



Westpac Banking Corporation General Short Form Disclosure Statement

For the three months ended 31 December 2009

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General information and definitions

The information contained in this General Short Form Disclosure Statement is as required by section 81 of the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**') and the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2008 ('**Order**').

In this General Short Form Disclosure Statement reference is made to four main reporting groups:

- Westpac Banking Corporation Group (otherwise referred to as the '**Overseas Banking Group**') – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities.
- Westpac Banking Corporation (otherwise referred to as the '**Overseas Bank**') – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities.
- Westpac Banking Corporation New Zealand Division (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation Group including those entities whose business is required to be reported in the financial statements for the Overseas Banking Group's New Zealand business. As at 31 December 2009, the NZ Banking Group included the following controlled entities:
 - Westpac New Zealand Group Limited and its controlled entities - Holding company
 - Westpac Group Investment - NZ - Limited and its controlled entities - Holding company
 - Westpac Holdings - NZ - Limited - Holding company
 - Augusta (1962) Limited - Non-trading company
 - BT Financial Group (NZ) Limited and its controlled entities - Holding company
 - Westpac Equity Investments NZ Limited - Finance company
 - TBNZ Limited and its controlled entities - Holding company
 - Westpac Capital - NZ - Limited and its controlled entities - Finance and holding company
 - Westpac Finance Limited - Finance company
 - Westpac Financial Services Group - NZ - Limited and its controlled entities - Holding company
 - WestpacTrust Securities NZ Limited - Funding company
 - BLE Capital (NZ) Limited - Finance company
 - Hastings Forestry Investments Limited - Non-trading company
 - Tasman Funding No. 1 Limited and its jointly controlled entity - Funding entity
 - Tasman Funding No. 2 Limited and its jointly controlled entity - Funding entity
 - Westpac NZ Funding Limited - Funding entity
 - St.George New Zealand Limited - Funding entity
 - St.George Financial Investments New Zealand Limited - Non-trading company
 - WST – Funding Trust New Zealand (NZ Branch) - Funding entity
 - WST – NZ Warehouse Trust #1 - Funding entity
 - Waratah Securities Australia Limited (NZ Branch) - Funding entity
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2009.

Words and phrases defined by the Order have the same meaning when used in this General Short Form Disclosure Statement. All amounts referred to in this General Short Form Disclosure Statement are in New Zealand dollars, unless otherwise stated.

General matters

Registered Bank

The Overseas Bank is entered on the register maintained under the Reserve Bank Act. However, for the purposes of this General Short Form Disclosure Statement, the registered bank is the NZ Branch. The NZ Branch's head office is situated at, and the address for service is, Level 15, 188 Quay Street, Auckland, New Zealand.

Overseas Bank

The Overseas Bank was founded on 12 February 1817 and was incorporated on 23 September 1850 pursuant to the Bank of New South Wales Act 1850. In 1982 the Overseas Bank acquired The Commercial Bank of Australia Limited and the Overseas Bank changed its name to Westpac Banking Corporation. On 23 August 2002, the Overseas Bank registered as a public company limited by shares, under the Australian Corporations Act 2001 and as of that date the Bank of New South Wales Act 1850 ceased to apply.

The Overseas Bank's principal office is located at 275 Kent Street, Sydney, New South Wales 2000, Australia.

Credit ratings

The Overseas Bank has the following credit ratings with respect to its long-term senior unsecured obligations, including obligations payable in New Zealand in New Zealand dollars.

Rating Agency	Current Credit Rating	Outlook
Fitch Ratings	AA-	Stable
Moody's Investors Service	Aa1	Negative
Standard & Poor's	AA	Stable

In the two years prior to 31 December 2009, the Overseas Bank credit rating issued by Fitch Ratings has not changed. The rating was put on rating watch 'positive' on 12 May 2008 (from a 'stable' outlook) and affirmed at AA- with a 'stable' outlook on 3 December 2008.

In the two years prior to 31 December 2009, the Overseas Bank credit rating issued by Moody's Investors Service has not changed. However, on 2 March 2009, Moody's Investors Service revised the outlook for the Overseas Bank rating to 'negative' from 'stable'. In changing the outlook to 'negative', Moody's Investors Service cited the potential for the deepening global economic downturn to have a protracted impact on all the major Australian banks.

In the two years prior to 31 December 2009, the Overseas Bank credit rating issued by Standard & Poor's has not changed. The outlook for the rating has also remained unchanged at 'stable'.

Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, qualified, withdrawn or suspended at any time.

Descriptions of credit rating scales¹

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
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

Credit ratings by Fitch Ratings and Standard & Poor's may be modified by a plus (higher end) or minus (lower end) sign to show relative standing within the major categories. Moody's Investors Service apply numeric modifiers 1 (higher end), 2 or 3 (lower end) to ratings from Aa to Caa to show relative standing within the major categories.

Ratings stated in **bold** indicate the Overseas Bank's current approximate position within the credit rating scales.

¹ This is a general description of the rating categories based on information published by Fitch Ratings, Moody's Investors Service and Standard & Poor's.

Westpac in New Zealand

Until 1 November 2006, the Overseas Bank operated as a branch in New Zealand. Effective 1 November 2006 the Overseas Bank has operated in New Zealand through both the NZ Branch (a branch of the Overseas Bank carrying on institutional banking and financial markets business) and Westpac New Zealand Limited (**Westpac New Zealand**) (a locally incorporated subsidiary of the Overseas Bank carrying on the Overseas Bank's New Zealand consumer and business banking operations). Westpac New Zealand is a member of the NZ Banking Group.

As a registered bank, Westpac New Zealand is required to produce its own disclosure statement. Accordingly, further information on Westpac New Zealand is available in Westpac New Zealand's General Short Form Disclosure Statement for the three months ended 31 December 2009.

In May 2009, the Reserve Bank of New Zealand (**Reserve Bank**), Westpac New Zealand and the NZ Branch agreed to an independent review of the structure of the operating model of the Overseas Banking Group's business in New Zealand. This review was conducted under the well established processes and framework contemplated by section 95 of the Reserve Bank Act. Operating model and governance changes that may result from this process are now being discussed with the Reserve Bank and will be appropriately disclosed in subsequent General Disclosure Statements of Westpac New Zealand and the NZ Branch.

Financial statements of the Overseas Bank and the Overseas Banking Group

Copies of the NZ Branch's most recent General Short Form Disclosure Statement and Supplemental Disclosure Statement, which contains a copy of the most recent publicly available financial statements of the Overseas Bank and the Overseas Banking Group, will be provided immediately, free of charge, to any person requesting a copy where the request is made at the NZ Branch's head office, Level 15, 188 Quay Street, Auckland. They are also available, free of charge, at the internet address www.westpac.co.nz and within five working days of any request, at any branch of the NZ Branch and at any staffed premises of any agency of the NZ Branch, primarily engaged in the business of the NZ Branch to which its customers or potential customers have access in order to conduct banking business.

The most recent publicly available financial statements for the Overseas Bank and the Overseas Banking Group (which are contained in the NZ Branch's Supplemental Disclosure Statement) can also be accessed at the internet address www.westpac.com.au.

Guarantee arrangements

Certain material obligations of the Overseas Bank are guaranteed as at the date the Directors and the Chief Executive Officer of the NZ Branch signed this General Short Form Disclosure Statement.

Guarantee of deposits by the Australian Government: Financial Claims Scheme

The Australian Government announced on 12 October 2008 that it would guarantee the deposits in eligible Australian authorised deposit-taking institutions (**ADIs**) (as that term is defined for the purposes of the Banking Act 1959 of Australia (**Australian Banking Act**)) for a period of three years from 12 October 2008. As at the date of this General Short Form Disclosure Statement, the Overseas Bank is an ADI.

The Australian Banking Act has been amended to facilitate the deposit guarantee by establishing a financial claims scheme (**FCS**) to be administered by the Australian Prudential Regulation Authority (**APRA**). The FCS will operate on terms as set out in the Australian Banking Act until 12 October 2011, thereafter its continued operation will be subject to review by the Australian Government.

An ADI will be an 'eligible ADI' for the purposes of the FCS in circumstances where APRA has applied for the winding-up of the ADI and a declaration has been made by the responsible Australian Government minister that the FCS applies to that ADI. Once declared to be an eligible ADI, there are no other material conditions applicable to coverage of deposits up to A\$1 million under the FCS other than that eligible ADI becoming unable to meet its obligations or suspending payment. As at the date of this General Short Form Disclosure Statement, APRA has not applied for winding-up of the Overseas Bank nor has a declaration been made by the responsible Australian Government minister that the FCS applies to the Overseas Bank.

From 28 November 2008, the first A\$1 million of 'protected accounts' held with an eligible ADI (including most deposits) will be guaranteed without charge under the FCS. The A\$1 million threshold applies to the total amount of funds held by a depositor in (separate) deposit accounts with an eligible ADI. An eligible institution will be able to obtain coverage for deposit amounts over A\$1 million under the Guarantee Facility (as described more fully below) in return for a fee.

Under the FCS, if APRA has applied for the winding-up of an ADI and a declaration has been made by the responsible Australian Government minister that the FCS applies to that ADI:

- holders of protected accounts (as defined below) with net credit balances are entitled to payment from APRA of the balance plus accrued interest (subject to certain adjustments); and
- APRA is assigned the relevant account holder's right to claim this amount from the ADI.

For the purposes of the FCS, a 'protected account' is:

- an account where the ADI is required to pay the account holder, on demand or at an agreed time, the net credit balance of the account; and
- another account or financial product prescribed by regulation.

The Financial Claims Scheme (ADIs) Levy Act 2008 of Australia also provides for the imposition of a levy to fund the excess of certain of APRA's financial claims scheme costs connected with an ADI over the sum of specified amounts paid to APRA by that ADI in connection with the FCS or in the winding-up of that ADI. The levy is imposed on liabilities of ADIs to their depositors and cannot be more than 0.5% of the amount of those liabilities.

Further information about the FCS may be obtained from the Australian Federal Treasurer's internet site, www.treasurer.gov.au. The Australian Banking Act and the Financial Claims Scheme (ADIs) Levy Act 2008 are also available from the following internet site maintained by the Australian Attorney-General's Department, www.comlaw.gov.au.

Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding: Guarantee Facility

On 20 November 2008, the Australian Government released the details and rules (**Scheme Rules**) of the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding (**Guarantee Facility**), which provides a guarantee facility for deposits of amounts over A\$1 million and wholesale term funding. The obligations of the Commonwealth of Australia are contained in a deed of guarantee executed on behalf of the Commonwealth of Australia (**Guarantor**) dated 20 November 2008 and taking effect from 28 November 2008 (**Guarantee**). The Scheme Rules govern access to protection under the Guarantee.

Guarantee arrangements (continued)

The Australian Government announced on 7 February 2010 that it will withdraw the Guarantee Facility, which will cease to have effect from 5pm on 31 March 2010. However, existing guaranteed liabilities of eligible institutions will continue to be covered by the Guarantee to maturity (up to five years) for wholesale funding and term deposits, or to October 2015 for at call deposits. The Scheme Rules will be amended to effect the withdrawal of the Guarantee Facility. The announcement does not affect the FCS, which will continue to cover deposits of up to A\$1 million until the cap is reviewed in October 2011.

The Guarantee and the Scheme Rules are available at www.guaranteescheme.gov.au and may be amended by the Australian Government from time to time. A copy of the Guarantee is also included in the NZ Branch's most recent Supplemental Disclosure Statement, which is available, free of charge, at the internet address www.westpac.co.nz and immediately on request at the NZ Branch's head office, Level 15, 188 Quay Street, Auckland. The NZ Branch's most recent Supplemental Disclosure Statement is also available, free of charge, within five working days of any request, at any branch of the NZ Branch.

The Scheme Rules set out those named institutions that are 'eligible institutions' for the purposes of the Guarantee Facility. As at the date of this General Short Form Disclosure Statement, the Overseas Bank is such an eligible institution.

As described above, from 28 November 2008, the first A\$1 million in 'protected accounts' (as defined above) held with an eligible ADI (including most deposits) will be guaranteed for free under the FCS. However, an eligible institution is able to obtain coverage for deposits of amounts over A\$1 million and wholesale term funding under the Guarantee Facility in return for payment of a fee. Liabilities of an eligible institution will only have the benefit of the Guarantee Facility where an eligibility certificate has been issued by the Commonwealth of Australia in respect of those liabilities. As a result of the withdrawal of the Guarantee Facility with effect from 31 March 2010, the final date on which an eligible institution can apply for an eligibility certificate is 24 March 2010.

The Overseas Bank is entitled to apply for the issue of an eligibility certificate for certain liabilities (including certain securities to be issued under its established debt issuance programmes) to have the benefit of the Guarantee. The Guarantee Facility is restricted to senior unsecured liabilities which are not complex and issued domestically in Australia or off-shore of Australia by eligible institutions and which must meet certain eligibility criteria, with the Guarantee to apply for the full term of the relevant liabilities including in the period following the closure of the facility to new issuances. The Guarantee Facility is available for debt issuance in all major currencies (including New Zealand dollars). Guidance on the meaning of 'not complex' is available at www.guaranteescheme.gov.au/rules/. Details of eligibility certificates issued in respect of the liabilities of the Overseas Bank are available at www.guaranteescheme.gov.au/liabilities/.

A beneficiary of the Guarantee may rely upon the issue of an eligibility certificate as conclusive evidence that the liability described in the eligibility certificate satisfies the eligibility criteria set out in the Scheme Rules.

Enforcement of the Guarantee

A claim for payment under the Guarantee must be in writing and made in the form specified in, and in accordance with, the Scheme Rules.

If the Guarantor does not perform its obligations under the Guarantee, a beneficiary of the Guarantee could commence proceedings against the Commonwealth of Australia under the Judiciary Act 1903 of Australia ('**Judiciary Act**'). In such proceedings, the rights of parties are, as nearly as possible, the same as in proceedings between subjects of the Commonwealth of Australia. Jurisdiction to hear claims against the Commonwealth of Australia in contract is vested in certain Australian courts under the Judiciary Act. In proceedings under the Judiciary Act, the Guarantor would not be entitled to any defence based on crown or sovereign immunity.

However, if a judgment is obtained against the Guarantor in proceedings under the Judiciary Act, no execution or attachment can be issued against the property or revenues of the Commonwealth of Australia. Nevertheless, if any judgment is given against the Guarantor in such proceedings, the Minister for Finance of the Commonwealth of Australia is obliged to satisfy the judgment out of money legally available, on receipt of a certificate of the judgment issued by an officer of a court in which such judgment has been obtained.

In order to render money legally available, specific appropriation by legislation passed by the Parliament of the Commonwealth of Australia would be necessary before any payment is made, unless the amount involved is such that it could be paid out of funds available under an existing standing appropriation. The Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008 of Australia provides, among other things, that the Consolidated Revenue Fund of the Commonwealth of Australia is appropriated for the purpose of paying claims under the Guarantee in accordance with the Scheme Rules.

The Guarantee does not contain any submission to the courts of a foreign jurisdiction or any waiver of any crown or sovereign immunity which might be available to the Commonwealth of Australia under the law of any foreign jurisdiction.

Fees in relation to the Australian Government's large deposit and wholesale term funding guarantees

Fees apply to the wholesale term funding guarantee and the guarantee for deposits above the A\$1 million threshold. A different fee applies to eligible institutions based on their long-term credit rating. The fee which applies to the Overseas Bank, based on its current long-term rating by Standard & Poor's of AA, is 70 basis points (or 0.70%). The fee is levied on a monthly basis.

Other material conditions of the Guarantee

The following are material conditions to the application of the Guarantee that are separate from the non-performance of an eligible institution in respect of the relevant obligations covered by the Guarantee.

The Guarantor shall not be liable to perform its obligations under the Guarantee in respect of liabilities which have been varied, amended, waived, released, novated, supplemented, extended or restated in any material respect without the written consent of the Guarantor.

The Commonwealth of Australia may also amend the terms of the Guarantee at any time at its discretion, provided that (except insofar as such amendment is required by law) such amendment does not reduce the Commonwealth of Australia's obligations to the beneficiaries under the Guarantee in a manner which is prejudicial to the interests of the beneficiaries in respect of any subsisting guaranteed liability (in particular, see clause 6 of the Guarantee, the form of which is set out in the NZ Branch's most recent Supplemental Disclosure Statement).

A material condition to the issue of an eligibility certificate in relation to a liability to be guaranteed under the Guarantee is the issuance of a Counter-Indemnity by the applicant eligible institution in favour of the Guarantor. The Counter-Indemnity must be in the form prescribed by the Scheme Rules or such other form as is approved by the Guarantor.

Guarantee arrangements (continued)

Obligations of the Overseas Bank covered by the Guarantee

As at the date this General Short Form Disclosure Statement was signed by the Directors and Chief Executive Officer of the NZ Branch, eligibility certificates have been issued by the Commonwealth of Australia in respect of certain of the Overseas Bank's existing deposit and wholesale term funding liabilities. Until 24 March 2010, applications may also be made to the Commonwealth of Australia by the Overseas Bank for eligibility certificates to be issued in respect of certain other wholesale term funding liabilities that may be issued by the Overseas Bank pursuant to its established debt issuance programmes. The Commonwealth has previously indicated that it anticipates being able to issue such eligibility certificates upon receipt of specific details of those liabilities. Details of eligibility certificates issued in respect of the liabilities of the Overseas Bank are available on www.guaranteescheme.gov.au/liabilities/.

Information about the Guarantor

The Guarantor's name and address for service is: The Commonwealth of Australia, c/o - The Treasury of the Commonwealth of Australia, Treasury Building, Langton Crescent, Parkes ACT 2600, Australia.

A copy of the most recent audited financial statements of the Guarantor is available at www.finance.gov.au/publications/commonwealth-consolidated-financial-statements/.

The credit ratings assigned to the Guarantor's long-term obligations payable in Australian dollars (the currency of its jurisdiction) are AAA by Standard & Poor's, Aaa by Moody's Investors Service and AAA by Fitch Ratings. The outlook for each of these ratings is 'stable'. There have been no changes in these credit ratings (including outlook) in the two years prior to 31 December 2009.

New Zealand deposit guarantee scheme

On 12 October 2008, the New Zealand Government ("**Crown**") announced an opt-in deposit guarantee scheme under which it will guarantee deposits with participating New Zealand registered banks and non-bank deposit-taking entities, with effect from 12 October 2008. The guarantee is for a period of two years from the announcement date.

Westpac New Zealand has opted into the existing scheme, and entered into a Crown Deed of Guarantee with the Crown on 11 November 2008, which was amended by a Supplemental Deed dated 24 November 2008 (together '**Guarantee**').

The Crown may withdraw the Guarantee and has recently exercised this option by withdrawing the current Guarantee in respect of new investments from 1 January 2010 and offering guaranteed institutions (including Westpac New Zealand) the opportunity to enter a new guarantee deed (see Revised Guarantee below).

Further details of the Guarantee are available in Westpac New Zealand's General Short Form Disclosure Statement for the three months ended 31 December 2009 and from the Treasury internet site www.treasury.govt.nz.

The NZ Branch has not opted into the existing scheme.

The Guarantee extends to all debt securities issued by Westpac New Zealand in any currency (which includes deposits and other amounts lent to Westpac New Zealand), other than debt securities issued to related parties or to financial institutions. It does not extend to subordinated debt obligations. Financial institutions include persons who carry on the business of borrowing and lending money, or providing financial services (and extends to registered banks). There is a limit on the amount of the debt securities covered by the Guarantee of NZ\$1 million per creditor.

Under the Guarantee, Westpac New Zealand was required to pay a fee of 10 basis points (or 0.1%) on the amounts owing to creditors covered by the Guarantee to the extent that the amount owing exceeded \$5 billion as at 12 October 2008. An additional 10 basis point fee in respect of the position as at 12 October 2009 has been paid.

Revised Guarantee

On 18 November 2009 the Crown announced that it would be changing the deposit guarantee scheme to make it more flexible for deposit-taking institutions. As a consequence of the changes, Westpac New Zealand and the Crown entered into a Crown Deed of Guarantee on 16 December 2009 in respect of obligations incurred on or after 1 January 2010 ('**Revised Guarantee**'). The Revised Guarantee extends to all debt securities issued by Westpac New Zealand in any currency (which includes deposits and other amounts lent to Westpac New Zealand), other than certain excluded obligations which are specified in the Revised Guarantee. The maximum aggregate liability of the Crown to each Creditor under the Revised Guarantee, the Guarantee and any guarantee that replaces the Revised Guarantee is \$1 million.

Further details of the Revised Guarantee are available in Westpac New Zealand's General Short Form Disclosure Statement for the three months ended 31 December 2009 and from the Treasury internet site www.treasury.govt.nz.

Extension of the deposit guarantee scheme

On 25 August 2009, the Crown announced an extension of the deposit guarantee scheme until 31 December 2011. The extension is effectively a new guarantee scheme. The new scheme will commence on 12 October 2010 (when the existing deposit guarantee scheme ends) and end on 31 December 2011. An institution covered by the existing deposit guarantee scheme (such as Westpac New Zealand) must reapply if it wishes to have a guarantee under the new scheme. As at the date of this General Short Form Disclosure Statement, no such application has been made by Westpac New Zealand. The NZ Branch has also not made any application. Further details of the new scheme are available from the Treasury internet site www.treasury.govt.nz.

New Zealand wholesale funding guarantee facility

On 1 November 2008 the Crown announced details of a wholesale funding guarantee facility to investment-grade financial institutions that have substantial New Zealand borrowing and lending operations ('**Facility**'). The Facility operates on an opt-in basis, by institution and by instrument.

A qualifying institution may apply to be considered for the Facility and, if accepted, the Crown may enter into a Crown Wholesale Funding Guarantee Facility Deed with the institution. The Crown may also provide a Crown Wholesale Funding Guarantee (by deed) in respect of the institution, under which guarantees may be issued. The institution may then apply for a guarantee of new senior unsecured negotiable or transferable debt securities it proposes to issue, on an issue by issue basis (not all new issues need be covered). If the new security is accepted for coverage, then the guarantee is effected by the issue of a Guarantee Eligibility Certificate in respect of that security under the Crown Wholesale Funding Guarantee in respect of the institution.

Guarantee arrangements (continued)

A guarantee fee is charged for each guarantee issued under the Facility, differentiated by the credit rating of the issuer and the term of the security being guaranteed. The maximum term of securities guaranteed is five years. Further information about the Facility may be obtained from the Treasury internet site www.treasury.govt.nz.

As at the date this General Short Form Disclosure Statement is signed, the NZ Branch has taken no action in relation to the Facility. Westpac New Zealand has applied to be considered for the Facility, and its application has been accepted. The Crown has entered into a Crown Wholesale Funding Guarantee Facility Deed with Westpac New Zealand dated 23 February 2009 and has provided a Crown Wholesale Funding Guarantee in respect of Westpac New Zealand by deed dated 23 February 2009 ('**NZ Wholesale Guarantee**'). Copies of any Guarantee Eligibility Certificates issued in respect of obligations of Westpac New Zealand, which provide details of the obligations of Westpac New Zealand covered by the NZ Wholesale Guarantee, are available on the New Zealand Treasury internet site www.treasury.govt.nz.

Ranking of local creditors in liquidation

There are material legislative restrictions in Australia (being the Overseas Bank's country of incorporation) which subordinate the claims of certain classes of unsecured creditors of the Overseas Bank on the Australian assets of the Overseas Bank (including a claim made or proved in an insolvent winding-up or liquidation of the Overseas Bank) to those of other classes of unsecured creditors of the Overseas Bank, in the event that the Overseas Bank becomes unable to meet its obligations or suspends payment.

The legislation described below is relevant to limitations on possible claims made by unsecured creditors of the NZ Branch (together with all other senior unsecured creditors of the Overseas Bank) and New Zealand depositors on the assets of the Overseas Bank (including a claim made or proved in an insolvent winding-up or liquidation of the Overseas Bank) relative to those of certain other classes of unsecured creditors of the Overseas Bank, in the event that the Overseas Bank becomes unable to meet its obligations or suspends payment.

The Overseas Bank is an ADI for the purposes of the Australian Banking Act.

Section 13A(3) of the Australian Banking Act provides that, in the event that an ADI becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to satisfy, in priority to all other liabilities of the ADI:

- first, certain obligations of the ADI 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 for the purposes of the Australian Banking Act) as part of the FCS;
- secondly, APRA's costs (if any) in exercising its powers and performing its functions relating to the ADI in connection with the FCS; and
- thirdly, the ADI's deposit liabilities in Australia (other than any liabilities under the first priority listed above).

Section 13A of the Australian Banking Act affects all of the unsecured deposit liabilities of the NZ Branch which as at 31 December 2009 amounted to \$5,968 million (31 December 2008: \$4,748 million).

Section 13A(4) of the Australian Banking Act also provides that it is an offence for an ADI not to hold assets (other than goodwill) in Australia of a value that is equal to or greater than the total amount of its deposit liabilities in Australia, unless APRA has authorised the ADI to hold assets of a lesser value. During the three months ended 31 December 2009, the Overseas Bank has at all times held assets (other than goodwill) in Australia of not less than the value of the Overseas Bank's total deposit liabilities in Australia.

Under section 16 of the Australian Banking Act, in a winding-up of an ADI, 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. Further, under section 86 of the Reserve Bank Act 1959 (Australia), debts due by a bank to the Reserve Bank of Australia shall, in a winding-up of that bank, have, subject to section 13A(3) of the Australian Banking Act, priority over all other debts, other than debts due to the Commonwealth of Australia.

The requirements of the above provisions have the potential to impact on the management of the liquidity of the NZ Banking Group.

Conditions of registration

The conditions of registration imposed on the NZ Branch, which applied from 26 November 2007, are as follows:

1. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
2. That the banking group's insurance business is not greater than 1 percent of its total consolidated assets. For the purposes of this condition:
 - (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disappplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
 - (ii) In measuring the size of the banking group's insurance business:
 - (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
 - the total consolidated assets of the group headed by that entity;
 - or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
 - (b) otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
 - (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on-balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
 - (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.
3. That the business of the registered bank does not constitute a predominant proportion of the business of Westpac Banking Corporation.

Conditions of registration (continued)

4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:
 - (i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (ii) the Reserve Bank has advised that it has no objection to that appointment.
5. That Westpac Banking Corporation complies with the requirements imposed on it by the Australian Prudential Regulation Authority.
6. That Westpac Banking Corporation complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:
 - Tier One Capital of Westpac Banking Corporation is not less than 4 percent of risk-weighted exposures;
 - Total capital of Westpac Banking Corporation is not less than 8 percent of risk-weighted exposures.
7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ\$15 billion.
8. That the retail deposits of the registered bank in New Zealand do not exceed \$200 million. For the purposes of this condition retail deposits are defined as deposits by natural persons, excluding deposits with an outstanding balance which exceeds \$250,000.

For the purposes of these conditions of registration, the term 'banking group' means the New Zealand operations of Westpac Banking Corporation and all those subsidiaries of Westpac Banking Corporation whose business is required to be reported in financial statements for the group's New Zealand business, prepared in accordance with section 9(2) of the Financial Reporting Act 1993.

Further information on the capital adequacy of the Overseas Bank is contained in Note 14 to the financial statements.

Registered bank: Directorate

Directors

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

Edward Alfred Evans, AC, BEcon. (Hons.)

John Simon Curtis, BA, LLB (Hons.)

Gail Patricia Kelly, Dip. Ed, BA, MBA, Doctor of Bus.

Elizabeth Blomfield Bryan, BA (Econ.), MA (Econ.)

Gordon McKellar Cairns, MA (Hons.)

Peter John Oswin Hawkins, BCA (Hons.), SSFin., FAIM, ACA (NZ)

Carolyn Judith Hewson, AO, BEc. (Hons.), MA (Econ.)

Lindsay Philip Maxsted, Dip. Bus. (Gordon), FCA

Graham John Reaney, BComm., CPA

Peter David Wilson, CA

Since the signing of the NZ Branch's last General Disclosure Statement, there have been no changes to the composition of the Overseas Bank's Board of Directors (the '**Board**').

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

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

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, as at the date on which this General Short Form Disclosure Statement is signed:

- a. the General Short Form Disclosure Statement contains all the information that is required by the Order; and
- b. the General Short Form Disclosure Statement is not false or misleading.

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, over the three months ended 31 December 2009:

- a. the NZ Branch has complied with the conditions of registration imposed on it pursuant to section 74 of the Reserve Bank Act; and
- b. the NZ Branch had systems in place to monitor and control adequately the NZ 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 those systems were being properly applied.

This Directors' Statement has been signed on behalf of the Directors by George Frazis, Chief Executive, Westpac New Zealand and by David McLean in his personal capacity as Chief Executive Officer, NZ Branch.



George Frazis



David McLean

Dated this the 19th day of February 2010

Consolidated short form financial statements

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Consolidated income statement for the three months ended 31 December 2009

	Note	NZ Banking Group		
		Three Months Ended 31 December 2009 Unaudited \$m	Three Months Ended 31 December 2008 Unaudited \$m	Year Ended 30 September 2009 Audited \$m
Interest income		989	1,382	4,622
Interest expense		(627)	(976)	(3,142)
Net interest income		362	406	1,480
Non-interest income:				
Fees and commissions		80	90	354
Wealth management revenue		21	20	80
Trading income		59	74	152
Gain/(loss) on ineffective hedges		2	(2)	3
Other non-interest income		1	11	21
Total non-interest income		163	193	610
Net operating income		525	599	2,090
Operating expenses		(197)	(189)	(808)
Impairment charges on loans	2	(118)	(98)	(690)
Profit before income tax expense		210	312	592
Income tax expense on operating profit		(57)	(91)	(168)
Income tax reversal/(expense) on New Zealand structured finance transactions		188	-	(918)
Profit/(loss) after income tax expense		341	221	(494)
Profit/(loss) after income tax expense attributable to:				
Head office account and owners of NZ Banking Group		340	220	(497)
Non-controlling interests		1	1	3
Profit/(loss) after income tax expense		341	221	(494)

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of comprehensive income for the three months ended 31 December 2009

	NZ Banking Group		
	Three Months Ended 31 December 2009 Unaudited \$m	Three Months Ended 31 December 2008 Unaudited \$m	Year Ended 30 September 2009 Audited \$m
Profit/(loss) after income tax expense	341	221	(494)
Other comprehensive income:			
Net unrealised gains from changes in fair value of available-for-sale securities	9	-	2
Cash flow hedges:			
Net gains/(losses) from changes in fair value of cash flow hedges	58	(254)	(107)
Transferred to the income statement	1	-	(3)
Actuarial gains on employee defined benefit superannuation plans	-	-	30
Income tax relating to components of other comprehensive income ¹	(19)	76	22
Other comprehensive income/(expense) for the period/year, net of tax	49	(178)	(56)
Total comprehensive income/(expense) for the period/year	390	43	(550)
Total comprehensive income/(expense) attributable to:			
Head office account and owners of NZ Banking Group	389	42	(553)
Non-controlling interests	1	1	3
Total comprehensive income/(expense) for the period/year	390	43	(550)

¹ The income tax relating to each component of other comprehensive income is disclosed in the table below.

Tax effects relating to each component of other comprehensive income

	NZ Banking Group		
	Before Tax Amount \$m	Tax (Expense)/ Benefit \$m	Net of Tax Amount \$m
For the three months ended 31 December 2009 (unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	9	-	9
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	58	(19)	39
Transferred to the income statement	1	-	1
Other comprehensive income	68	(19)	49
For the three months ended 31 December 2008 (unaudited)			
Cash flow hedges:			
Net losses from changes in fair value of cash flow hedges	(254)	76	(178)
Other comprehensive expense	(254)	76	(178)
For the year ended 30 September 2009 (audited)			
Net unrealised gains from changes in fair value of available-for-sale securities	2	-	2
Cash flow hedges:			
Net losses from changes in fair value of cash flow hedges	(107)	32	(75)
Transferred to the income statement	(3)	1	(2)
Actuarial gains on employee defined benefit superannuation plans	30	(11)	19
Other comprehensive expense	(78)	22	(56)

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity for the three months ended 31 December 2009

	NZ Banking Group									
	Head Office Account		NZ Banking Group Equity					Total Before Non-controlling Interests	Non-controlling Interests	Total
	Branch Capital	Retained Profits	Share Capital	Retained Profits	Cash Flow Hedge Reserve	Available-for-sale Securities Reserve	Convertible Debentures			
Opening balance as at 1 October 2008	-	174	1,433	1,325	(88)	16	1,284	4,144	8	4,152
Effect of change in accounting policy										
Adjustment on recognition of actuarial losses on employee defined benefit superannuation plans (net of tax) (refer to Note 1.2)	-	-	-	(20)	-	-	-	(20)	-	(20)
Restated total equity as at 1 October 2008	-	174	1,433	1,305	(88)	16	1,284	4,124	8	4,132
Total comprehensive income/ (expense) for the three months ended 31 December 2008	-	110	-	110	(178)	-	-	42	1	43
Aggregation of new entities ²	-	-	301	-	-	-	-	301	-	301
Share capital buy-back ³	-	-	(301)	-	-	-	-	(301)	-	(301)
As at 31 December 2008 (unaudited)	-	284	1,433	1,415	(266)	16	1,284	4,166	9	4,175
Total comprehensive income/ (expense) for the year ended 30 September 2009	-	(513)	-	35	(77)	2	-	(553)	3	(550)
Share capital issued	-	-	9	-	-	-	-	9	-	9
Allocation of Branch Capital from the Overseas Bank ¹	1,800	-	-	-	-	-	-	1,800	-	1,800
Share capital redeemed ¹	-	-	(1,300)	-	-	-	-	(1,300)	-	(1,300)
Dividends paid on convertible debentures (net of tax)	-	(69)	-	-	-	-	-	(69)	-	(69)
Dividends paid on ordinary shares	-	-	-	(9)	-	-	-	(9)	(4)	(13)
Dividends paid on preference shares	-	-	-	(104)	-	-	-	(104)	-	(104)
Aggregation of new entities ²	-	-	301	-	-	-	-	301	-	301
Share capital buy-back ³	-	-	(301)	-	-	-	-	(301)	-	(301)
As at 30 September 2009 (audited)	1,800	(408)	142	1,227	(165)	18	1,284	3,898	7	3,905
Total comprehensive income for the three months ended 31 December 2009	-	278	-	62	40	9	-	389	1	390
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(3)	(3)
As at 31 December 2009 (unaudited)	1,800	(130)	142	1,289	(125)	27	1,284	4,287	5	4,292

1 During the year ended 30 September 2008, the NZ Branch repatriated \$1.3 billion to the Overseas Bank from NZ Branch capital (\$698 million) and retained profits (\$602 million). The amount repatriated was replaced by the issuance of \$1.3 billion of redeemable preference shares which were redeemable in 100 years, with distributions at the discretion of the Board. The \$1.3 billion redeemable preference shares were subsequently redeemed on 18 February 2009 and, at the same time, the Overseas Bank advanced capital of \$1.3 billion to the NZ Branch. On 14 September 2009, the Overseas Bank advanced a further \$500 million capital to the NZ Branch.

2 This represents the net pre-acquisition capital contributed by the aggregation of St.George New Zealand Limited and St.George Financial Investments New Zealand Limited into the NZ Banking Group effective as at 17 November 2008.

3 This represents the buy-back of share capital by St.George New Zealand Limited from St.George Bank Limited during the period 17 November 2008 to 31 December 2008.

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Consolidated balance sheet as at 31 December 2009

		NZ Banking Group		
	Note	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Audited \$m
Assets				
Cash and balances with central banks		1,632	2,288	798
Due from other financial institutions		422	143	843
Derivative financial instruments		4,834	9,722	6,328
Trading securities and other financial assets designated at fair value	3	5,520	4,972	5,405
Available-for-sale securities		46	35	37
Loans	4	55,849	56,128	55,592
Life insurance assets		121	98	113
Due from related entities		2,611	2,507	2,759
Investment in associate		48	48	48
Goodwill and other intangible assets		623	626	623
Property, plant and equipment		99	88	94
Deferred tax assets		392	249	306
Other assets		215	831	498
Total assets		72,412	77,735	73,444
Liabilities				
Due to other financial institutions		1,055	346	485
Deposits at fair value	6	2,440	4,254	3,468
Deposits at amortised cost	6	34,237	32,917	32,944
Derivative financial instruments		5,121	10,723	6,970
Trading liabilities and other financial liabilities designated at fair value	7	990	1,982	2,698
Debt issues	8	15,770	12,339	12,369
Current tax liabilities		25	64	373
Provisions		92	66	106
Other liabilities		731	679	663
Total liabilities excluding subordinated debentures and due to related entities		60,461	63,370	60,076
Subordinated debentures		773	1,040	790
Total liabilities excluding due to related entities		61,234	64,410	60,866
Due to related entities		6,886	9,150	8,673
Total liabilities		68,120	73,560	69,539
Net assets		4,292	4,175	3,905
Equity				
Head office account				
Branch capital		1,800	-	1,800
(Accumulated losses)/retained profits		(130)	284	(408)
Total head office account		1,670	284	1,392
NZ Banking Group equity				
Ordinary share capital		142	133	142
Preference share capital		-	1,300	-
Retained profits		1,289	1,415	1,227
Available-for-sale securities reserve		27	16	18
Cash flow hedge reserve		(125)	(266)	(165)
Convertible debentures		1,284	1,284	1,284
Total NZ Banking Group equity		2,617	3,882	2,506
Non-controlling interests		5	9	7
Total equity		4,292	4,175	3,905

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows for the three months ended 31 December 2009

	NZ Banking Group		
	Three Months Ended 31 December 2009 Unaudited \$m	Three Months Ended 31 December 2008 Unaudited \$m	Year Ended 30 September 2009 Audited \$m
Cash flows from operating activities			
Interest received	992	1,394	4,701
Interest paid	(634)	(1,033)	(3,314)
Other non-interest income received	160	199	617
Net decrease/(increase) in trading securities	128	(1,310)	(2,019)
Net (decrease)/increase in trading liabilities	(1,787)	734	1,552
Net (decrease)/increase in derivative financial instruments	(296)	1,270	1,067
Operating expenses paid	(191)	(186)	(721)
Income tax paid	(314)	-	(246)
Net cash (used in)/provided by operating activities	(1,942)	1,068	1,637
Cash flows from investing activities			
Net decrease in due from other financial institutions – term	-	885	1,028
Net loans advanced to customers	(375)	(657)	(713)
Net increase in life insurance assets	(8)	(9)	(24)
Net decrease/(increase) in due from related entities	148	(325)	(589)
Net decrease/(increase) in other assets	38	(85)	(69)
Purchase of capitalised computer software	(10)	(8)	(44)
Purchase of property, plant and equipment	(14)	(15)	(39)
Proceeds from disposal of property, plant and equipment	2	-	5
Net cash used in investing activities	(219)	(214)	(445)
Cash flows from financing activities			
Redemption of preference share capital	-	-	(1,300)
Net increase in deposits	265	820	61
Net proceeds from debt issues	3,401	1,237	1,267
Net decrease in due to related entities	(1,788)	(2,157)	(2,637)
Net increase/(decrease) in other liabilities and subordinated debentures	129	5	(203)
Payment of dividends on convertible debentures	-	-	(99)
Payment of dividends on ordinary shares	(3)	-	(4)
Payment of dividends on preference shares	-	-	(104)
Branch capital received from the Overseas Bank	-	-	1,800
Net cash provided by/(used in) financing activities	2,004	(95)	(1,219)
Net (decrease)/increase in cash and cash equivalents	(157)	759	(27)
Cash and cash equivalents at beginning of the period/year	1,156	1,183	1,183
Cash and cash equivalents at end of the period/year	999	1,942	1,156
Cash and cash equivalents comprise:			
Cash and balances with central banks	1,632	2,288	798
Due (to)/from other financial institutions – at call (net)	(633)	(346)	358
Cash and cash equivalents at end of the period/year	999	1,942	1,156

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows (continued) for the three months ended 31 December 2009

	NZ Banking Group		
	Three Months Ended 31 December 2009 Unaudited \$m	Three Months Ended 31 December 2008 Unaudited \$m	Year Ended 30 September 2009 Audited \$m
Reconciliation of profit/(loss) after income tax expense to net cash flows from operating activities			
Profit/(loss) after income tax expense	341	221	(494)
Adjustments:			
Software amortisation costs	10	11	45
Impairment charges on intangible assets	-	-	3
Impairment charges on loans	118	98	690
Depreciation on property, plant and equipment	7	5	21
Gain on disposal of property, plant and equipment	-	-	(3)
Share-based payments	1	-	3
Movement in other assets	2	4	614
Movement in other liabilities and provisions	(21)	(56)	(164)
Movement in current and deferred tax	(434)	7	259
Tax on convertible debentures dividends	8	8	30
Movement in trading securities	128	(1,310)	(2,019)
Movement in trading liabilities	(1,787)	734	1,552
Movement in derivative financial instruments	(296)	1,270	1,067
Tax effect of change in cash flow hedge reserve	(19)	76	33
Net cash flows from operating activities	(1,942)	1,068	1,637

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Notes to the consolidated short form financial statements

Note 1 Statement of accounting policies

1.1 General accounting policies

Statutory base

These consolidated short form financial statements are prepared and presented in accordance with the Financial Reporting Act 1993, the Order and the Reserve Bank Act.

These financial statements have also been prepared in accordance with the Generally Accepted Accounting Practice in New Zealand ('**NZ GAAP**') and New Zealand equivalent to International Accounting Standard ('**NZ IAS**') 34 *Interim Financial Reporting* and should be read in conjunction with the General Disclosure Statement for the year ended 30 September 2009.

The financial report comprising the financial statements and accompanying notes of the NZ Banking Group complies with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

As a result of the new and revised accounting standards which became operative for the annual reporting period commencing 1 October 2009, the following standards, interpretations and amendments have been adopted with effect from 1 October 2009 in the preparation of these financial statements:

- NZ IAS 1 *Presentation of Financial Statements* (revised) – The amendments affect the presentation of owner changes in equity and of comprehensive income, but do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.
- New Zealand equivalents to International Financial Reporting Standards ('**NZ IFRS**') 8 *Operating Segments* – Further aligns external operating segment reporting with internal reporting to key management personnel.

Adoption of the standards has not resulted in any change to the NZ Banking Group's reported result or financial position.

In these financial statements reference is made to the following reporting groups:

- Westpac Banking Corporation Group (otherwise referred to as the '**Overseas Banking Group**') – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities;
- Westpac Banking Corporation (otherwise referred to as the '**Overseas Bank**') – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities;
- Westpac Banking Corporation New Zealand Division (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation including those entities whose business is required to be reported in the financial statements for the Overseas Banking Group's New Zealand business; and
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

These financial statements were authorised for issue by the Board on 19 February 2010. The Board has the power to amend the financial statements after they are authorised for issue.

Basis of preparation

The financial statements are based on the general principles of historical cost accounting, as modified by fair value accounting for available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts. The going concern concept and the accruals basis of accounting have been adopted. All amounts are expressed in New Zealand dollars unless otherwise stated.

The same accounting policies have been followed in preparing these financial statements that were used in preparing the General Disclosure Statement for the year ended 30 September 2009.

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.

1.2 Change in accounting policy

In the year ended 30 September 2009, the NZ Banking Group changed its accounting policy for actuarial gains and losses on its employee defined benefit superannuation plans. The revised policy brings to account all actuarial gains and losses outside of the profit and loss directly in the statement of changes in equity. The NZ Banking Group has adopted this change in accounting policy so that the full surplus or deficit, as calculated in accordance with NZ IAS 19 *Employee Benefits*, is recognised on the balance sheet. Previously the NZ Banking Group applied the corridor approach.

The new policy has been applied retrospectively for the NZ Banking Group and comparative information in relation to the 2008 financial year has been restated accordingly. The following cumulative adjustments were made as at 31 December 2008 for the NZ Banking Group.

	NZ Banking Group		
	Previously Reported 31 December 2008 \$m	Increase/ (Decrease) \$m	Restated 31 December 2008 \$m
Balance sheet (extract)			
Deferred tax assets	239	10	249
Other liabilities	649	30	679
Net assets	4,195	(20)	4,175
Retained profits	1,719	(20)	1,699
Total equity	4,195	(20)	4,175

Notes to the consolidated short form financial statements

Note 2 Impairment on loans

	NZ Banking Group			
	Three Months Ended 31 December 2009 – Unaudited			Total \$m
Residential Mortgages \$m	Other Loans for Consumer Purposes \$m	Loans for Business Purposes \$m		
Collectively assessed provision	32	49	(27)	54
Individually assessed provisions	23	-	34	57
Bad debt write-off direct to the income statement	2	14	3	19
Interest adjustments	(1)	(3)	(8)	(12)
Total impairment charges on loans	56	60	2	118

	NZ Banking Group			
	Three Months Ended 31 December 2008 – Unaudited			Total \$m
Residential Mortgages \$m	Other Loans for Consumer Purposes \$m	Loans for Business Purposes \$m		
Collectively assessed provision	6	4	40	50
Individually assessed provisions	14	-	25	39
Bad debt write-off direct to the income statement	1	14	1	16
Interest adjustments	-	(3)	(4)	(7)
Total impairment charges on loans	21	15	62	98

	NZ Banking Group			
	Year Ended 30 September 2009 – Audited			Total \$m
Residential Mortgages \$m	Other Loans for Consumer Purposes \$m	Loans for Business Purposes \$m		
Collectively assessed provision	12	(1)	212	223
Individually assessed provisions	86	-	328	414
Bad debt write-off direct to the income statement	7	73	8	88
Interest adjustments	(3)	(10)	(22)	(35)
Total impairment charges on loans	102	62	526	690

Notes to the consolidated short form financial statements

Note 3 Trading securities and other financial assets designated at fair value

	NZ Banking Group		
	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Audited \$m
Trading securities			
Securities	5,238	4,600	4,914
Securities purchased under agreement to resell	282	372	491
Total trading securities	5,520	4,972	5,405
Other financial assets designated at fair value	-	-	-
Total trading securities and other financial assets designated at fair value	5,520	4,972	5,405
Trading securities			
Listed			
NZ Government securities	2,541	761	2,669
NZ corporate securities	11	45	4
Other	-	-	2
Total listed securities	2,552	806	2,675
Unlisted			
NZ corporate securities:			
Certificates of deposit	2,529	3,702	2,181
Commercial paper	106	47	8
Corporate bonds	51	45	50
Total unlisted securities	2,686	3,794	2,239
Securities purchased under agreement to resell	282	372	491
Total trading securities	5,520	4,972	5,405

As at 31 December 2009, the NZ Banking Group had \$112 million (31 December 2008: \$517 million, 30 September 2009: \$395 million) of trading securities that were encumbered through repurchase agreements.

Note 4 Loans

	NZ Banking Group		
	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Audited \$m
Overdrafts	1,248	1,379	1,369
Credit card outstandings	1,240	1,208	1,182
Overnight and at call money market loans	988	1,684	1,106
Term loans:			
Housing	32,971	31,697	32,364
Non-housing	19,304	19,777	19,235
Other	801	788	947
Total gross loans	56,552	56,533	56,203
Provisions for impairment charges on loans	(703)	(405)	(611)
Total net loans	55,849	56,128	55,592

The NZ Banking Group has undertaken repurchase agreements with the Reserve Bank using residential mortgage-backed securities. The repurchase cash amount as at 31 December 2009 is \$600 million (31 December 2008: \$1,200 million, 30 September 2009: \$1,814 million) with underlying securities to the value of \$716 million (31 December 2008: \$1,491 million, 30 September 2009: \$2,253 million) provided under this arrangement.

Movements in impaired assets and provisions for impairment on loans are outlined in Note 5.

Notes to the consolidated short form financial statements

Note 5 Impaired assets

	NZ Banking Group		
	Three Months Ended 31 December 2009 Unaudited \$m	Three Months Ended 31 December 2008 Unaudited \$m	Year Ended 30 September 2009 Audited \$m
Individually impaired assets			
Balance at beginning of the period/year	675	278	278
Movement for the period/year	16	118	397
Balance at end of the period/year	691	396	675
Undrawn balance	-	-	-
Interest forgone for the period/year on the above impaired assets¹	-	-	-
Restructured assets			
Balance at beginning of the period/year	1	-	-
Movement for the period/year	(1)	-	1
Balance at end of the period/year	-	-	1
Undrawn balance	-	-	-
Interest forgone for the period/year on the above restructured assets¹	-	-	-
Past due assets 1 to 89 days²			
Balance at beginning of the period/year	1,407	2,395	2,395
Movement for the period/year	505	(273)	(988)
Balance at end of the period/year	1,912	2,122	1,407
Past due assets 90+ days²			
Balance at beginning of the period/year	346	222	222
Movement for the period/year	9	135	124
Balance at end of the period/year	355	357	346
Undrawn balance	-	-	-
Interest forgone for the period/year on the above past due assets¹	-	-	-
Other assets under administration²			
Balance at beginning of the period/year	-	-	-
Movement for the period/year	-	-	-
Balance at end of the period/year	-	-	-
Undrawn balance	-	-	-
Individually assessed provisions			
Balance at beginning of the period/year	152	66	66
Impairment charges on loans:			
New provisions	66	42	435
Recoveries	(9)	(3)	(21)
Impairment charges on loans written off	(19)	(5)	(328)
Balance at end of the period/year	190	100	152
Collectively assessed provisions			
Balance at beginning of the period/year	510	287	287
Movement for the period/year	54	50	223
Balance at end of the period/year	564	337	510
Total impairment provisions	754	437	662
Provisions for impairment on loans	703	405	611
Provisions for impairment on credit commitments	51	32	51
Total impairment provisions	754	437	662

¹ The NZ Banking Group's policy is not to forgo interest on impaired assets.

² Past due assets and other assets under administration are not impaired assets.

The NZ Banking Group does not have any financial, real estate or other assets acquired through security enforcement.

Comparative numbers for the NZ Banking Group have been restated as a result of continuing analysis of the NZ Banking Group's credit data.

The above table is further analysed by class in the following tables.

Notes to the consolidated short form financial statements

Note 5 Impaired assets (continued)

Residential mortgages

	NZ Banking Group		
	Three Months Ended 31 December 2009 Unaudited \$m	Three Months Ended 31 December 2008 Unaudited \$m	Year Ended 30 September 2009 Audited \$m
Individually impaired assets			
Balance at beginning of the period/year	351	190	190
Additions	104	116	486
Amounts written off	(19)	(6)	(64)
Returned to performing or repaid	(82)	(37)	(261)
Balance at end of the period/year	354	263	351
Undrawn balance	-	-	-
Past due assets 1 to 89 days¹			
Balance at beginning of the period/year	850	1,394	1,394
Additions	1,438	1,942	6,947
Deletions	(1,307)	(2,035)	(7,491)
Balance at end of the period/year	981	1,301	850
Past due assets 90+ days¹			
Balance at beginning of the period/year	88	75	75
Additions	72	95	361
Deletions	(69)	(74)	(348)
Balance at end of the period/year	91	96	88
Undrawn balance	-	-	-
Individually assessed provisions			
Balance at beginning of the period/year	66	24	24
Impairment charges on loans:			
New provisions	30	16	102
Recoveries	(7)	(2)	(16)
Impairment charges on loans written off	(16)	(4)	(44)
Balance at end of the period/year	73	34	66
Collectively assessed provisions			
Balance at beginning of the period/year	42	30	30
Impairment charges on loans	32	6	12
Balance at end of the period/year	74	36	42
Total impairment provisions	147	70	108
Provisions for impairment on loans	147	70	108
Total impairment provisions	147	70	108

¹ Past due assets are not impaired assets.

Comparative numbers for the NZ Banking Group have been restated as a result of continuing analysis of the NZ Banking Group's credit data.

Notes to the consolidated short form financial statements

Note 5 Impaired assets (continued)

Other loans for consumer purposes

	NZ Banking Group		
	Three Months Ended 31 December 2009 Unaudited \$m	Three Months Ended 31 December 2008 Unaudited \$m	Year Ended 30 September 2009 Audited \$m
Past due assets 1 to 89 days¹			
Balance at beginning of the period/year	131	156	156
Additions	210	221	865
Deletions	(203)	(231)	(890)
Balance at end of the period/year	138	146	131
Past due assets 90+ days¹			
Balance at beginning of the period/year	26	25	25
Additions	20	23	94
Deletions	(21)	(20)	(93)
Balance at end of the period/year	25	28	26
Undrawn balance	-	-	-
Collectively assessed provisions			
Balance at beginning of the period/year	60	61	61
Impairment charges on loans	49	4	(1)
Balance at end of the period/year	109	65	60
Total impairment provisions	109	65	60
Provisions for impairment on loans	109	65	60
Total impairment provisions	109	65	60

¹ Past due assets are not impaired assets.

Comparative numbers for the NZ Banking Group have been restated as a result of continuing analysis of the NZ Banking Group's credit data.

Notes to the consolidated short form financial statements

Note 5 Impaired assets (continued)

Loans for business purposes

	NZ Banking Group		
	Three Months Ended 31 December 2009 Unaudited \$m	Three Months Ended 31 December 2008 Unaudited \$m	Year Ended 30 September 2009 Audited \$m
Individually impaired assets			
Balance at beginning of the period/year	324	88	88
Additions	208	51	606
Amounts written off	8	(4)	(290)
Returned to performing or repaid	(203)	(2)	(80)
Balance at end of the period/year	337	133	324
Undrawn balance	-	-	-
Restructured assets			
Balance at beginning of the period/year	1	-	-
Additions	-	-	1
Deletions	(1)	-	-
Balance at end of the period/year	-	-	1
Undrawn balance	-	-	-
Past due assets 1 to 89 days¹			
Balance at beginning of the period/year	426	845	845
Additions	1,051	1,050	3,708
Deletions	(684)	(1,220)	(4,127)
Balance at end of the period/year	793	675	426
Past due assets 90+ days¹			
Balance at beginning of the period/year	232	122	122
Additions	59	156	560
Deletions	(52)	(45)	(450)
Balance at end of the period/year	239	233	232
Undrawn balance	-	-	-
Individually assessed provisions			
Balance at beginning of the period/year	86	42	42
Impairment charges on loans:			
New provisions	36	26	333
Recoveries	(2)	(1)	(5)
Impairment charges on loans written off	(3)	(1)	(284)
Balance at end of the period/year	117	66	86
Collectively assessed provisions			
Balance at beginning of the period/year	408	196	196
Impairment charges on loans	(27)	40	212
Balance at end of the period/year	381	236	408
Total impairment provisions	498	302	494
Provisions for impairment on loans	447	270	443
Provisions for impairment on credit commitments	51	32	51
Total impairment provisions	498	302	494

¹ Past due assets are not impaired assets.

Comparative numbers for the NZ Banking Group have been restated as a result of continuing analysis of the NZ Banking Group's credit data.

Notes to the consolidated short form financial statements

Note 6 Deposits

	NZ Banking Group		
	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Audited \$m
Deposits at fair value			
Certificates of deposit	2,440	4,254	3,468
Total deposits at fair value	2,440	4,254	3,468
Deposits at amortised cost			
Non-interest bearing, repayable at call	2,596	2,312	2,386
Other interest bearing:			
At call	13,892	14,073	12,987
Term	17,749	16,532	17,571
Total deposits at amortised cost	34,237	32,917	32,944
Total deposits	36,677	37,171	36,412

The NZ Branch held no retail deposits as at 31 December 2009 (31 December 2008: nil, 30 September 2009: nil).

Note 7 Trading liabilities and other financial liabilities designated at fair value

	NZ Banking Group		
	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Audited \$m
Held for trading			
Securities sold short	277	251	418
Securities sold under agreements to repurchase	713	1,731	2,280
Total trading liabilities	990	1,982	2,698
Other financial liabilities designated at fair value	-	-	-
Total trading liabilities and other financial liabilities designated at fair value	990	1,982	2,698

Note 8 Debt issues

	NZ Banking Group		
	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Audited \$m
Short-term debt			
Commercial paper	8,488	7,359	6,027
Total short-term debt	8,488	7,359	6,027
Long-term debt			
Euro medium-term notes	5,764	4,980	4,863
Domestic medium-term notes	1,518	-	1,479
Total long-term debt	7,282	4,980	6,342
Total debt issues	15,770	12,339	12,369
Of the above:			
Debt issues at amortised cost	6,244	1,858	6,287
Debt issues at fair value	9,526	10,481	6,082

Movement in debt issues

The movement in debt issues during these reporting periods is as follows:

	NZ Banking Group		
	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Unaudited \$m
Balance at beginning of the period/year	12,369	11,102	11,102
Issuance	8,150	5,297	38,001
Repayments	(4,749)	(4,060)	(36,734)
Balance at end of the period/year	15,770	12,339	12,369

Notes to the consolidated short form financial statements

Note 9 Related entities

There have been no changes to the composition of the NZ Banking Group since the publication of the General Disclosure Statement for the year ended 30 September 2009, except that Waratah Receivables Corporation (NZ) Limited was wound up during the current reporting period. The winding up of this entity had no material impact on the financial statements of the NZ Banking Group.

The total liabilities of the NZ Branch, net of amounts due to related entities as at 31 December 2009 amounted to \$11,718 million (31 December 2008: \$16,290 million, 30 September 2009: \$12,568 million).

Note 10 Interest earning assets and interest bearing liabilities

	NZ Banking Group		
	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Audited \$m
Interest earning and discount bearing assets	63,238	64,323	62,587
Interest and discount bearing liabilities	57,491	56,707	55,384

Note 11 Commitments and contingent liabilities

The NZ Banking Group is party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers and in managing its own risk profile. These financial instruments include commitments to extend credit, bill endorsements, financial guarantees, standby letters of credit and underwriting facilities.

The NZ Banking Group's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract or notional amount of those instruments. However, some commitments to extend credit and provide underwriting facilities can be cancelled or revoked at any time at the NZ Banking Group's option.

The NZ Banking Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments.

The NZ Banking Group takes collateral where it is considered necessary to support, both on and off-balance sheet, financial instruments with credit risk. The NZ Banking Group evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, on the provision of a financial facility is based on management's credit evaluation of the counterparty. The collateral taken varies, but may include cash deposits, receivables, inventory, plant and equipment, real estate and investments.

The NZ Banking Group is obliged to repurchase securitised loans held by Westpac Home Loan Trust ('HLT') where there is a breach of warranty within 120 days of sale, or where the securitised loans cease to conform to the terms and conditions of the Westpac Securitisation Trust programme. It is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from this obligation.

	NZ Banking Group		
	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Audited \$m
Contingent liabilities			
Direct credit substitutes	307	446	331
Transaction related contingent items	647	751	649
Short-term, self liquidating trade related contingent liabilities	762	867	740
Total contingent liabilities	1,716	2,064	1,720

Other contingent liabilities

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

On 23 December 2009, the NZ Banking Group reached a settlement with the New Zealand Inland Revenue Department ('NZIRD') of the previously reported challenge proceedings relating to nine structured finance transactions undertaken between 1998 and 2002. Under the settlement, the NZ Banking Group agreed to pay the NZIRD 80% of the full amount of primary tax and interest (previously reported as \$918 million as at 30 September 2009) with no imposition of penalties. All proceedings have been discontinued and the terms of the settlement are subject to confidentiality.

The NZ Banking Group fully provided for the value of primary tax and interest claimed by the NZIRD as part of its 2009 result, and consequently there will be a write back in the current financial year.

Westpac New Zealand leases the majority of the properties it occupies. As is normal practice, the lease agreements contain 'make good' provisions, which require Westpac New Zealand, upon termination of the lease, to return the premises to the lessor in the original condition. The maximum amount payable by Westpac New Zealand upon vacation of all leased premises subject to these provisions as at 31 December 2009 was estimated to be \$22 million (31 December 2008: \$21 million, 30 September 2009: \$22 million). Westpac New Zealand believes it is highly unlikely that it would incur a material operating loss as a result of this in the normal course of its business operations.

Notes to the consolidated short form financial statements

Note 11 Commitments and contingent liabilities (continued)

Other commitments

As at 31 December 2009, the NZ Banking Group had commitments in respect of forward purchases and sales of foreign currencies, interest rate and currency swap transactions, futures and options contracts, provision of credit, underwriting facilities and other engagements entered into in the normal course of business. The NZ Banking Group has management systems and operational controls in place to manage interest rate, currency and credit risk. Accordingly, it is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from these transactions.

Note 12 Segment information

The NZ Banking Group operates predominantly in the consumer banking, business banking and institutional banking sectors within New Zealand.

The basis of segment reporting reflects the management of the business, rather than the legal structure of the NZ Banking Group. 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 an arm's length basis.

With the adoption of NZ IFRS 8 *Operating Segments*, the basis used in identifying segment categories has been changed from previous reporting periods. The basis used in the current reporting period reflects the key revenue earning sectors that the NZ Banking Group operates in New Zealand. The detailed definition of each segment is described below.

Operating segments

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

- Business Banking, responsible for servicing and product development for small to medium size enterprise customers, corporates and agricultural businesses.
- Consumer Banking, responsible for servicing and product development for private individuals.
- Institutional Banking, responsible for providing a broad range of financial services to large corporate, institutional and government customers and for the supply of derivatives and risk management products to the entire Westpac customer base in New Zealand.
- Other, contains the corporate head office functions of the NZ Banking Group, Group Capital, Structured Finance, Group Treasury and other activities that cannot be directly attributable to any one segment within the New Zealand geographical area.

	NZ Banking Group				
	Three Months Ended 31 December 2009 – Unaudited				
	Business Banking \$m	Consumer Banking \$m	Institutional Banking \$m	Other \$m	Total \$m
Revenue from external customers ¹	344	587	192	29	1,152
Internal revenue	-	-	55	(55)	-
Total segment revenue	344	587	247	(26)	1,152
Profit before income tax expense	91	71	63	(15)	210
Income tax expense	(28)	(20)	(19)	198	131
Profit after income tax expense	63	51	44	183	341
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	63	50	44	183	340
Non-controlling interests	-	1	-	-	1
Total external assets excluding tax assets	20,333	29,048	12,866	7,162	69,409
Intragroup assets	1	23	2,021	566	2,611
Tax assets	-	2	32	358	392
Total assets	20,334	29,073	14,919	8,086	72,412

¹ Revenue from external customers comprises interest income and non-interest income.

Notes to the consolidated short form financial statements

Note 12 Segment information (continued)

NZ Banking Group					
Three Months Ended 31 December 2008 – Unaudited					
	Business Banking \$m	Consumer Banking \$m	Institutional Banking \$m	Other \$m	Total \$m
Revenue from external customers ¹	481	696	305	93	1,575
Internal revenue	-	-	25	(25)	-
Total segment revenue	481	696	330	68	1,575
Profit before income tax expense	67	163	93	(11)	312
Income tax expense	(20)	(45)	(28)	2	(91)
Profit after income tax expense	47	118	65	(9)	221
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	47	117	65	(9)	220
Non-controlling interests	-	1	-	-	1
Total external assets excluding tax assets	20,151	27,854	18,724	8,250	74,979
Intragroup assets	1	103	2,156	247	2,507
Tax assets	-	2	2	245	249
Total assets	20,152	27,959	20,882	8,742	77,735

¹ Revenue from external customers comprises interest income and non-interest income.

NZ Banking Group					
Year Ended 30 September 2009 – Unaudited					
	Business Banking \$m	Consumer Banking \$m	Institutional Banking \$m	Other \$m	Total \$m
Revenue from external customers ¹	1,582	2,572	1,193	(115)	5,232
Internal revenue	-	1	(12)	11	-
Total segment revenue	1,582	2,573	1,181	(104)	5,232
Profit before income tax expense	27	637	213	(285)	592
Income tax expense	(8)	(183)	(63)	(832)	(1,086)
Loss after income tax expense	19	454	150	(1,117)	(494)
(Loss)/profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	19	451	150	(1,117)	(497)
Non-controlling interests	-	3	-	-	3
Total external assets excluding tax assets	20,107	28,482	15,016	6,774	70,379
Intragroup assets	2	20	2,394	343	2,759
Tax assets	-	2	13	291	306
Total assets	20,109	28,504	17,423	7,408	73,444

¹ Revenue from external customers comprises interest income and non-interest income.

Comparative numbers for the NZ Banking Group have been restated in order to comply with the requirements of NZ IFRS 8 *Operating Segments*.

Note 13 Insurance business

The NZ Banking Group conducts insurance business through one of its controlled entities, Westpac Life - NZ - Limited. Its primary insurance activities are the development, underwriting and management of products under life insurance legislation which provide insurance cover against the risks of death and disability. It also manages a fire and general insurance agency arrangement and underwrites some redundancy and bankruptcy risks. The insurance business comprises less than one percent of the total assets of the NZ Banking Group.

The aggregate amount of the insurance business as at balance date was:

	NZ Banking Group		
	31 December 2009 Unaudited \$m	31 December 2008 Unaudited \$m	30 September 2009 Audited \$m
Total assets	123	101	117
As a percentage of total assets of the NZ Banking Group	0.17%	0.13%	0.16%

The Overseas Bank does not conduct any insurance or non-financial activities in New Zealand outside of the NZ Banking Group.

Notes to the consolidated short form financial statements

Note 14 Capital adequacy

Overseas Banking Group Capital Adequacy Ratio

Basel II

	31 December 2009 Unaudited %	31 December 2008 Unaudited %
Overseas Banking Group¹		
Tier One Capital expressed as a percentage of risk-weighted exposures	8.5	9.8
Total Capital expressed as a percentage of risk-weighted exposures	11.1	11.2
Overseas Bank (Extended Licensed Entity)¹		
Tier One Capital expressed as a percentage of risk-weighted exposures	10.2	10.5
Total Capital expressed as a percentage of risk-weighted exposures	12.7	13.5

¹ The capital ratios represent information mandated by APRA.

Basel II came into force in January 2008. The Overseas Banking Group received accreditation from APRA to apply the Advanced Internal Ratings Based ('Advanced IRB') and Advanced Measurement Approaches ('AMA') methodologies for calculating regulatory capital (known as 'Advanced Accreditation') and is required by APRA to hold minimum capital at least equal to that specified under the Advanced IRB and AMA methodologies. Under New Zealand regulations, this methodology is referred to as Basel II (internal models based) approach. With this accreditation, the Overseas Banking Group is required to disclose additional detailed information on its risk management practices and capital adequacy on a quarterly and semi-annual basis. This information is made available to users via the Overseas Banking Group website (www.westpac.com.au). The aim is to allow the market to better assess the Overseas Banking Group's risk and reward assessment process and hence increase the scrutiny on these processes.

The Overseas Banking Group, and the Overseas Bank (Extended Licensed Entity) (as defined by APRA), exceeded the minimum capital adequacy requirements as specified by APRA as at 31 December 2009. APRA specifies a minimum prudential capital ratio for the Overseas Banking Group, which is not made publicly available.

As a highly rated ADI, the Overseas Banking Group has a capital management strategy that seeks to ensure that the enterprise is strongly capitalised relative to the risks in its portfolio. Ensuring that the Overseas Banking Group's balance sheet structure is prudent and flexible has led to the following long-term operating principles:

- the Overseas Banking Group seeks to manage capital within target ranges with the lower limits taking account of regulatory requirements and ratings agency guidance;
- the Overseas Banking Group's target ranges are intended to be consistent with an 'AA' senior debt rating; and
- the Overseas Banking Group actively manages the deployment of capital within the legal entities that make up the Overseas Banking Group to ensure capital ratios are within ranges and other requirements are met.

The Overseas Banking Group reviews its target capital ranges each year. For the foreseeable future, the Overseas Banking Group will seek to maintain conservative levels of capital.

Note 15 Risk management policies

There have been no material changes to the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed since the publication of the NZ Branch's General Disclosure Statement for the year ended 30 September 2009.

Note 16 Credit risk

Risk-weighted exposures

Risk-weighted exposures are derived in accordance with the Reserve Bank's Capital Adequacy Framework (the 'Framework') as required by the Order.

On-balance sheet non-risk-weighted assets consist of market related contracts (derivatives) and intangible assets. These items have been excluded from the calculation of on-balance sheet risk-weighted exposures in accordance with the Framework. Derivatives have been included in the table of off-balance sheet exposures for the purposes of risk-weighting.

Securitised mortgages in non-consolidated entities are excluded from the balance sheet, but are included in the New Zealand risk-adjusted exposures as required by the Framework.

The current exposure method has been used to calculate the credit equivalent of all market related contracts.

The NZ Banking Group and NZ Branch's credit risk management practice as disclosed in this note is consistent with the Overseas Banking Group's practice. The Overseas Banking Group is accredited to apply the Advanced IRB and AMA methodologies under Basel II. However, under the Order, the NZ Banking Group and NZ Branch are required to disclose capital under the Basel I approach as outlined in the table below.

Notes to the consolidated short form financial statements

Note 16 Credit risk (continued)

Calculation of on-balance sheet exposures

NZ Banking Group			
31 December 2009 – Unaudited			
	Principal Amount \$m	Risk Weighting	Risk-weighted Exposure \$m
Cash and short-term claims on government	4,229	0%	-
Long-term claims on government	275	10%	28
Claims on banks	3,145	20%	629
Claims on public sector entities	298	20%	60
Residential mortgages	32,952	50%	16,476
Other assets	23,525	100%	23,525
Non-risk-weighted assets	7,988	N/A	-
Total on-balance sheet exposures	72,412		40,718

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	475	50%	238
Total off-balance sheet securitised mortgage exposures	475		238

Calculation of off-balance sheet and derivative exposures

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk-weighted Exposure \$m
Direct credit substitutes					
Standby letters of credit and financial guarantees	307	100%	307	82%	252
Total direct credit substitutes	307		307		252
Commitments					
Commitments with certain drawdown	26	100%	26	20%	5
Housing loan commitments with certain drawdown	180	100%	180	50%	90
Transaction related contingent items	647	50%	323	91%	293
Short-term, self liquidating trade related contingent liabilities	762	20%	152	100%	152
Other commitments to provide financial services which have an original maturity of one year or more	9,673	50%	4,837	69%	3,334
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	5,797	0%	-	0%	-
Total commitments	17,085		5,518		3,874
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	64,339		2,082	50%	1,041
Swaps	22,316		1,119	25%	283
Interest rate contracts:					
Forwards	1,690		-	0%	-
Futures	21,154		-	0%	-
Options	8,014		29	48%	14
Swaps	225,486		4,478	29%	1,290
Total market related contracts (derivatives)	342,999		7,708		2,628
Total off-balance sheet and derivative exposures	360,391		13,533		6,754
Total risk-weighted exposures					47,710

Notes to the consolidated short form financial statements

Note 16 Credit risk (continued)

Calculation of on-balance sheet exposures

	NZ Branch		
	31 December 2009 – Unaudited		
	Principal Amount \$m	Risk Weighting	Risk-weighted Exposure \$m
Cash and short-term claims on government	1,679	0%	-
Long-term claims on government	225	10%	23
Claims on banks	1,130	20%	226
Claims on public sector entities	133	20%	28
Other assets	11,841	100%	11,841
Non-risk-weighted assets	8,423	N/A	-
Total on-balance sheet exposures	23,431		12,118

Calculation of off-balance sheet and derivative exposures

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk-weighted Exposure \$m
Direct credit substitutes					
Standby letters of credit and financial guarantees	263	100%	263	79%	208
Total direct credit substitutes	263		263		208
Commitments					
Transaction related contingent items	402	50%	201	85%	171
Short-term, self liquidating trade related contingent liabilities	66	20%	13	97%	13
Other commitments to provide financial services which have an original maturity of one year or more	3,335	50%	1,668	89%	1,484
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	2,201	0%	-	0%	-
Total commitments	6,004		1,882		1,668
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	64,339		2,082	50%	1,041
Swaps	34,380		1,479	24%	353
Interest rate contracts:					
Forwards	1,690		-	0%	-
Futures	21,154		-	0%	-
Options	8,014		29	48%	14
Swaps	250,640		4,552	29%	1,306
Total market related contracts (derivatives)	380,217		8,142		2,714
Total off-balance sheet and derivative exposures	386,484		10,287		4,590
Total risk-weighted exposures					16,708

Residential mortgages by loan-to-value ratios ('LVR')

LVR range	NZ Banking Group		
	31 December 2009 – Unaudited		
	0-80%	81-90%	Over 90%
Value of exposures (\$m)	24,865	5,148	3,047

Notes to the consolidated short form financial statements

Note 17 Concentration of credit exposures to individual counterparties

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

- as at 31 December 2009 was nil (31 December 2008: nil); and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 December 2009 was nil (31 December 2008: nil).

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

- as at 31 December 2009 was nil (31 December 2008: nil); and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 December 2009 was nil (31 December 2008: nil).

The peak end-of-day exposures have been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three-month period, and then dividing that amount by the Overseas Banking Group's equity as at the end of the period. Credit exposures used in the above calculations are determined with reference to actual credit exposures. Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties do not include exposures to those counterparties if they are recorded outside New Zealand nor exposures to the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent. These calculations relate only to exposures held in the financial records of the NZ Banking Group and were calculated net of individually assessed provisions.

The NZ Banking Group predominantly has its market related contracts (derivatives) with other financial institutions (which include other banks and corporates), and the Overseas Banking Group.

Note 18 Market risk

The NZ Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank document 'Capital adequacy framework (standardised approach)' (BS2A). The peak-end-of day exposures below have been calculated by determining the maximum end-of-day aggregate market risk exposure over the quarter, and then dividing that amount by the Overseas Banking Group's equity as at 31 December 2009 (31 December 2008 for comparatives). The end-of-period exposures below have been calculated by determining the end-of-day aggregate market risk as at 31 December 2009, and then dividing that amount by the Overseas Banking Group's equity as at 31 December 2009 (31 December 2008 for comparatives).

For each category of market risk, the peak end-of-day notional capital charge is the aggregate capital charge for that category of market risk derived in accordance with the Reserve Bank document 'Capital adequacy framework (standardised approach)' (BS2A).

For each category of market risk, the peak end-of-day notional capital charge as a percentage of the Overseas Banking Group's equity is the peak end-of-day notional capital charge for that category of market risk divided by the Overseas Banking Group's equity as at 31 December 2009 (31 December 2008 for comparatives).

Market risk notional capital charges

The following table provides a summary of notional capital charges by risk type for the NZ Banking Group as at balance date:

	NZ Banking Group					
	31 December 2009 – Unaudited			31 December 2008 – Unaudited		
	Implied Risk-weighted Exposure \$m	Notional Capital Charge \$m	Notional Capital Charge as a Percentage of the Overseas Banking Group's Equity %	Implied Risk-weighted Exposure \$m	Notional Capital Charge \$m	Notional Capital Charge as a Percentage of the Overseas Banking Group's Equity %
End-of-period						
Interest rate risk	3,438	275	0.63	3,588	287	0.68
Foreign currency risk	48	4	0.01	50	4	0.01
Equity risk	46	4	0.01	38	3	0.01
Peak end-of-day						
Interest rate risk	3,438	275	0.63	6,975	558	1.32
Foreign currency risk	77	6	0.01	50	4	0.01
Equity risk	46	4	0.01	38	3	0.01

