is the benchmark against which the performance of the Banking Group is most commonly measured by users, and is a generally accepted benchmark.

Full scope audits were conducted over the most financially significant operations, being Consumer Banking and Wealth and Institutional and Business Banking divisions as well as the Banking Group's treasury operations. Specified audit and analytical review procedures were performed over the remaining operations.

As reported above, we have two key audit matters, being:

- Provision for expected credit losses on loans and credit commitments; and
- IT systems and controls.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements and the Supplementary Information. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

**Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Banking Group materiality for the Financial Statements and the Supplementary Information, as a whole, as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the Financial Statements and the Supplementary Information, as a whole.

**How we tailored our group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Statements and the Supplementary Information, as a whole, taking into account the structure of the Banking Group, the financial reporting processes and controls, and the industry in which the Banking Group operates.

Certain operational processes which are critical to financial reporting for the Banking Group are undertaken outside of New Zealand. We worked with a PwC network firm engaged in the Westpac Banking Corporation group audit to understand and examine certain processes, test controls and perform other substantive audit procedures that supported material balances, classes of transactions and disclosures within the Banking Group's Financial Statements and Supplementary Information. This enabled us to evaluate the effectiveness of the controls over those processes and consider the implications for the remainder of our audit work.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Disclosure Statement presented in accordance with Schedule 2 of the Order on pages 5 and 6, 80 to 85 (excluding the information on page 85 relating to note ii of the registered bank disclosures which forms part of the Supplementary Information) and 109 to 113, and the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order within note 31 of the Financial Statements and note iv of the registered bank disclosures, but does not include the Financial Statements, the Supplementary Information and our auditor's report thereon. The other information also includes the Westpac New Zealand Climate Report ("Climate Report") to be published at a later date. Other than the Climate Report which we will receive at a later date, we have received all the other information expected to be included in the Annual Report and Disclosure Statement.

Our opinion on the Financial Statements and the Supplementary Information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. We issue a separate limited assurance report on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order.

In connection with our audit of the Financial Statements and the Supplementary Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and the Supplementary Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Climate Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

## Responsibilities of the Directors for the Disclosure Statement

The Directors are responsible, on behalf of the Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 24 of the Order, NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Statements and the Supplementary Information that are free from material misstatement, whether due to fraud or error.

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

- all of the information prescribed in Schedule 2 of the Order; and
- the information prescribed in Schedules 4, 7, 11, 13, 14, 15 and 17 of the Order.

In preparing the Financial Statements, the Directors are responsible for assessing the Banking Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Banking Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

A further description of our responsibilities for the audit of the Financial Statements and the Supplementary Information is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

## Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers
3 November 2024

Auckland

# Independent Assurance Report

To the shareholder of Westpac New Zealand Limited

## Limited assurance report on compliance with the information required on capital adequacy and regulatory liquidity requirements

**Our conclusion**

We have undertaken a limited assurance engagement on Westpac New Zealand Limited (the "Bank")'s compliance, in all material respects, with clause 21 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the "Order") which requires information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements to be disclosed in its full year Disclosure Statement for the year ended 30 September 2024 (the "Disclosure Statement"). The Disclosure Statement containing the information prescribed in Schedule 11 of the Order relating to capital adequacy and regulatory liquidity requirements will accompany our report, for the purpose of reporting to the shareholder.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order and disclosed in note iv of the registered bank disclosures, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

**Basis for conclusion**

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

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

**Directors' responsibilities**

The Directors are responsible on behalf of the Bank for compliance with the Order, including clause 21 of the Order which requires information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 11 of the Order to be included in the Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

**Our independence and quality management**

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

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

We are independent of the Banking Group. In addition to our role as auditor, our firm carries out other services for the Banking Group in the areas of an assessment of whether the preconditions for assurance exist in preparation for assurance over greenhouse gas disclosures and other audit related services. Other audit related services include agreed upon procedures over the issue of comfort letters and debt issuance programmes. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and these relationships have not impaired our independence.

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**Assurance practitioner's responsibilities**

Our responsibility is to express a limited assurance conclusion on whether the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order is not, in all material respects, disclosed in accordance with Schedule 11 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Bank's information relating to capital adequacy and regulatory liquidity requirements, included in the Disclosure Statement in compliance with clause 21 of the Order, is not, in all material respects, disclosed in accordance with Schedule 11 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 21 of the Order in respect of the information relating to capital adequacy and regulatory liquidity requirements is likely to arise.

Given the circumstances of the engagement we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to capital adequacy and regulatory liquidity requirements;
- obtained an understanding of the Bank's compliance framework and internal control environment to ensure the information relating to capital adequacy and regulatory liquidity requirements is in compliance with the Reserve Bank of New Zealand's (the "RBNZ") prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to capital adequacy and regulatory liquidity requirements and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order, and considered its consistency with the annual financial statements; and
- agreed the information relating to capital adequacy and regulatory liquidity requirements disclosed in accordance with Schedule 11 of the Order to information extracted from the Bank's models, accounting records or other supporting documentation, which included publicly available information as prescribed by clause 18 of Schedule 11 of the Order.

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

**Inherent limitations**

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

A limited assurance engagement on the Bank's information relating to capital adequacy and regulatory liquidity requirements prescribed in Schedule 11 of the Order to be included in the Disclosure Statement in compliance with clause 21 of the Order does not provide assurance on whether compliance will continue in the future.

**Use of report**

This report has been prepared for use by the Bank's shareholder for the purpose of establishing that these compliance requirements have been met.

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

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

PricewaterhouseCoopers

Auckland

3 November 2024

TOGETHER
GREATER

Westpac New Zealand Limited.

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