

# 2016 TAILORED U.S. RESOLUTION PLAN

## PUBLIC SECTION

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WESTPAC BANKING CORPORATION ABN 33 007 457 141



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## **Disclosure regarding forward-looking statements**

This document contains statements that constitute ‘forward-looking statements’ within the meaning of Section 21E of the US *Securities Exchange Act of 1934*.

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

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

# 1 Introduction

Westpac's resolution plan (the "U.S. Plan") is being filed pursuant to section 165(d) of the Dodd Frank Act ("the Act") and its implementing rules<sup>1</sup> (together, the "Regulations"). The Regulations require any foreign bank or company that is a Bank Holding Company ("BHC") with total consolidated assets of \$50 billion or more (each a "Covered Company") to periodically submit to the Board of Governors of the Federal Reserve System ("FRB") and the Federal Deposit Insurance Corporation ("FDIC") a plan for the covered company's rapid and orderly resolution in the event of material financial distress or failure. Since Westpac Banking Corporation ("Westpac" or "the Bank") is treated as a BHC in the United States, and has greater than \$50 billion in total consolidated assets globally, it is a Covered Company and is therefore required to submit a U.S. Plan under the Regulations.

For a foreign-based Covered Company, like Westpac, the Regulations require the U.S. Plan to include information only with respect to Westpac's "subsidiaries, branches and agencies, and critical operations and core business lines, as applicable, that are domiciled in the United States or conducted in whole or material part in the United States", together with information about any interconnections or interdependencies between Westpac's U.S. and non-U.S. operations and a description of how the U.S. Plan is integrated into Westpac's overall resolution or other contingency planning process.

Westpac provided written notice of its intent and eligibility to file a "tailored plan" in March 2016 and was notified by the FRB and FDIC on June 10, 2016 following their review of the 2015 Plan that it is eligible to file a "Reduced Plan" subject to total U.S. assets remaining below \$50 billion and there being no material events during the calendar year. As a result, Westpac is filing a "Reduced Plan" in 2016.

Westpac was founded in 1817 and was the first bank established in Australia. In 1850, Westpac was incorporated as the Bank of New South Wales by an Act of the New South Wales Parliament. In 1982, following the merger with the Commercial Bank of Australia, Westpac changed its name to Westpac Banking Corporation. On August 23, 2002, Westpac was registered as a public company limited by shares under the Australian *Corporations Act (2001)* (Cth).

Westpac is one of the four major banking organizations in Australia and one of the largest banking organizations in New Zealand. Westpac provides a broad range of banking and financial services in these markets, including consumer, business and institutional banking and wealth management services. Westpac has branches, affiliates and controlled entities throughout Australia, New Zealand, Asia and in the Pacific region, and maintains branches and offices in some of the key financial centers around the world. As at September 30, 2016, the Group is one of the largest listed companies by market capitalization on the Australian Securities Exchange Limited ("ASX"), with market capitalization of A\$99 billion<sup>2</sup> and total assets of A\$839 billion.

In the United States, the Westpac Group operates a federally licensed branch in New York (the "New York Branch" or the "Branch"). The New York Branch is a legal and operational extension of Westpac and conducts a number of Westpac's U.S. operations. Aside from the New York Branch, Westpac

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<sup>1</sup> Implementing rules for section 165(d) were jointly issued by the Federal Reserve Board ("FRB"), codified at 12 C.F.R. Part 243 (the "FRB Rule"), and the Federal Deposit Insurance Corporation ("FDIC"), codified at 12 C.F.R. Part 381 (the "FDIC Rule").

<sup>2</sup> Based on the closing share price of Westpac's ordinary shares on the ASX as at September 30, 2016.

maintains several U.S. subsidiaries that are associated directly with Westpac or via subsidiaries. A list of Westpac's material controlled entities can be found in Note 35 to the Group's financial statements, available in the 2016 Westpac Group Annual Report on Form 20-F (the "2016 Annual Report")<sup>3</sup>.

## 2 Core Business Lines and Critical Operations

The Regulations define "Critical Operations" as "those operations of the covered company, including associated services, functions and support, the failure or discontinuance of which, in the view of the covered company or as jointly directed by the FRB and the FDIC, would pose a threat to the financial stability of the United States."

"Core Business Lines" are defined in the Regulations as "those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value."

While Westpac considers all its present business lines and operations of importance to the Group's current and future success and profitability, in light of the definitions set forth in the Regulations, the U.S. Plan does not identify any Critical Operations or Core Business Lines that were either domiciled in the United States, or conducted in whole or material part in the United States as at December 31, 2015.

## 3 Material Entities

A "Material Entity" is defined in the Regulations as "a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line."

On the basis that Westpac had no Core Business Lines or Critical Operations for U.S. resolution planning purposes, the U.S. Plan does not identify any Material Entities.

Therefore, the scope of Westpac's U.S. Plan is on Westpac's New York Branch as a legal and operational extension of the Covered Company, Westpac.

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<sup>3</sup> A copy of the 2016 Annual Report is available here - <https://www.westpac.com.au/about-westpac/investor-centre/financial-information/annual-reports/>

## 4 Financial Information

Table 1 summarizes the consolidated balance sheet of the Westpac Group as at September 30, 2016<sup>4</sup>, as reported in the 2016 Annual Report.

**Table 1: Consolidated Balance Sheet Data for the Westpac Group<sup>5</sup>**

	As at 30 September	
	2016 US\$m	2016 A\$m
Cash and balances with central banks	13,045	17,015
Receivables due from other financial institutions	7,629	9,951
Derivative financial instruments	24,709	32,227
Trading securities and other financial assets designated at fair value and available-for-sale securities	62,741	81,833
Loans	507,499	661,926
Life insurance assets	10,881	14,192
All other assets	16,912	22,058
<b>Total assets</b>	<b>643,416</b>	<b>839,202</b>
Payables due to other financial institutions	13,961	18,209
Deposits and other borrowings	393,372	513,071
Other financial liabilities at fair value through income statement	3,643	4,752
Derivative financial instruments	27,659	36,076
Debt issues	130,264	169,902
Life insurance liabilities	9,477	12,361
All other liabilities	8,315	10,845
Total liabilities excluding loan capital	586,691	765,216
Total loan capital	12,118	15,805
<b>Total liabilities</b>	<b>598,809</b>	<b>781,021</b>
<b>Net assets</b>	<b>44,607</b>	<b>58,181</b>
Total equity attributable to owners of Westpac Banking Corporation	44,560	58,120
Non-controlling interests	47	61
<b>Total shareholders' equity and non-controlling interests</b>	<b>44,607</b>	<b>58,181</b>

For notes relating to the table above, please refer to the 2016 Annual Report.

<sup>4</sup> Westpac's financial year ends September 30. Unless otherwise stated, information in this report is current as at September 30, 2016.

<sup>5</sup> Unless otherwise stated, the translation of Australian dollars into U.S. dollars has been made at the rate of A\$1.00 = US\$0.7667, the noon buying rate in New York City on September 30, 2016. This financial report is a general purpose financial report prepared in accordance with the requirements for an authorised deposit-taking institution under the Banking Act 1959 (as amended), Australian Accounting Standards ("AAS") and Interpretations as issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and Interpretations as issued by the IFRS Interpretations Committee ("IFRIC").

## 5 Capital Resources

Under the Australian Prudential Regulation Authority's ("APRA") implementation of Basel III, Australian banks are required to maintain a minimum Common Equity Tier 1 ("CET1") ratio of at least 4.5%, Tier 1 ratio of 6.0% and Total Regulatory Capital of 8.0%. In addition, a capital conservation buffer ("CCB") requirement of 3.5% applies which is to be wholly met with CET1 capital. Should the CET1 capital ratio fall within the CCB, restrictions on distributions apply. Distributions for this purpose are defined as payment of dividends, discretionary bonuses and Additional Tier 1 capital distributions. Subject to certain limitations, Common Equity Tier 1 capital consists of paid-up share capital, retained profits and certain reserves, less certain intangible assets, capitalized expenses and retained profits in insurance and funds management subsidiaries that are not consolidated for capital adequacy purposes. The balance of eligible capital is defined as Additional Tier 1 or Tier 2 capital which includes, subject to limitations, mandatory convertible notes, perpetual floating rate notes and like instruments, and term subordinated debt less a deduction for holdings of Westpac's own subordinated debt and that of other financial institutions.

### 5.1 Capital Management Strategy

Westpac's approach seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalized as an Authorised Deposit-taking Institution ("ADI"). Westpac considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans.

Westpac evaluates these considerations through an Internal Capital Adequacy Assessment Process ("ICAAP"), the key features of which include:

- the development of a capital management strategy, including preferred capital range, capital buffers and contingency plans;
- consideration of both economic and regulatory capital requirements;
- a process that challenges the capital measures, coverage and requirements which incorporates, amongst other things, the impact of adverse economic scenarios; and
- consideration of the perspectives of external stakeholders including rating agencies and equity and debt investors.

### 5.2 Basel Capital Accord

The regulatory limits applied to Westpac's capital ratios are consistent with *A global regulatory framework for more resilient banks and banking systems*, also known as Basel III, issued by the Bank for International Settlements. This framework reflects the advanced risk management practices that underpin the calculation of regulatory capital through a broad array of risk classes and advanced measurement processes.

As provided for in the Basel III Accord, APRA has exercised discretions to make the framework applicable in the Australian market, and in particular has required that Australian banks, like Westpac, use sophisticated models for credit risk, operational risk and interest rate risk taken in the banking book. In addition, APRA has applied discretion in the calculation of the components of regulatory capital. The Basel III prudential standards became effective on 1 January 2013.

Westpac is accredited by APRA to apply advanced models permitted by the Basel III global capital adequacy regime to the measurement of its regulatory capital requirements. Westpac uses the Advanced Internal Ratings-Based approach for credit risk, the Advanced Measurement Approach

(“AMA”) for operational risk and the internal model approach for Interest Rate Risk in the Banking Book (“IRRBB”). Effective risk management is regarded as a key activity performed at all levels of the Group. Achieving advanced accreditation from APRA has resulted in a broad array of changes to risk management practices that have been implemented across all risk classes. Westpac recognizes that embedding these principles and practices into day-to-day activities of the divisions to achieve the full benefits of these changes is an ongoing facet of risk management.

Australia’s risk-based capital adequacy guidelines are generally consistent but not completely aligned with the approach agreed upon by the Basel Committee on Banking Supervision (“BCBS”). APRA has exercised its discretion in applying the Basel framework to Australian ADIs, resulting in a more conservative approach than the minimum standards published by the BCBS. The application of these discretions acts to reduce reported capital ratios relative to those reported in other jurisdictions.

Westpac’s capital ratios are significantly above APRA minimum capital adequacy requirements. Westpac’s preferred range for its CET1 capital ratio is 8.75% - 9.25%. Westpac’s regulatory capital ratios reported under Basel III as at September 30, 2016 are summarized in Table 2.

**Table 2: Westpac Group Capital Ratios.**

	<b>As at September 30, 2016</b>
<b>Common Equity Tier 1 capital ratio</b>	<b>9.5%</b>
Additional Tier 1 capital ratio	1.7%
<b>Tier 1 capital ratio</b>	<b>11.2%</b>
Tier 2 capital ratio	1.9%
<b>Total regulatory capital ratio</b>	<b>13.1%</b>

## 6 Funding and Liquidity

### 6.1 Liquidity Risk Management

Funding and liquidity risk is the risk that the Group will be unable to fund assets and meet obligations as they become due.

The Liquidity Risk Management Framework sets out the liquidity risk appetite, roles and responsibilities, tools for measuring and managing liquidity risk, reporting procedures and supporting policies. It also documents the limits and targets for minimum liquid asset holdings, cash flow mismatch levels, wholesale funding and balance sheet ratios. It is reviewed by Westpac Asset and Liability Committee (“ALCO”) prior to approval by the Board Risk and Compliance Committee (“BRCC”).

The Group’s Treasury function is responsible for managing funding and liquidity including managing the balance sheet against approved limits and targets and managing the Group’s funding base so that it is appropriately maintained, stable and diversified.

Daily liquidity risk reports are reviewed by Treasury and the Liquidity risk teams. Liquidity reports are presented to ALCO monthly and to the BRCC quarterly.

An annual funding strategy is established by Treasury which includes consideration of trends in global markets, peer analysis, wholesale funding capacity, expected funding requirements and funding risk analysis. The strategy is continuously reviewed to take into account current market conditions.

A contingency funding plan is also maintained, which details actions to be taken in response to severe disruptions in the Group’s ability to conduct its activities in a timely manner and at a reasonable cost. The plan identifies the committee of senior executives to manage any crisis and their responsibilities. The plan is aligned with the Group’s broader Liquidity Crisis Management Policy.

### 6.2 Liquidity Modelling

Westpac maintains a 'going concern' model with reports issued and reviewed on a daily basis. Under the 'going concern' model wholesale debt maturities are added to planned net asset growth to provide an estimate of the wholesale funding task across a range of time horizons. Maturity concentrations are measured against a Board approved limit structure; with limits, set at intervals from one week to 15 months.

Stress testing is carried out to assess Westpac's ability to meet cash flow obligations under a range of market conditions and scenarios. These scenarios inform liquidity limits and strategic planning.

The Liquidity Coverage Ratio (“LCR”) requires banks to hold sufficient high-quality liquid assets, as defined by APRA, to withstand 30 days under a regulator-defined acute stress scenario. The LCR came into effect on 1 January 2015. Westpac maintains a buffer over the regulatory minimum of 100%.

### **6.3 Sources of Liquidity**

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

- deposits;
- debt issues;
- proceeds from sale of marketable securities;
- repurchase agreements with central banks;
- principal repayments on loans;
- interest income; and
- fee income.

For further information, refer to Note 22 of the 2016 Annual Report.

## 7 Derivative and Hedging Activities

Derivative financial instruments are instruments whose values derive from the value of an underlying asset, reference rate or index and include forwards, futures, swaps and options.

All derivatives are held at fair value. Changes in fair value are recognized in the income statement, unless designated in a cash flow or net investment hedge relationship. Derivatives are presented as an asset where they have a positive fair value at balance date or as a liability where the fair value at balance date is negative.

The Group uses derivative instruments for trading and also as part of its asset and liability risk management activities, which are discussed in Note 22 of the 2016 Annual Report. Derivatives used for risk management activities include designating derivatives into one of three hedge accounting relationships: fair value hedge; cash flow hedge; or hedge of a net investment in a foreign operation, where permitted under Australian Accounting Standards Board (“AASB”) 139 *Financial Instruments: Recognition and Measurement*.

### a. Fair Value Hedges

The Group hedges a proportion of its interest rate risk and foreign exchange risk from debt issuances and fixed interest rate assets with single currency and cross-currency interest rate derivatives.

### b. Cash Flow Hedges

Exposure to the volatility of interest cash flows from floating rate customer deposits, at call balances and loans is hedged with interest rate derivatives. Exposure to foreign currency principal and interest cash flows from floating rate debt issuances is hedged through the use of cross-currency derivatives.

### c. Dual Fair Value and Cash Flow Hedges

Fixed rate foreign currency denominated debt is hedged using cross-currency interest rate derivatives, designated as fair value hedges of foreign interest rates and cash flow hedges of foreign exchange rates.

### d. Net Investment Hedges

The Group uses foreign exchange forward contracts when hedging the currency translation risk of net investments in foreign operations.

For further information, refer to Note 21 of the 2016 Annual Report.

## 8 Memberships in Material Payments, Clearing and Settlement Systems

In order to facilitate its business and support client needs, Westpac maintains memberships with, and participates in, certain payments, clearing and settlement systems. Westpac's material relationships are concentrated in the Australian and New Zealand financial markets, none of which are considered critical for the purposes of the U.S. Plan. In the United States, Westpac typically accesses payment, clearing and settlement systems through its agent banks.

## 9 Foreign Operations

Westpac's core markets are Australia, New Zealand and the near Pacific. In these markets, the Group maintains branches and controlled entities and provides a comprehensive range of banking and financial services, including retail, business and institutional banking and wealth management services.

The Group also maintains branches and offices in some of the key financial centers around the world, including branches in London, New York, Singapore, Hong Kong, Shanghai, Beijing, and Mumbai and a representative office in Jakarta.

A breakdown of revenues and assets by geography is provided in Table 3.

**Table 3: Revenue and Non-current Assets by Geographic Segment.**

	September 30, 2016		
	US\$m <sup>3</sup>	A\$m	%
<b>Revenue</b>			
Australia	25,200	32,868	87.3
New Zealand	3,188	4,158	11.0
Other <sup>1</sup>	485	633	1.7
<b>Total</b>	<b>28,873</b>	<b>37,659</b>	<b>100.0</b>
<b>Non-current assets<sup>2</sup></b>			
Australia	9,512	12,406	93.6
New Zealand	593	774	5.8
Other <sup>1</sup>	59	77	0.6
<b>Total</b>	<b>10,164</b>	<b>13,257</b>	<b>100.0</b>

<sup>1</sup> Other includes Pacific Islands, Asia, the Americas and Europe

<sup>2</sup> Non-current assets includes property and equipment and intangible assets

<sup>3</sup> The translation of Australian dollars into U.S. dollars has been made at the rate of A\$1.00 = US\$0.7667

## 10 Supervisory Authorities

The primary regulatory and supervisory authorities of Westpac are listed below.

### 10.1 Australia

Within Australia Westpac is subject to supervision and regulation by six principal agencies: APRA; the Reserve Bank of Australia (“RBA”); the Australian Securities and Investments Commission (“ASIC”); the Australian Securities Exchange (“ASX”); the Australian Competition and Consumer Commission (“ACCC”); and the Australian Transaction Reports and Analysis Centre (“AUSTRAC”).

### 10.2 New Zealand

The Reserve bank of New Zealand (“RBNZ”) is responsible for supervising New Zealand registered banks. The New Zealand prudential supervision regime requires that registered banks publish quarterly disclosure statements, which contain information on financial performance and risk positions as well as attestations by the directors about the bank’s compliance with its conditions of registration and certain other matters. The RBNZ is currently considering changes to the requirements applying to off-quarter disclosure statements.

The Financial Markets Authority (“FMA”) is New Zealand's financial conduct regulator whose main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. Its functions include promoting the confident and informed participation of businesses, investors, and consumers in those markets. The Financial Markets Conduct Act, which was passed in 2013, resulted in the FMA having extensive new responsibilities in the licensing and supervision of various market participants as well as new enforcement powers.

### 10.3 United States

Westpac’s New York Branch is a U.S. federally licensed branch and therefore is subject to supervision, examination and regulation by the U.S. Office of the Comptroller of the Currency (“OCC”), and the FRB under the U.S. *International Banking Act of 1978* (“IBA”) and related regulations.

A U.S. federal branch must maintain, with a U.S. Federal Reserve member bank, a capital equivalency deposit as prescribed by the U.S. Comptroller of the Currency, which is at least equal to 5% of its total liabilities (including acceptances, but excluding accrued expenses, and amounts due and other liabilities to other branches, agencies, and subsidiaries of the foreign bank).

In addition, a U.S. federal branch is subject to periodic onsite examination by the U.S. Comptroller of the Currency. Such examination may address risk management, operations, asset quality, compliance with the record-keeping and reporting, and any additional requirements prescribed by the U.S. Comptroller of the Currency from time to time.

A U.S. federal branch of a foreign bank is, by virtue of the IBA, subject to the receivership powers exercisable by the U.S. Comptroller of the Currency.

As of 22 June 2016, Westpac elected to be treated as a financial holding company in the US pursuant to sections 4(h) and 4(l) of the Bank Holding Company Act of 1956 and sections 225.82 and 225.91 of the Federal Reserve Board’s Regulation Y. Our election will remain effective so long as we meet certain capital and management standards prescribed by the U.S. Federal Reserve Board.

Westpac and some of its affiliates are engaged in various activities that are subject to regulation by other U.S. federal regulatory agencies including the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission.

## 11 Board of Directors

Westpac’s Board of Directors (the “Board”) and their respective membership on standing Committees of the Board are listed in Table 4.

**Table 4: Westpac Board of Directors and Board Committee Memberships, as at September 30, 2016.**

	Status	Board Audit Committee	Board Risk & Compliance Committee	Board Nominations Committee	Board Remuneration Committee	Board Technology Committee
<b>Lindsay Maxsted</b>	Chairman, Non-executive, Independent	✓	✓	Chair ✓		
<b>Brian Hartzler</b>	CEO, Executive					✓
<b>Elizabeth Bryan</b>	Non-executive, Independent		Chair ✓	✓	✓	
<b>Ewen Crouch</b>	Non-executive, Independent		✓	✓	Chair ✓	
<b>Alison Deans</b>	Non-executive, Independent		✓			✓
<b>Craig Dunn</b>	Non-executive, Independent		✓		✓	
<b>Robert Elstone</b>	Non-executive, Independent	✓	✓		✓	
<b>Peter Hawkins</b>	Non-executive, Independent	✓	✓	✓		Chair ✓
<b>Peter Marriott</b>	Non-executive, Independent	Chair ✓	✓	✓		✓

## 12 Resolution Planning Corporate Governance

The development of the U.S. Plan leverages Westpac's existing risk management framework. Under this framework, the Board is responsible for approving the Westpac Group Risk Management Strategy and Westpac Group Risk Appetite Statement and monitoring the effectiveness of risk management by the Westpac Group. The Board has delegated authority to the BRCC to:

- review and recommend the Westpac Group Risk Management Strategy and Westpac Group Risk Appetite Statement to the Board for approval;
- set risk appetite consistent with the Group Risk Appetite Statement;
- approve frameworks, policies and processes for managing risk (consistent with the Westpac Group Risk Management Strategy and Westpac Group Risk Appetite Statement); and
- review and, where appropriate, approve risks beyond the approval discretion provided to management.

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

The Group Chief Risk Officer ("CRO") is the responsible Group Executive for recovery and resolution planning, including the Group's resolution planning requirements in the United States. The development and maintenance of the U.S. Plan is managed by the Group's Liquidity Risk team. The U.S. Plan is subject to an annual review and approval process, with each update incorporating any changes to the Group's U.S. material operations and/or developments in regulations. Oversight of the U.S. Plan leverages Westpac's existing risk governance model and committee structure and has been embedded into existing processes to ensure sustainability.

Consistent with the CRO's responsibility for recovery and resolution planning, the BRCC delegated authority to the CRO to approve the U.S. Plan, subject to no material change in the regulations and/or the Group's U.S. operations. Following an internal review process, the CRO approved the update to this 2016 U.S. Plan.

## 13 Management Information Systems

Westpac uses Management Information Systems (“MIS”) globally to collect, maintain, aggregate and report information for the purposes of informing decisions regarding day-to-day operations and overall management across the organization in a timely manner. Westpac MIS depends on a combination of internally developed and third party vendor-developed systems and applications.

Westpac’s systems and applications are capable of producing reports both at defined frequencies (*e.g.*, daily, weekly, monthly), as well as on an ad hoc basis. Such reports provide both senior management and regulators with the information necessary to monitor the financial health, risks and operations of Westpac.

Westpac’s systems and applications are essential to smooth and effective operations of the Group. A core component of Westpac’s risk management framework is its Business Continuity Management (“BCM”) program, which includes business continuity and disaster recovery planning as core components. Westpac has established formal policies, procedures, and programs for analyzing, developing, maintaining, and testing business continuity and disaster recovery plans with the goal of maintaining shareholder value, minimizing the impact on employees, brand and reputation and ensuring the ongoing provision of banking and financial services to Westpac’s customers in the event of a business disruption to the Westpac Group. The BCM program applies to the entire Westpac Group, whether or not activities are outsourced to related bodies or third-party service providers, and regardless of where they are located.

## 14 Resolution Strategy

Westpac’s U.S. Plan is intended to provide a guide for the orderly resolution of Westpac’s New York Branch in a manner that avoids systemic risk to the U.S. financial system and the U.S. economy. The resolution strategy for the New York Branch is premised on the assumption that Westpac has failed. Since the New York Branch is a legal extension of Westpac, failure of Westpac will in turn result in failure of the New York Branch.

As a U.S. federally licensed branch, the relevant resolution regime for the New York Branch is contained within the IBA. The IBA empowers the OCC to appoint a receiver to take possession of all U.S. assets of Westpac, where the OCC determines that Westpac is insolvent. The appointed receiver would then liquidate the assets of the New York Branch, with the proceeds from such liquidation being used to pay the claims of all third-party creditors against the New York Branch<sup>6</sup>.

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<sup>6</sup> 12 U.S.C. 3102(j)