

Westpac Securities NZ Limited

Interim financial report

For the six months ended 31 March 2011

Westpac Securities NZ Limited

Contents

Disclosure regarding forward-looking statements	3
Interim management report and Responsibility statement	4
Directors' statement	10
Statement of comprehensive income	11
Statement of changes in equity	12
Balance sheet	13
Statement of cash flows	14
Notes to the financial statements	15
Auditor's review report to the shareholders of Westpac Securities NZ Limited	17

This interim financial report does not cover all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2010 and any public announcements made by Westpac Securities NZ Limited during the interim reporting period in accordance with any relevant continuous disclosure obligations.

The interim financial report covers Westpac Securities NZ Limited (the 'Company') as an individual entity.

The Company was incorporated as Westpac Securities NZ Limited under the Companies Act 1993 (Company number 1859984) on 29 August 2006. Its registered office is:

Westpac on Takutai Square
16 Takutai Square
Auckland

A description of the nature of the Company's operations and its principal activities is included in the Interim management report and Responsibility statement on page 4.

The Directors of the Company at the date of this interim financial report are:

Name	Principal activity outside the Company
Mariette Maria Bernadette van Ryn	General Manager, Regulatory Affairs & General Counsel NZ, Westpac New Zealand Limited ('WNZL')
David Andrew Watts	Chief Risk Officer and Acting Chief Financial Officer, WNZL
Richard Warren Jamieson	General Manager, Finance & Legal, BT Financial Group
David Alexander McLean	General Manager, Wealth, Insurance, Private & Institutional Banking, WNZL and Chief Executive, Westpac Banking Corporation NZ Branch

The interim financial report was authorised for issue by the Directors on 6 May 2011. The Company has the power to amend and reissue the interim financial report.

Westpac Securities NZ Limited

Disclosure regarding forward- looking statements

This interim financial report contains forward-looking statements which appear in a number of places and include statements regarding our intent, belief or current expectations with respect to the Company's business and operations, market conditions, results of operations and financial condition. This interim financial report uses words such as 'will', 'may', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', or other similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on us will be those anticipated by management. Actual results may vary materially from those we expect, depending on the outcome of various factors. As the Company is an indirect, wholly owned subsidiary of WNZL, it is consequently affected by the same principal risks and uncertainties which affect WNZL. These factors include but are not limited to:

- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly changes to liquidity and capital requirements arising in response to the global financial crisis;
- volatile conditions in funding, equity and asset markets;
- adverse asset, credit or capital market conditions;
- changes to the credit ratings of WNZL;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- market liquidity and investor confidence;
- changes in consumer spending, saving and borrowing habits in New Zealand;
- the effects of competition in the geographic and business areas in which WNZL conducts its operations;
- the ability to maintain or to increase market share and control expenses;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes and risks associated with changes to our technology systems;
- operational risks;
- environmental factors, including the effect of natural and other catastrophes and significant events;
- demographic changes and changes in political, social or economic conditions in any of the major markets in which WNZL operates;
- stability of New Zealand and international financial systems and disruptions to financial markets and any losses WNZL may experience as a result; and
- various other factors beyond WNZL and the Company's control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made in this interim financial report refer to the section on 'Principal risks and uncertainties' in the Interim management report. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and events.

The Company is under no obligation, and does not intend, to update any forward-looking statements contained in this interim financial report, whether as a result of new information, future events or otherwise, after the date of this interim financial report.

Westpac Securities NZ Limited

Interim management report and Responsibility statement

Review and results of the Company's operations during the six months ended 31 March 2011

The principal activity of the Company (acting through its London branch) is to raise and manage offshore wholesale funding for WNZL.

The profit after tax of the Company for the six months ended 31 March 2011 was \$1,348,000 compared with the profit after tax of \$1,284,000 for the six months ended 31 March 2010, an increase of 5%.

Interest income increased by 20% to \$110,220,000 compared to the six months ended 31 March 2010. The \$18,412,000 increase was due to higher interest rate.

Interest expense increased by 20% to \$108,655,000 compared to the six months ended 31 March 2010. The \$18,475,000 increase was due to higher interest rate.

Net interest income decreased by 4% to \$1,565,000 compared to the six months ended 31 March 2010.

Non-interest income increased by 55% to \$1,086,000 compared to the six months ended 31 March 2010. This increase was due to the increased service fee which the Company charges to WNZL to recover operating expenses incurred by the Company.

Operating expenses increased by 44% to \$725,000 compared to the six months ended 31 March 2010. This increase was due to an increased level of operating services received by the Company.

Income tax expense of \$578,000 increased by 7% due to the increase in profit before tax for the six month period.

Total debt issues as at 31 March 2011 was \$14,900,942,000 which was an increase of \$1,786,458,000, or 13.6%, compared to \$13,114,484,000 as at 30 September 2010. This increase was due to an increased funding requirement by WNZL.

For further information on the financial performance and position of WNZL, refer to its most recent Disclosure Statement available on WNZL's website at www.westpac.co.nz.

Significant events during the six months ended 31 March 2011

Proposed transfer of additional banking operations to WNZL

Until 1 November 2006, Westpac Banking Corporation ("WBC") conducted its operations in New Zealand through a branch structure. On that date, and after extensive consultation with the Reserve Bank, WBC adopted a dual operating model including a locally incorporated subsidiary, WNZL, to conduct its consumer and business banking operations in New Zealand, and the WBC New Zealand Branch, to conduct its institutional and financial markets operations. The conditions of registration of each of WNZL and the WBC New Zealand Branch are consistent with these operating model arrangements.

In May 2009, the Reserve Bank, WNZL and the WBC NZ Branch agreed to an independent review of the structure of the operating model of the WBC's business in New Zealand. This review was conducted under the well established processes and framework of section 95 of the Reserve Bank Act.

The Reserve Bank, WNZL and WBC have now reached high level agreement on changes to the operating model. Under that agreement, the WBC New Zealand Branch will transfer the following additional business activities and associated employees to WNZL:

- institutional customer deposits;
- institutional customer transactional banking;
- institutional customer lending;
- debt capital markets (including customer loan syndication and securitisation arrangements, but excluding the debt securities team activities, such as arrangement of commercial paper and bond programmes); and
- corporate advisory.

Details of the changes are being worked through in consultation with the Reserve Bank as part of the implementation process.

As of 31 March 2011, business activities proposed to be transferred to WNZL include: customer loans of approximately \$6.5 billion (30 September 2010: \$6.7 billion) and customer deposits of approximately \$5.3 billion (30 September 2010: \$5.5 billion). It is currently anticipated that term intra-group funding of approximately \$3.0 billion will be put in place. In addition, for the six months ended 31 March 2011, it is estimated that the business activities to be transferred to WNZL had aggregate revenues of approximately \$80 million (year ended 30 September 2010: \$180 million) and aggregate net profit after tax of approximately \$50 million (year ended 30 September 2010: \$115 million).

Under the proposed changes to the operating model, the WBC New Zealand Branch will retain its financial markets operations for external customers, including sales and trading of capital markets products and foreign exchange for corporate and institutional customers, pricing and risk management for interest rate, foreign exchange and commodity products for retail, business and institutional customers of WNZL, and trading of capital markets products and foreign exchange as principal. In addition, the WBC New Zealand Branch will retain its global inter-group financing functions.

In conjunction with the review and the proposed transfer of these business activities, WNZL has been reviewing its management and operational frameworks, including governance and risk management arrangements (such as board composition, board delegations, credit risk reporting and treasury risk reporting), financial and regulatory reporting processes, and settlement and payment systems and functions.

Implementation of the transfer is currently expected to be completed by the end of the 2011 calendar year.

Westpac Securities NZ Limited

Interim management report and Responsibility statement (continued)

Government Guarantee Arrangements

Closing of Wholesale Crown Guarantee

On 1 November 2008, the New Zealand Government announced details of a wholesale funding guarantee facility to investment-grade financial institutions that have substantial New Zealand borrowing and lending operations (the 'Facility'). The Crown entered into a Crown Wholesale Funding Guarantee Facility Deed with WNZL on 23 February 2009 and has provided a Crown Wholesale Funding Guarantee in respect of WNZL dated the same date. The Facility operated on an opt-in basis, by institution and by instrument. Wholesale funding liabilities of WNZL (which could include amounts guaranteed by WNZL) only have the benefit of the Facility where a Guarantee Eligibility Certificate has been issued in respect of those liabilities. Copies of the Guarantee Eligibility Certificates issued in respect of WNZL obligations are available on the New Zealand Treasury internet site. A guarantee fee is charged for each Guarantee Eligibility Certificate issued under the Facility, differentiated by the credit rating of the issuer of the relevant securities, the term of the security being guaranteed and, in the case of issues with terms of more than one year, between New Zealand dollar and non-New Zealand dollar issues. The maximum term of securities guaranteed is five years.

The Facility closed on 30 April 2010 from which date no new Guarantee Eligibility Certificates can be issued. Guaranteed Liabilities existing as at 30 April 2010 were not affected.

Principal risks and uncertainties

The Company's business is subject to risks that can adversely impact its business, results of operations, future performance and financial condition. As the Company is an indirect, wholly owned subsidiary of WNZL, it is consequently affected by the same principal risks and uncertainties which affect WNZL. The principal risks and uncertainties that affect WNZL are set forth below. There are no additional risk factors solely affecting the Company.

The principal risks and uncertainties described below are not the only ones the Company may face. Additional risks and uncertainties of which we may be unaware or that we currently deem to be immaterial, may also become important factors that affect us in the future. If any of the following risks actually occur, our business, results of operations or financial condition could be materially adversely affected.

WNZL's businesses are highly regulated and could be adversely affected by changes in regulations and regulatory policy

Compliance risk arises from the regulatory standards that apply to WNZL as a financial institution. WNZL is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice, as well as meeting its ethical standards.

Significant regulatory change for financial institutions is occurring in New Zealand. These changes will include changes in funding, liquidity, capital adequacy and other prudential requirements. These changes and the timing of their introduction continue to evolve and WNZL currently manages its business in the context of regulatory uncertainty.

Other areas of potential regulatory change may include accounting and reporting requirements, tax legislation, regulation relating to remuneration and consumer protection legislation. In addition, change may occur in other areas driven by policy, prudential or political factors.

Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach to these issues. Such an approach may not appropriately respond to the specific requirements of New Zealand.

Changes may also occur in the oversight approach of regulators. It is also possible that governments in jurisdictions in which the Company or WNZL do business or obtain funding might revise their application of existing regulatory policies that apply to, or impact, the Company or WNZL's business, including for reasons relating to national and systemic stability.

Changes in law, regulations or regulatory policy could adversely affect WNZL's business, including limiting its ability to do business or restricting flexibility, and could require it to incur substantial costs to comply or impact its capital, funding and liquidity requirements. The failure to comply with applicable regulations could result in fines and penalties or limitations on WNZL's ability to do business. These costs, expenses and limitations could have a material adverse effect on WNZL's business, financial performance or financial condition.

Adverse credit and capital market conditions may significantly affect WNZL's ability to meet funding and liquidity needs and may increase its cost of funding

New Zealand and international credit and capital markets have experienced extreme volatility, disruption and decreased liquidity in recent years. While some stability has returned to various markets, the environment remains volatile. WNZL relies on credit and capital markets to fund its business. As of 31 March 2011, approximately 35% of WNZL's total net funding (38% as of 31 March 2010 and 35% as of 30 September 2010) originated from wholesale markets, particularly markets outside New Zealand. A shift in investment preferences of businesses and consumers away from bank deposits toward other asset or investment classes would increase WNZL's need for funding from wholesale markets. If market conditions deteriorate due to economic, financial, political or other reasons, WNZL's funding costs may be adversely affected. In addition, the implementation of changes to WNZL's operating model, including the proposed transfer of certain assets and liabilities from WBC's New Zealand Branch to WNZL, will likely result in increased funding requirements for WNZL.

If WNZL's current sources of funding prove to be insufficient, it may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, WNZL's credit ratings and WNZL's credit capacity. Even if available, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect WNZL's results of operations, liquidity, capital resources and financial condition. There is no assurance that WNZL will be able to obtain funding and to do so at acceptable prices.

If WNZL is unable to source appropriate funding, it may be forced to reduce its lending or begin to sell liquid securities. Such actions would adversely impact its business, results of operations, liquidity, capital resources and financial condition.

Westpac Securities NZ Limited

Interim management report and Responsibility statement (continued)

Failure to maintain credit ratings could adversely affect WNZL's cost of funds, liquidity, competitive position and access to capital markets

The credit ratings assigned to WNZL by rating agencies are based on an evaluation of a number of factors, including WNZL's financial strength, WNZL's position as part of the Westpac Group and structural considerations regarding the New Zealand financial system.

A credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events including changes to methodologies used by the rating agencies to determine ratings.

Standard & Poor's has announced that it is changing its methodology for determining bank ratings and published its initial proposals on 6 January 2011. On 20 April 2011 Standard & Poor's announced that it had received numerous comments on the proposals and indicated that it expects to publish its final criteria first, and then take ratings actions soon afterwards in the fourth quarter 2011.

On 16 February 2011, WNZL was advised by Moody's Investors Service ('Moody's') that its long-term, senior unsecured debt rating was placed on review for possible downgrade. Moody's announced this as part of a review of the debt ratings of the major New Zealand and Australian banks. WNZL's Bank Financial Strength Rating, assigned by Moody's, which reflects its stand-alone credit profile, was also placed on review.

The credit ratings of a subsidiary are generally linked to the credit ratings of its parent entity. Consequently, should the long-term issuer credit rating of WBC be downgraded, it is likely that WNZL's long-term issuer credit rating would also be downgraded which would adversely affect WNZL's cost of funds and related margins, liquidity, competitive position and access to capital markets.

If WNZL fails to maintain its current credit ratings, this would adversely affect its cost of funds and related margins, liquidity, competitive position and access to capital markets, which would, in turn, have an adverse impact on its results of operations and financial condition.

A systemic shock in relation to the New Zealand, Australian or other financial systems could have adverse consequences for WNZL that would be difficult to predict and respond to

There is a risk that a major systemic shock could occur that causes an adverse impact on the New Zealand, Australian or other financial systems. Such an event could have a material adverse effect on financial institutions such as WNZL, including the undermining of confidence in the financial system, reducing liquidity, impairing access to funding and impairing its customers and counterparties and their businesses. The nature and consequences of any such event are difficult to predict and there can be no guarantee that WNZL could respond effectively to any such event.

WNZL is subject to contagion and reputation risk, which may adversely impact WNZL's financial conditions and results of operations

As part of a larger business group, WNZL is vulnerable to financial and reputational damage by virtue of its association with other members of the WBC Group, any of which may suffer the occurrence of a risk event, including financial stress or failure. In WNZL's case, the damage may be financial and may impact its financial condition and results of operations if the financial resources provided by WBC to support WNZL are withdrawn. Reputational consequences (including damage to the Westpac franchise), as a result of the occurrence of a risk event (for example major operational failure), may exceed the direct cost of the risk event itself and may impact on WNZL's results.

Declines in asset markets could adversely affect WNZL's operations or profitability

Declines in New Zealand or other asset markets, including equity, property and other asset markets, could adversely affect WNZL's operations and profitability.

Declining asset prices could impact WNZL's asset holdings. Declining asset prices may also impact WNZL's customers and counterparties and their businesses and the value of security WNZL holds against loans and derivatives which may impact its ability to recover amounts owing to it if customers or counterparties were to default. It may also affect WNZL's level of provisioning which in turn impacts profitability.

A weakening of the real estate market in New Zealand could adversely affect WNZL

Loans secured by residential mortgages are important to WNZL's business. As at 31 March 2011, housing lending represented approximately two-thirds of WNZL's gross loans and advances.

A sustained decrease in property valuations in New Zealand could increase the losses WNZL may experience from its existing mortgages and decrease the amount of new mortgages WNZL is able to originate, which could materially and adversely affect WNZL's financial condition, results of operations and future performance.

For the six months ending 31 March 2011, lending has remained subdued in line with New Zealand's economic conditions. WNZL's loan growth has reflected the softer market, while stability in the levels of housing delinquencies resulted in a decrease in impairment charges on loans for the same period.

WNZL's business is substantially dependent on the New Zealand economy

WNZL's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on various factors including economic growth, business investment, levels of employment, interest rates and trade flows in New Zealand.

WNZL currently conducts substantially all of its business in New Zealand and, consequently, its performance is significantly influenced by the level and cyclical nature of business and home lending in New Zealand. These factors are in turn impacted by both domestic and international economic and political events as well as natural disasters. The economic conditions of Australia, New Zealand's most significant trading partner, can also affect WNZL's future performance.

Westpac Securities NZ Limited

Interim management report and Responsibility statement (continued)

An increase in defaults in credit exposures could adversely affect WNZL's results of operations, liquidity, capital resources and financial condition

Credit risk is a significant risk and arises primarily from WNZL's lending activities. Credit risk also arises from certain derivatives contracts entered into by WNZL. The risk arises from the likelihood that some customers and counterparties will be unable to honour their obligations to WNZL, including the repayment of loans and interest. WNZL's dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments and government bodies who may be impacted to varying degrees by economic conditions in global financial markets also impact WNZL's credit risk.

WNZL holds collective and individually assessed provisions in respect of its credit exposures. If economic conditions deteriorate, some customers could experience higher levels of financial stress and WNZL may experience a significant increase in defaults and write-offs, and be required to increase its provisioning. Such events would diminish available capital and would adversely affect WNZL's results of operations, liquidity, capital resources and financial condition.

WNZL faces intense competition in all aspects of its business

WNZL competes domestically primarily with retail and commercial banks and, to a lesser extent, with non-bank lending institutions and other financial institutions. In addition, the trend toward consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power.

If WNZL is unable to compete effectively in its various businesses and markets, its business, results of operations and financial condition would be adversely affected.

WNZL could suffer losses due to market volatility

WNZL is exposed to market risk due to adverse movements in levels and volatility of interest rates, foreign exchange rates, commodity prices, credit prices and equity prices. Structural interest rate risk (WNZL's most significant market risk) may arise from lending and deposit-taking activities in the normal course of business. If WNZL were to suffer substantial losses due to any market volatility, it would adversely affect its results of operations, liquidity, capital resources and financial condition.

The proposed transfer to WNZL of additional banking operations is a complex process and involves operational challenges that could adversely affect WNZL's business, results of operations or financial condition

The proposed transfer to WNZL of certain institutional banking activities currently conducted by WBC's New Zealand Branch involves operational risks. These risks include: difficulties or unexpected costs relating to the restructuring and realigning, where required, of technology, financial and accounting systems, and risk and other management systems; difficulties or unexpected costs in realising synergies from the consolidation of certain functions within WNZL; higher than expected levels of customer attrition or market share loss arising as a result of the transfer of the deposit-taking functions from WBC's New Zealand Branch to WNZL; unexpected losses of key personnel during or following implementation of changes; possible decrease in employee morale; and potential damage to the reputation of brands due to possible actions from competitors or the media.

In addition, senior management of WNZL and the businesses to be transferred will be required to devote significant time and attention to the process of implementing the proposed transfer and the integration of the businesses to be transferred, which may decrease the time they have to manage both WNZL's existing businesses and the transferred businesses.

If any of these risks should occur, or if there are unexpected delays or difficulties in the implementation process, WNZL's ability to integrate the operations to be transferred to it with WNZL's existing businesses may be impaired, which could have an adverse effect on WNZL's results of operations or financial condition.

The proposed transfer to WNZL of additional banking operations, presently conducted by WBC's New Zealand Branch involves financial risks that could adversely affect WNZL's business, results of operations or financial condition

The proposed transfer to WNZL of certain additional banking activities currently conducted by WBC's New Zealand Branch involves financial risks. These financial risks include exposure to credit losses arising from larger loans and commitments and the requirement for additional capital to facilitate the businesses to be transferred. As at 31 March 2011, the institutional loan portfolio to be transferred to WNZL amounted to approximately NZ\$6.5 billion. Consequently, following the transfer, WNZL could incur substantially higher total impairment charges, particularly in difficult economic environments, than it had in the past. Such charges could materially adversely affect WNZL's profitability, reduce its capital, impair its access to external funding and require it to raise additional equity. In addition, following the transfer, WNZL may underwrite securities offerings and could be subject to risks arising from the failure to syndicate or sell down such underwritten securities.

WNZL is likely to have additional funding requirements as a result of the proposed transfer to WNZL of additional banking operations. Although it is likely that a substantial portion of these increased funding requirements will be met initially through intra-group borrowing, WNZL's ability to obtain funding from WBC, or in reliance upon WBC credit, is subject to regulatory limitations under applicable banking regulations. There is no assurance that WNZL will be able to fund any additional needs from external sources, in the wholesale markets, at rates comparable to its current external borrowing rates or on similar terms and conditions or at all. If WNZL's funding costs increase, it may adversely affect its profitability, and if it cannot obtain sufficient funding, it may not be able to grow its business, it may have decreased liquidity and it may not be able to repay its liabilities as they become due.

Westpac Securities NZ Limited

Interim management report and Responsibility statement (continued)

WNZL could suffer losses due to operational risks and failures in risk management strategies

As a financial services organisation, WNZL is exposed to a variety of other risks including those resulting from process error, fraud, information technology instability and failure, system failure, security and physical protection, customer services, staff competence, external events (including fire, flood, storm, earthquake, volcanic eruptions or pandemic) that cause material damage, impact its operations or adversely affect demand for its products and services, and product development and maintenance. Operational risks could directly impact WNZL's reputation and result in financial losses which would adversely affect its financial performance or financial condition.

In addition, WNZL has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and mitigate the risks to which WNZL is subject, including liquidity risk, credit risk, market risk (including interest rate and foreign exchange risk) and operational risk. If these processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, WNZL could suffer unexpected losses and reputational damage which would adversely affect its financial performance or financial condition.

WNZL could suffer losses due to environmental factors

WNZL and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change or external event (including fire, storm, flood, earthquake, volcanic eruptions or pandemic) in any of these locations has the potential to disrupt business activities, impact on its operations, damage property and otherwise affect the value of assets held in the affected locations and WNZL's ability to recover amounts owing to it. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets.

WNZL may be exposed to the impact of future climate change, geological and other extrinsic events which may adversely affect WNZL's financial condition and results of operations

Scientific observations and climate modeling are pointing to changes in the global climate system that may see extreme weather events increase in both frequency and severity. Among the possible effects of climate change are severe storms, cyclones, hurricanes, floods and rising sea levels. Such events, and others like them, pose the risk of floods and damage to the houses and commercial assets of WNZL's customers. In some cases, this impact may also adversely affect WNZL's collateral position in relation to credit facilities extended to those customers.

While the future impact of climate change is difficult to predict accurately, it should nevertheless be considered among the risks that may adversely impact WNZL's financial condition and results of operations in the future.

In addition to the climate change events, geological events, such as volcanic or seismic activity, or other extrinsic events, such as flu pandemics, could severely disrupt normal business activity and have a negative effect on the ability of WNZL's customers to pay interest or repay principal on their loans.

The Christchurch earthquakes could adversely affect WNZL's business, results of operations or financial condition

On 22 February 2011 Christchurch, New Zealand experienced a 6.3 magnitude earthquake which resulted in significant damage in the region. The extent of the damage was greater than that resulting from the earlier earthquake which affected Christchurch on 4 September 2010.

The precise financial impact of the earthquakes is difficult to quantify accurately at this stage as, amongst other things, responses by local and central governments are still being developed and insurance recoveries are still being worked through. The second Christchurch earthquake has resulted in WNZL recognising increases to both individually and collectively assessed provisions for impairment charges on loans of \$13 million and \$43 million, respectively in the first half of 2011.

If the impact on WNZL, its customers or counterparties is greater than that currently estimated, WNZL's losses could be higher than currently anticipated which could adversely affect WNZL's business, results of operations or financial condition.

Failure to update technology infrastructure or implement technology projects effectively may put WNZL at a competitive disadvantage and could impact its results of operations

WNZL's ability to develop and deliver products and services to its customers is dependent upon technology that requires periodic renewal. WNZL is constantly managing technology projects including projects to consolidate duplicate technology platforms, simplify and enhance its technology and operations environments, improve productivity and provide for a better customer experience. Failure to implement these projects or manage associated change effectively could result in cost overruns, operational instability, reputational damage, or operating technology that could place WNZL at a competitive disadvantage and may adversely affect its results of operations.

An interruption in or breach of WNZL's information systems may result in lost business

WNZL relies heavily on communications and information systems furnished by third-party service providers to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in its customer relationship management, general ledger, deposit, servicing or loan origination systems. There can be no assurance that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by WNZL or the third parties on which WNZL relies. In addition, a significant barrier to online financial transactions is the secure transmission of confidential information over public networks. WNZL's internet banking system relies on encryption and authentication technology to provide the security and authentication necessary to effect secure transmission of confidential information. Advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms WNZL's third-party service providers use to protect customer transaction data. If any such compromise of security were to occur, it could have a material adverse effect on WNZL's financial condition and results of operations.

Westpac Securities NZ Limited

Interim management report and Responsibility statement (continued)

Further, if any of these third-party service providers experience financial, operational or technological difficulties, or if there is any other disruption, including failure to comply with banking regulations, in WNZL's relationships with them, WNZL may be required to locate alternative sources of such services, and there can be no assurance that WNZL could negotiate terms that are as favourable to it, or could obtain services with similar functionality as found in its existing systems without the need to expend substantial resources, if at all. The occurrence of any failures or interruptions could have a material adverse effect on WNZL's financial condition and results of operations.

Reputational damage could harm WNZL's business and prospects

Various issues may give rise to reputational risk and cause harm to WNZL's business and prospects. These issues include appropriately dealing with potential conflicts of interest, pricing policies, legal and regulatory requirements, ethical issues, money laundering laws, trade sanctions legislation, privacy laws, information security policies, sales and trading practices, personnel and supplier policies and conduct by companies in which WNZL holds strategic investments. Failure to address these issues appropriately could also impact the regulatory change agenda, give rise to additional legal risk, subject WNZL to regulatory enforcement actions, fines and penalties, or harm its reputation among its customers and investors in the marketplace.

Other risks

Other risks that can adversely impact WNZL's performance and its financial position include model risk and business risk.

Responsibility Statement

The Directors of Westpac Securities NZ Limited confirm that to the best of their knowledge:

1. the condensed set of financial statements have been prepared in accordance with NZ IAS 34 'Interim Financial Reporting' and also complies with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board; and
2. the Interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R of the United Kingdom Financial Services Authority.

Westpac Securities NZ Limited

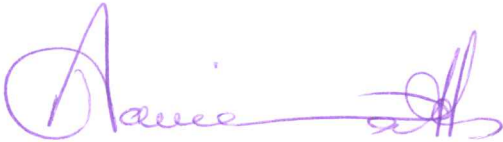
Directors' statement

Each Director of the Company believes, after due enquiry that, as at the date on which this set of financial statements is signed:

- (i) the financial statements and notes set out on pages 11 to 16 give a true and fair view of Westpac Securities NZ Limited's financial position as at 31 March 2011;
- (ii) proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position and financial performance of the Company and facilitate compliance of the financial statements and notes set out on pages 11 to 16 with the Financial Reporting Act 1993; and
- (iii) there are reasonable grounds to believe that Westpac Securities NZ Limited will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Directors.

This Directors' Statement has been signed by two of the Directors:



Director



Director
Auckland
6 May 2011



Westpac Securities NZ Limited

Interim financial report

Statement of comprehensive income

for the periods ended

	Six months ended 31 March 2011 Unaudited \$'000	Six months ended 31 March 2010 Unaudited \$'000	Year ended 30 September 2010 Audited \$'000
Interest income	10,220	9,808	203,283
Interest expense	(108,655)	(90,180)	(199,834)
Net interest income	1565	1628	3,449
Non-interest income:			
Fees and commissions	1,086	700	1,297
Total non-interest income	1,086	700	1,297
Net operating income	2,651	2,328	4,746
Operating expenses	(725)	(505)	(1,087)
Profit before income tax expense	1,926	1,823	3,659
Income tax expense	(578)	(539)	(1,090)
Profit after income tax expense for the period/year	1,348	1,284	2,569
Total comprehensive income for the period/year attributable to:			
Owners of the Company	1,348	1,284	2,569
Total comprehensive income for the period/year	1,348	1,284	2,569

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

Westpac Securities NZ Limited

Interim financial report

Statement of changes in equity

for the periods ended

	Share Capital \$'000	Retained Profits \$'000	Total \$'000
As at 1 October 2009	651	4,797	5,448
Six months ended 31 March 2010			
Profit after income tax expense	-	1,284	1,284
Total comprehensive income for the six months ended 31 March 2010	-	1,284	1,284
Transactions with owners	-	-	-
As at 31 March 2010	651	6,081	6,732
Year ended 30 September 2010			
Profit after income tax expense	-	2,569	2,569
Total comprehensive income for the year ended 30 September 2010	-	2,569	2,569
Transactions with owners	-	-	-
As at 30 September 2010	651	7,366	8,017
Six months ended 31 March 2011			
Profit after income tax expense	-	1,348	1,348
Total comprehensive income for the six months ended 31 March 2011	-	1,348	1,348
Transactions with owners	-	-	-
As at 31 March 2011	651	8,714	9,365

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

Westpac Securities NZ Limited

Interim financial report

Balance sheet

as at

	Note	31 March 2011 Unaudited \$'000	31 March 2010 Unaudited \$'000	30 September 2010 Audited \$'000
Assets				
Cash and cash equivalents		2,858	4,221	2,953
Due from related entities		14,948,721	14,616,478	13,179,520
Deferred tax assets		3,243	2,235	2,727
Total assets		14,954,822	14,622,934	13,185,200
Liabilities				
Current tax liabilities		1,676	1,079	1,098
Other liabilities		38,230	33,921	60,931
Due to related entities		4,609	3,023	670
Debt issues	2	14,900,942	14,578,179	13,114,484
Total liabilities		14,945,457	14,616,202	13,177,183
Net assets		9,365	6,732	8,017
Equity				
Share capital		651	651	651
Retained earnings		8,714	6,081	7,366
Total equity attributable to owners of the company		9,365	6,732	8,017

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

Westpac Securities NZ Limited

Interim financial report

Statement of cash flows

for the periods ended

	Six months ended 31 March 2011 Unaudited \$'000	Six months ended 31 March 2010 Unaudited \$'000	Year ended 30 September 2010 Audited \$'000
Cash flows from operating activities			
Interest received	13,305	10,752	18,897
Interest paid	(13,337)	(10,625)	(15,273)
Management fees received - related entities	1,320	1,360	2,279
Income taxes paid	(516)	(209)	(1,233)
Management fees paid - related entities	(527)	(329)	(610)
Operating expenses paid	(188)	(176)	(23)
Net cash provided by operating activities	47	773	5,037
Cash flows from investing activities			
Net increase in due from related entities	(2,078,159)	(4,208,776)	(3,127,269)
Net cash used in investing activities	(2,078,159)	(4,208,776)	(3,127,269)
Cash flows from financing activities			
Net increase/(decrease) in due to related entities	3,920	(59,110)	(61,913)
Net proceeds from debt issues	2,074,097	4,269,879	3,155,643
Net cash provided by financing activities	2,078,017	4,210,769	3,123,730
Net (decrease)/increase in cash and cash equivalents	(95)	2,766	1,498
Cash and cash equivalents at beginning of the period/year	2,953	1,455	1,455
Cash and cash equivalents at end of the period/year	2,858	4,221	2,953
Reconciliation of profit after income tax expense to net cash provided by operating activities:			
Profit after income tax expense attributable to the owners of the Company	1,348	1,284	2,569
<i>Adjustments:</i>			
Movement in accrued assets	2,139	1,160	(1,404)
Movement in accrued liabilities	(22,682)	(1,445)	1,015
Movement in deferred tax assets and current tax liabilities	62	330	(143)
Net cash provided by operating activities	47	773	5,037

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

Westpac Securities NZ Limited

Notes to the financial statements

Note 1. Basis of preparation

This interim financial report has been prepared and presented in accordance with the Financial Reporting Act 1993 (New Zealand) and the Companies Act 1993 (New Zealand). It has been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purpose of complying with NZ GAAP, the Company is a profit-oriented entity. The interim financial report complies with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

This interim financial report complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

The financial statements are based on the general principles of historical cost accounting, as modified by fair value accounting for financial assets and financial liabilities at fair value through profit or loss. The going concern concept and the accruals basis of accounting have been adopted.

Amounts in this interim financial report are presented in New Zealand Dollars and have been rounded to the nearest thousand dollars.

The accounting policies and methods of computation adopted in this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period except as amended for changes required due to the adoption of the new and revised accounting standards as explained in the 'Changes in accounting policies' section below.

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

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual financial statements for the year ended 30 September 2010 and any relevant public announcements made by Westpac Securities NZ Limited or WNZL during the interim reporting period.

The Company's operations are not subject to seasonality.

Changes in accounting policies

As a result of the new and revised accounting standards which become operative for the annual reporting period commencing 1 October 2010, the following standards, interpretations and amendments have been adopted with effect from 1 October 2010 in the preparation of this interim financial report:

- NZ IAS 1 *Presentation of Financial Statements* (revised) - The amendments clarify that the terms of a liability, which could be settled at any time by the issuance of equity instruments at the option of the counterparty, do not affect its classification.
- NZ IAS 7 *Statement of Cash Flows* - The amendments clarify that only expenditure which results in a recognised asset can be classified as cash flows from investing activities.

Adoption of these new and revised accounting standards has not resulted in any material change to the Company's result or financial position.

Note 2. Debt Issues

	As at 31 March 2011 Unaudited \$'000	As at 31 March 2010 Unaudited \$'000	As at 30 September 2010 Audited \$'000
Short-term debt			
Commercial paper	8,265,218	8,278,176	6,545,921
Total short-term debt	8,265,218	8,278,176	6,545,921
Long-term debt			
Medium-term notes	6,635,724	6,300,003	6,568,563
Total long-term debt	6,635,724	6,300,003	6,568,563
Total debt issues	14,900,942	14,578,179	13,114,484
Government guaranteed debt ¹	3,348,589	3,579,197	3,449,571
Non-government guaranteed debt ²	11,552,353	10,998,982	9,664,913
Total debt issues	14,900,942	14,578,179	13,114,484
Debt issues measured at amortised cost	6,470,733	6,300,003	6,568,563
Debt issues measured at fair value	8,430,209	8,278,176	6,545,921
Total debt issues	14,900,942	14,578,179	13,114,484
Movement in debt issues			
Balance at beginning of the period/year	13,114,484	10,168,109	10,168,109
Issuances during the period/year	9,667,094	15,574,001	22,557,456
Repayments during the period/year	(7,592,997)	(1,130,422)	(19,371,813)
Effect of foreign exchange movements during the period/year	(288,771)	138,050	(240,200)
Effect of fair value movements during the period/year	1,132	2,141	932
Balance at end of the period/year	14,900,942	14,578,179	13,114,484

¹ The Company has elected to issue certain debt securities under the Crown Wholesale Funding Guarantee Facility provided by the New Zealand government. This facility guarantees WNZL's payment obligations in respect of principal and interest as guarantor of the Company's debt. The guarantee fees were borne by WNZL.

² The Company is an indirect, wholly owned subsidiary of WNZL and all of its debt issues are guaranteed by WNZL.

Westpac Securities NZ Limited

Notes to the financial statements

Note 3. Related entities

Nature of transactions

Loan finance, current account banking facilities and other financial products are provided by WNZL and the WBC London Branch to the Company on normal commercial terms.

Interest income of \$110,220,419 (six months ended 31 March 2010: \$91,808,249, year ended 30 September 2010: \$203,283,521) was received from WNZL.

Interest expense includes an amount relating to bonds bought back by WBC of \$49,289 in 2011 (six months ended 31 March 2010: \$1,977,497, year ended 30 September 2010: \$2,016,059).

The Company raises offshore wholesale funding and lends all of the proceeds of those offshore issues to WNZL. Contained within interest income is a funding margin of \$2,035,850 (six months ended 31 March 2010: \$1,798,429, year ended 30 September 2010: \$3,833,816) which are paid to the Company by WNZL for these services.

Non-interest income comprises service fees of \$1,086,050 (six months ended 31 March 2010: \$699,711 and at 30 September 2010: \$1,297,297) which were charged to WNZL to recover operating expenses incurred by the Company.

Within operating expenses, are reimbursements of related entity expenses of \$526,271 (six months ended 31 March 2010: \$328,900, year ended 30 September 2010: \$751,980) which are paid to WNZL and WBC for certain operating services received by the Company.

Cash and cash at bank due from related entities comprise \$2,704,666 (31 March 2010: \$3,984,765, 30 September 2010: \$2,731,782) held with WNZL.

WNZL guarantees all payment obligations in respect of notes, bonds and commercial paper issued by the Company.

Transactions and balances with related entities are disclosed separately in these financial statements.

Revenue and expenses in relation to these related parties are arranged on an arm's length basis.

Non-deal related amounts owing to and by related parties are normally settled within 90 days. Deal related amounts are settled in accordance with the terms of the transaction. Other amounts due are settled in accordance with normal terms of settlement.

Note 4. Commitments and contingencies

Capital expenditure commitments

There were no capital expenditure commitments as at 31 March 2011 (six months ended 31 March 2010: nil and at 30 September 2010: nil).

Operating lease commitments

There were no operating lease commitments as at 31 March 2011 (six months ended 31 March 2010: nil and at 30 September 2010: nil).

Contingent Liabilities

The Company has no contingent liabilities as at 31 March 2011 (six months ended 31 March 2010: nil and at 30 September 2010: nil).

Note 5. Segment information

Operating segments are reported to the chief operating decision maker in a manner consistent with the financial statements disclosed in this interim financial report. For this reason, no additional operating segment disclosure is made.

The chief operating decision maker of the Company (i.e. the person or group that allocates resources to and assesses the performance of the operating segments of an entity) is the Directors of the Company. The Directors of the Company are listed on page 2. This reflects that the Company is a wholly owned, indirect subsidiary of WNZL and that the principal activity of the Company is to raise and manage offshore wholesale funding for WNZL.

Revenue from Products and Services

The Company does not generate any revenue from external customers.

Note 6. Events occurring after reporting date

The Directors are not aware of any significant events since the reporting date.



Independent Accountants' Report to the shareholder of Westpac Securities NZ Limited

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ("financial statements") of Westpac Securities NZ Limited ("the Company") on pages 11 to 16, which comprise the balance sheet as at 31 March 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company as at 31 March 2011, and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Company for the period ended 31 March 2011 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

Other than in our capacity as accountants conducting this review and providers of other assurance services we have no relationship with, or interests in, the Company.



Independent Accountants' Report

Westpac Securities NZ Limited

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Company as at 31 March 2011 and its financial performance and cash flows for the six months ended on that date.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountants' 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 Company and the Company's shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'Price Waterhouse Coopers'. The signature is written in a cursive style and is underlined with a blue horizontal line.

Chartered Accountants
6 May 2011

Auckland