Westpac Banking Corporation Disclosure Statement

For the nine months ended 30 June 2011

Index

General information and definitions

Certain of the information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**') and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order (No 2) 2011 ('**Order**').

In this Disclosure Statement, reference is made to five 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 of the Overseas Banking Group's New Zealand business. Controlled entities of the NZ Banking Group as at 30 September 2010 are set out in Note 27 to the NZ Banking Group's financial statements included in the General Disclosure Statement for the year ended 30 September 2010. Except as detailed in Note 10 to the financial statements, there have been no other changes in the composition of the NZ Banking Group since 30 September 2010;
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank); and
- Westpac New Zealand Limited (otherwise referred to as '**Westpac New Zealand**') – refers to a locally incorporated subsidiary of the Overseas Bank carrying on the Overseas Bank's New Zealand consumer and business banking operations.

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

General matters

Details of the Overseas Bank

There have been no changes in the name or address for service of the Overseas Bank since 30 September 2010.

Directors

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

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

Gail Patricia Kelly, HigherDipEd, BA, MBA, HonDBus – Managing Director and Chief Executive Officer

John Simon Curtis, AM, BA, LLB (Hons.) – Deputy Chairman

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

Gordon McKellar Cairns, MA (Hons.)

Peter John Oswin Hawkins, BCA (Hons.), SF Fin, FAIM, ACA (NZ), FAICD

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

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

Graham John Reaney, BComm, CPA

Peter David Wilson, CA

Chief Executive Officer, NZ Branch

Name: David McLean, LLB (Hons.)

Responsible person

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

There has been no change in the composition of the Overseas Bank's Board of Directors (the '**Board**') since 30 September 2010. On 11 May 2011, the Overseas Bank's Chairman, Edward Alfred Evans, announced his decision to retire following the 2011 Annual General Meeting on 14 December 2011. He will be succeeded from within the Board by current Audit Committee Chairman, Lindsay Philip Maxsted.

Credit ratings

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

Rating Agency	Current Credit Rating	Rating Outlook
Fitch Ratings	AA	Stable
Moody's Investors Service	Aa2	Stable
Standard & Poor's	AA	Stable

On 18 May 2011, the Overseas Bank's credit rating issued by Moody's Investors Service was downgraded from Aa1 to Aa2 with a 'stable' outlook.

A credit rating is not a recommendation to buy, sell or hold securities of the Overseas Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in the Overseas Bank's securities are cautioned to evaluate each rating independently of any other rating.

Disclosure statements of the NZ Branch and the financial statements of the Overseas Bank and the Overseas Banking Group

Disclosure Statements of the NZ Branch for the last five years are available, free of charge, at the internet address www.westpac.co.nz. A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request is made.

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2010 and for the six months ended 31 March 2011 respectively and can 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, NZ Branch, signed this 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 Disclosure Statement the Overseas Bank is an ADI.

The Australian Banking Act was amended to facilitate the deposit guarantee by establishing a financial claims scheme ('**FCS**') to be administered by the Australian Prudential Regulation Authority ('**APRA**').

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 the 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 Disclosure Statement, APRA has not applied for a 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.

On 12 December 2010 the Australian Government announced its intention to confirm the FCS as a permanent feature of Australia's financial system. The scheduled review of the future design of the FCS, including the $1 million cap, has commenced with the release of a FCS Consultation Paper on 27 May 2011. In the Consultation Paper, the Council of Financial Regulators ('**CFR**') recommended that the FCS cap should be lowered to between $150,000 and $250,000 per depositor per ADI from October 2011. The CFR otherwise considered no major changes are required to the FCS. The Australian Government has received submissions on the Consultation Paper and will determine the appropriate future settings of the FCS. Information about the FCS is included in the NZ Branch's General Disclosure Statement for the year ended 30 September 2010. Further information about the FCS may also 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.

There have been no changes in the terms of the FCS since the date of signing of the NZ Branch's General Disclosure Statement for the year ended 30 September 2010.

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 provided 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.

The Australian Government announced on 7 February 2010 that it would withdraw the Guarantee Facility, which ceased to have effect from 5pm on 31 March 2010. Deposit balances above A$1 million covered by the Guarantee Facility as at 31 March 2010 will be covered until maturity (for term deposits) or until October 2015 (for at call deposits). For at call deposits, the amount covered will be capped at the closing guaranteed amount on 31 March 2010. Deposits and interest payments after this date will only be covered (up to the capped amount) if the guaranteed balance has fallen below the capped amount. For term deposits, interest due after 31 March 2010 will be guaranteed to maturity. Statutory trust accounts will be treated in the same way as other large deposits. Guaranteed wholesale liabilities as at 31 March 2010 with terms to maturity of up to five years will also be guaranteed to the earlier of maturity or five years. The Scheme Rules were amended to effect the withdrawal of the Guarantee Facility. The announcement does not affect the FCS, which continues to cover deposits of up to A$1 million.

Information about the Guarantee is included in the NZ Branch's General Disclosure Statement for the year ended 30 September 2010. Further information about the Guarantee and the Scheme Rules is available at www.guaranteescheme.gov.au and may be amended by the Australian Government from time to time.

There have been no changes in the terms of the Guarantee since the date of signing of the NZ Branch's General Disclosure Statement for the year ended 30 September 2010.

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.

New Zealand Deposit Guarantee Scheme and Wholesale Funding Guarantee Facility

Westpac New Zealand has entered into the following guarantees with the New Zealand Government ('**Crown**'):

(i) a Crown Wholesale Funding Guarantee Facility Deed and Crown Wholesale Funding Guarantee, each dated 23 February 2009 (together the '**Wholesale Guarantee**');

(ii) a Crown Deed of Guarantee dated 11 November 2008, amended by a supplemental deed dated 24 November 2008, under the New Zealand deposit guarantee scheme ('**Deposit Guarantee**'); and

(iii) a Crown Deed of Guarantee dated 16 December 2009 under the revised deposit guarantee scheme ('**Revised Deposit Guarantee**').

Westpac New Zealand's Deposit Guarantee and Revised Deposit Guarantee expired at the end of 11 October 2010. Westpac New Zealand did not apply for a guarantee under the extension of the Deposit Guarantee that commenced on 12 October 2010 and will expire at the end of 31 December 2011. Therefore, as at the date the Directors and the Chief Executive Officer, NZ Branch signed this Disclosure Statement, no obligations of Westpac New Zealand are guaranteed by the Crown under the Deposit Guarantee or the Revised Deposit Guarantee.

Guarantee arrangements (continued)

The Crown's address for service in relation to the Wholesale Guarantee is:

(i) Minister of Finance, Parliament Buildings, Wellington; or

(ii) New Zealand High Commissioner in London at the address of the New Zealand High Commission in London for the time being; or

(iii) New Zealand Consul and Trade Commissioner at the address of the New Zealand Consulate-General in New York for the time being;

in each case with a copy (with delivery made by hand or facsimile) to: The Treasurer, The New Zealand Debt Management Office, 1 The Terrace, Wellington, New Zealand.

The Wholesale Guarantee closed on 30 April 2010 from which date no new obligations of Westpac New Zealand can be made subject to the Wholesale Guarantee. Obligations of Westpac New Zealand the subject of the Wholesale Guarantee as at 30 April 2010 are not affected.

Further information about the Wholesale Guarantee is included in Westpac New Zealand's General Disclosure Statement for the year ended 30 September 2010. A copy of Westpac New Zealand's General Disclosure Statement for the year ended 30 September 2010 is available, free of charge, at the internet address www.westpac.co.nz. A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request is made.

There have been no changes to the terms of the Wholesale Guarantee since the date of signing of the Westpac New Zealand's General Disclosure Statement for the year ended 30 September 2010.

The NZ Branch has not entered into the Deposit Guarantee scheme and did not participate in the Wholesale Guarantee facility.

Ranking of local creditors in liquidation

Since 30 September 2010, there have been no material changes to the legislative or regulatory restrictions in Australia (being the Overseas Bank's country of incorporation) which subordinate the claims of any class of unsecured creditors of the NZ Branch on the 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 any other class of unsecured creditors of the Overseas Bank.

Since 30 September 2010, there have been no material changes in any regulatory or legislative requirements in Australia that require the Overseas Bank to maintain sufficient assets in Australia to cover an ongoing obligation to pay deposit liabilities in Australia.

Other material matters

There are no matters relating to the business or affairs of the NZ Branch and the NZ Banking Group which are not contained elsewhere in the Disclosure Statement and which would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the NZ Branch or any member of the NZ Banking Group is the issuer.

Conditions of registration

The conditions of registration imposed on Westpac Banking Corporation (the '**registered bank**') in New Zealand, which applied on and after 1 July 2011, 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% of its total consolidated assets. For the purposes of this condition:
   - (a) 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 disapplied 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;
   - (b) in measuring the size of the Banking Group's insurance business:
     - (i) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
       - (A) the total consolidated assets of the group headed by that entity; or
       - (B) 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;
     - (ii) 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;
     - (iii) the amounts measured in relation to subparagraphs (i) and (ii) shall be summed and compared to the total consolidated assets of the Banking Group. All amounts in subparagraphs (i) and (ii) 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;
     - (iv) 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 in New Zealand does not constitute a predominant proportion of the total business of the registered bank.
4. That no appointment to the position of the New Zealand Chief Executive Officer of the registered bank shall be made unless:
   - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
   - (b) the Reserve Bank has advised that it has no objection to that appointment.
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:
   - (a) tier one capital of Westpac Banking Corporation is not less than 4 percent of risk-weighted exposures; and
   - (b) capital of Westpac Banking Corporation is not less than 8 percent of risk-weighted exposures.

Conditions of registration (continued)

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 $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.

In these conditions of registration:

- ‘Banking Group’ means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group’s New Zealand business under section 9(2) of the Financial Reporting Act 1993;
- ‘business of the registered bank in New Zealand’ means the New Zealand business of the registered bank as required to be reported in financial statements under section 8(2) of the Financial Reporting Act 1993; and
- ‘liabilities of the registered bank in New Zealand’ means the liabilities of the registered bank as required to be reported in financial statements under section 8(2) of the Financial Reporting Act 1993.

The conditions of registration for Westpac Banking Corporation were changed with effect from 1 July 2011. These changes:

- reflect a clarification in the Order that the registered bank is Westpac Banking Corporation, rather than the NZ Branch, as the process of registration as a bank in New Zealand can only apply to a legal entity, not a branch separately. Accordingly, references to “NZ Branch” in the conditions of registration have been replaced with references to “registered bank”; and
- clarify that where a condition refers to the business (or some aspect of the business) of the registered bank in New Zealand, the extent of the business that the condition applies to is defined by reference to the applicable financial reporting standards. Accordingly, definitions of “business of the registered bank in New Zealand” and “liabilities of the registered bank in New Zealand” have been added to the conditions of registration.”

Proposed transfer of additional banking operations to Westpac New Zealand

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

Following an independent review of the structure of the operating model of the Overseas Bank’s business in New Zealand, the Reserve Bank, Westpac New Zealand and the Overseas Bank have reached high level agreement on changes to the operating model. Under that agreement, the NZ Branch will transfer the following additional business activities and associated employees to Westpac New Zealand:

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

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

As at 30 June 2011, business activities proposed to be transferred by the NZ Branch include: customer loans of approximately $6.2 billion (30 September 2010: $6.7 billion) and customer deposits of approximately $5.8 billion (30 September 2010: $5.5 billion). It is currently anticipated that term intra-group funding of approximately $3.1 billion will be put in place. In addition, for the nine months ended 30 June 2011, it is estimated that the business activities to be transferred by the NZ Branch had aggregate revenues of approximately $120 million (12 months ended 30 September 2010: $167 million) and aggregate net profit after tax of approximately $74 million (12 months ended 30 September 2010: $107 million).

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

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

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 Disclosure Statement is signed, the Disclosure Statement:

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

(b) is not false or misleading.

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, over the nine months ended 30 June 2011:

(a) the Overseas Bank 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 and other business risks, and that those systems were being properly applied.

This Disclosure Statement has been signed on behalf of the Directors by George Frazis, Chief Executive, Westpac New Zealand, and David McLean, Chief Executive Officer, NZ Branch.

George Frazis

David McLean

Dated this the 26th day of August 2011

Consolidated financial statements

Contents

Consolidated income statement for the nine months ended 30 June 2011

	Note	NZ Banking Group		
		Nine Months Ended 30 June 2011 Unaudited $m	Nine Months Ended 30 June 2010 Unaudited $m	Year Ended 30 September 2010 Audited $m
Interest income		**3,017**	2,965	3,972
Interest expense		**(1,915)**	(1,911)	(2,562)
Net interest income		**1,102**	1,054	1,410
Non-interest income:				
Fees and commissions	2	**238**	236	313
Wealth management revenue	2	**65**	64	88
Trading income	2	**43**	76	96
Gains on ineffective hedges	2	**4**	3	4
Other non-interest income	2	**20**	17	31
Total non-interest income		**370**	396	532
Net operating income		**1,472**	1,450	1,942
Operating expenses		**(627)**	(566)	(788)
Impairment charges on loans	3	**(188)**	(227)	(332)
Operating profit		**657**	657	822
Share of profit of associate accounted for using equity method		**-**	-	1
Profit before income tax expense		**657**	657	823
Income tax expense on operating profit		**(192)**	(199)	(248)
Income tax related to New Zealand structured finance transactions		**(19)**	188	188
Profit after income tax expense		**446**	646	763
Profit after income tax expense attributable to:				
Head office account and owners of the NZ Banking Group		**443**	644	760
Non-controlling interests		**3**	2	3
		446	646	763

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 nine months ended 30 June 2011

	NZ Banking Group		
	Nine Months Ended 30 June 2011 Unaudited $m	Nine Months Ended 30 June 2010 Unaudited $m	Year Ended 30 September 2010 Audited $m
Profit after income tax expense	**446**	646	763
Other comprehensive income:			
Net unrealised gains from changes in fair value of available-for-sale securities	**25**	7	7
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	**8**	60	66
Transferred to the income statement	**-**	3	3
Actuarial gains/(losses) on employee defined benefit superannuation schemes	**-**	7	(27)
Income tax relating to components of other comprehensive income[1]	**(10)**	(21)	(13)
Other comprehensive income net of tax	**23**	56	36
Total comprehensive income	**469**	702	799
Total comprehensive income attributable to:			
Head office account and owners of the NZ Banking Group	**466**	700	796
Non-controlling interests	**3**	2	3
	469	702	799

1 The income tax effects relating to each component of other comprehensive income are disclosed in the following table.

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 nine months ended 30 June 2011 (Unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	**25**	**(7)**	**18**
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	**8**	**(3)**	**5**
Transferred to the income statement	**-**	**-**	**-**
Actuarial gains on employee defined benefit superannuation schemes	**-**	**-**	**-**
Other comprehensive income	**33**	**(10)**	**23**
For the nine months ended 30 June 2010 (Unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	7	-	7
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	60	(18)	42
Transferred to the income statement	3	(1)	2
Actuarial gains on employee defined benefit superannuation schemes	7	(2)	5
Other comprehensive income	77	(21)	56
For the year ended 30 September 2010 (Audited)			
Net unrealised gains from changes in fair value of available-for-sale securities	7	-	7
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	66	(20)	46
Transferred to the income statement	3	(1)	2
Actuarial losses on employee defined benefit superannuation schemes	(27)	8	(19)
Other comprehensive income	49	(13)	36

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 nine months ended 30 June 2011

	NZ Banking Group									
	Head Office Account			NZ Banking Group Equity						
	Branch Capital $m	(Accumulated Losses)/ Retained Profits $m	Convertible Debentures $m	Share Capital $m	Retained Profits $m	Cash Flow Hedge Reserve $m	Available-for-sale Securities Reserve $m	Total Before Non-controlling Interests $m	Non-controlling Interests $m	Total $m
As at 1 October 2009	1,800	(408)	1,284	142	1,227	(165)	18	3,898	7	3,905
Nine months ended 30 June 2010										
Profit after income tax expense	-	333	-	-	311	-	-	644	2	646
Other comprehensive income	-	-	-	-	5	44	7	56	-	56
Total comprehensive income for the nine months ended 30 June 2010	-	333	-	-	316	44	7	700	2	702
Transactions with owners:										
Repatriation of Branch Capital to the Overseas Bank	(500)	-	-	-	-	-	-	(500)	-	(500)
Dividends paid on convertible debentures (net of tax)	-	(34)	-	-	-	-	-	(34)	-	(34)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(3)	(3)
As at 30 June 2010 (Unaudited)	1,300	(109)	1,284	142	1,543	(121)	25	4,064	6	4,070
Year ended 30 September 2010										
Profit after income tax expense	-	370	-	-	390	-	-	760	3	763
Other comprehensive (expense)/income	-	-	-	-	(19)	48	7	36	-	36
Total comprehensive income for the year ended 30 September 2010	-	370	-	-	371	48	7	796	3	799
Transactions with owners:										
Share capital cancellation	-	-	-	(3)	1	-	-	(2)	-	(2)
Repatriation of Branch Capital to the Overseas Bank	(500)	-	-	-	-	-	-	(500)	-	(500)
Dividends paid on convertible debentures (net of tax)	-	(70)	-	-	-	-	-	(70)	-	(70)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)
As at 1 October 2010 (Audited)	1,300	(108)	1,284	139	1,599	(117)	25	4,122	6	4,128
Nine months ended 30 June 2011										
Profit after income tax expense	**-**	**208**	**-**	**-**	**235**	**-**	**-**	**443**	**3**	**446**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**5**	**18**	**23**	**-**	**23**
Total comprehensive income for the nine months ended 30 June 2011	**-**	**208**	**-**	**-**	**235**	**5**	**18**	**466**	**3**	**469**
Transaction with owners:										
Dividends paid on convertible debentures (net of tax)	**-**	**(35)**	**-**	**-**	**-**	**-**	**-**	**(35)**	**-**	**(35)**
Dividends paid on ordinary shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
As at 30 June 2011 (Unaudited)	**1,300**	**65**	**1,284**	**139**	**1,834**	**(112)**	**43**	**4,553**	**7**	**4,560**

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 30 June 2011

	Note	NZ Banking Group 30 June 2011 Unaudited $m	30 June 2010 Unaudited $m	30 September 2010 Audited $m
Assets				
Cash and balances with central banks		**1,302**	902	1,570
Due from other financial institutions		**265**	292	36
Derivative financial instruments		**4,965**	4,891	5,685
Trading securities	4	**6,309**	5,505	5,630
Available-for-sale securities		**1,116**	44	44
Loans	5	**57,264**	56,412	56,738
Life insurance assets		**177**	136	146
Due from related entities		**2,578**	1,760	1,555
Investment in associate		**48**	48	48
Goodwill and other intangible assets		**607**	619	615
Property, plant and equipment		**154**	117	127
Current tax assets		**16**	-	-
Deferred tax assets		**279**	374	392
Other assets		**336**	224	197
Total assets		**75,416**	71,324	72,783
Liabilities				
Due to other financial institutions		**1,503**	528	794
Deposits at fair value	7	**1,747**	2,434	2,453
Deposits at amortised cost	7	**37,094**	34,184	35,567
Derivative financial instruments		**4,950**	4,882	5,501
Trading liabilities	8	**1,465**	345	239
Debt issues	9	**15,138**	16,729	15,439
Current tax liabilities		**-**	-	52
Provisions		**86**	102	102
Other liabilities		**616**	496	686
Total liabilities excluding subordinated debentures and due to related entities		**62,599**	59,700	60,833
Subordinated debentures		**707**	848	819
Total liabilities excluding due to related entities		**63,306**	60,548	61,652
Due to related entities		**7,550**	6,706	7,003
Total liabilities		**70,856**	67,254	68,655
Net assets		**4,560**	4,070	4,128
Equity				
Head office account				
Branch capital		**1,300**	1,300	1,300
Retained profits/(accumulated losses)		**65**	(109)	(108)
Total head office account		**1,365**	1,191	1,192
Convertible debentures		**1,284**	1,284	1,284
NZ Banking Group equity				
Ordinary share capital		**139**	142	139
Retained profits		**1,834**	1,543	1,599
Available-for-sale securities reserve		**43**	25	25
Cash flow hedge reserve		**(112)**	(121)	(117)
Total equity attributable to owners of the NZ Banking Group		**1,904**	1,589	1,646
Non-controlling interests		**7**	6	6
Total equity		**4,560**	4,070	4,128
Interest earning and discount bearing assets		**66,993**	63,704	64,650
Interest and discount bearing liabilities		**60,162**	57,709	57,824

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 nine months ended 30 June 2011

	NZ Banking Group		
	Nine Months Ended 30 June 2011 Unaudited $m	Nine Months Ended 30 June 2010 Unaudited $m	Year Ended 30 September 2010 Audited $m
Cash flows from operating activities			
Interest income received	**3,019**	2,956	3,958
Interest expense paid	**(1,955)**	(1,926)	(2,522)
Non-interest income received	**353**	395	497
Net (increase)/decrease in trading securities	**(771)**	164	60
Net increase/(decrease) in trading liabilities	**1,226**	(2,451)	(2,456)
Net movement in derivative financial instruments	**176**	(588)	(757)
Operating expenses paid	**(586)**	(507)	(714)
Income tax paid	**(153)**	(464)	(465)
Net cash provided by/(used in) operating activities	**1,309**	(2,421)	(2,399)
Cash flows from investing activities			
Net purchase of available-for-sale securities	**(1,047)**	-	-
Net loans advanced to customers	**(714)**	(1,047)	(1,488)
Net increase in life insurance assets	**(31)**	(10)	(20)
Net (increase)/decrease in due from related entities	**(1,023)**	999	1,204
Net (increase)/decrease in other assets	**(57)**	22	70
Purchase of capitalised computer software	**(25)**	(27)	(35)
Purchase of property, plant and equipment	**(47)**	(42)	(58)
Proceeds from disposal of property, plant and equipment	**-**	1	1
Net cash used in investing activities	**(2,944)**	(104)	(326)
Cash flows from financing activities			
Share capital cancellation	**-**	-	(3)
Branch capital repatriated to the Overseas Bank	**-**	(500)	(500)
Net increase in deposits	**821**	206	1,608
Net (payment of)/proceeds from debt issues	**(301)**	4,360	3,070
Net increase/(decrease) in due to related entities	**533**	(1,969)	(1,671)
Net decrease in other liabilities and subordinated debentures	**(114)**	(10)	(19)
Dividends paid on convertible debentures	**(50)**	(49)	(100)
Dividends paid on ordinary shares	**(2)**	(3)	(4)
Net cash provided by financing activities	**887**	2,035	2,381
Net decrease in cash and cash equivalents	**(748)**	(490)	(344)
Cash and cash equivalents at beginning of the period/year	**812**	1,156	1,156
Cash and cash equivalents at end of the period/year	**64**	666	812
Cash and cash equivalents comprise:			
Cash and balances with central banks	**1,302**	902	1,570
Due to other financial institutions (net)	**(1,238)**	(236)	(758)
Cash and cash equivalents at end of the period/year	**64**	666	812
Reconciliation of profit after income tax expense to net cash provided by/(used in) operating activities			
Profit after income tax expense	**446**	646	763
Adjustments:			
Software amortisation costs	**33**	31	43
Impairment charges on loans	**188**	227	332
Depreciation on property, plant and equipment	**19**	18	24
Loss on disposal of property, plant and equipment	**1**	-	-
Share-based payments	**14**	2	2
Movement in accrued assets	**15**	(12)	(32)
Movement in accrued liabilities and provisions	**(58)**	2	60
Movement in current and deferred tax	**43**	(475)	(441)
Tax on available-for-sale reserve	**(7)**	-	-
Tax on convertible debentures dividends	**15**	15	30
Movement in trading securities	**(802)**	164	38
Movement in trading liabilities	**1,226**	(2,451)	(2,461)
Movement in derivative financial instruments	**176**	(588)	(757)
Net cash provided by/(used in) operating activities	**1,309**	(2,421)	(2,399)

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

Notes to the financial statements

Note 1 Statement of accounting policies

Statutory base

These financial statements have been prepared and presented in accordance with the Order and the Reserve Bank Act.

These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('**NZ GAAP**'), as appropriate for profit-oriented entities, which includes the 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 2010.

These financial statements comply 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 2010, the following standards, interpretations and amendments have been adopted with effect from 1 October 2010 in the preparation of these financial statements:

- New Zealand equivalent to International Financial Reporting Standard ('**NZ IFRS**') 2 *Share-based Payment – Amendment: Group Cash-settled Share-based Payment Transactions* – The amendments clarify the scope of NZ IFRS 2 *Share-based Payment* by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.
- NZ IAS 1 *Presentation of Financial Statements* (revised) – The amendments clarify that the terms of a liability, which could be settled at any time by the issuance of equity instruments at the option of the counterparty, do not affect its classification.
- NZ IAS 7 *Statement of Cash Flows* – The amendments clarify that only expenditure which results in a recognised asset can be classified as cash flows from investing activities.
- NZ IAS 17 *Leases* – The amendment has removed specific guidance on classifying land as a lease.
- NZ IAS 32 *Financial Instruments: Presentation* – The amendments clarify the classification of rights issues.

Adoption of these new and revised accounting standards has not resulted in any material 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 of 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 Branch of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

These financial statements were authorised for issue by the Board on 26 August 2011. 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. 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 and methods of computation have been followed in preparing these financial statements as were used in preparing the financial statements for the year ended 30 September 2010, except as amended for the changes required due to the adoption of the new and revised accounting standards as explained in the 'Statutory base' section above.

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.

Basis of aggregation

The NZ Banking Group as at 30 June 2011 has been aggregated by combining the sum of the capital and reserves of the NZ Branch, Hastings Forestry Investments Limited, St.George New Zealand Limited and the consolidated capital and reserves of BT Financial Group (NZ) Limited, Westpac Financial Services Group-NZ-Limited, Westpac Group Investment-NZ-Limited, Westpac New Zealand Group Limited and their controlled entities. For New Zealand entities acquired by the Overseas Banking Group, capital and reserves at acquisition are netted and recognised as capital contributed to the NZ Banking Group.

The NZ Banking Group may invest in or establish special purpose entities to enable it to undertake specific types of transactions. Where the NZ Banking Group controls such entities, they are consolidated into the NZ Banking Group's financial results.

All transactions and balances between entities within the NZ Banking Group have been eliminated.

Non-controlling interests are stated at the proportion of the net profit and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly by the NZ Banking Group. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Note 2 Non-interest income

	NZ Banking Group		
	Nine Months Ended 30 June 2011 Unaudited $m	Nine Months Ended 30 June 2010 Unaudited $m	Year Ended 30 September 2010 Audited $m
Fees and commissions			
Transaction fees and commissions	**176**	173	231
Lending fees (loan and risk)	**47**	40	54
Insurance commissions received	**4**	4	6
Other non-risk fee income	**11**	19	22
Total fees and commissions	**238**	236	313
Wealth management revenue			
Fees from trust and other fiduciary activities	**100**	91	125
Net life insurance income and change in policy liabilities	**(35)**	(27)	(37)
Total wealth management revenue	**65**	64	88
Trading income			
Foreign exchange trading	**53**	50	69
Interest rate trading	**(10)**	26	27
Total trading income[1]	**43**	76	96
Gains on ineffective hedges	**4**	3	4
Other non-interest income			
Net gains on derivatives held for risk management purposes	**16**	15	26
Dividend income	**2**	2	2
Rental income	**1**	1	1
Loss on disposal of property, plant and equipment	**(1)**	-	-
Other	**2**	(1)	2
Total other non-interest income	**20**	17	31
Total non-interest income	**370**	396	532

1 Total trading income includes a credit risk adjustment of $3 million for the nine months ended 30 June 2011 (30 June 2010: $1 million, 30 September 2010: $1 million).

Note 3 Impairment charges on loans

	NZ Banking Group			
	Residential Mortgages $m	**Other Loans for Consumer Purposes $m**	**Loans for Business Purposes $m**	**Total $m**
Nine months ended 30 June 2011 (Unaudited)				
Collectively assessed provision	**(3)**	**(22)**	**(32)**	**(57)**
Individually assessed provisions	**66**	**-**	**164**	**230**
Bad debt write-off direct to the income statement	**3**	**32**	**14**	**49**
Interest adjustments	**(5)**	**(11)**	**(18)**	**(34)**
Total impairment charges on loans	**61**	**(1)**	**128**	**188**
Nine months ended 30 June 2010 (Unaudited)				
Collectively assessed provision	37	44	(26)	55
Individually assessed provisions	61	-	97	158
Bad debt write-off direct to the income statement	7	40	9	56
Interest adjustments	(3)	(14)	(25)	(42)
Total impairment charges on loans	102	70	55	227
Year ended 30 September 2010 (Audited)				
Collectively assessed provision	38	44	(76)	6
Individually assessed provisions	83	-	226	309
Bad debt write-off direct to the income statement	9	54	6	69
Interest adjustments	(5)	(18)	(29)	(52)
Total impairment charges on loans	125	80	127	332

Notes to the financial statements

Note 4 Trading securities

	NZ Banking Group		
	30 June 2011 Unaudited $m	30 June 2010 Unaudited $m	30 September 2010 Audited $m
Trading securities			
Listed:			
NZ Government securities	**2,370**	2,567	1,955
NZ corporate securities	**29**	43	46
Total listed securities	**2,399**	2,610	2,001
Unlisted:			
NZ corporate securities:			
Certificates of deposit	**2,797**	2,422	3,046
Commercial paper	**381**	131	204
Corporate bonds	**219**	68	97
Mortgage-backed securities	**7**	-	9
Offshore securities	**105**	-	28
Total unlisted securities	**3,509**	2,621	3,384
Securities purchased under agreement to resell	**401**	274	245
Total trading securities	**6,309**	5,505	5,630

As at 30 June 2011, the NZ Banking Group had $1,134 million (30 June 2010: $83 million, 30 September 2010: $20 million) of trading securities that were encumbered through repurchase agreements as part of standard terms of transactions with other banks.

Note 5 Loans

	NZ Banking Group		
	30 June 2011 Unaudited $m	30 June 2010 Unaudited $m	30 September 2010 Audited $m
Overdrafts	**1,114**	1,242	1,237
Credit card outstandings	**1,279**	1,248	1,250
Money market loans	**1,046**	965	879
Term loans:			
Housing	**34,709**	33,857	34,143
Non-housing	**18,854**	18,896	18,930
Other	**995**	969	1,129
Total gross loans	**57,997**	57,177	57,568
Provisions for impairment charges on loans	**(733)**	(765)	(830)
Total net loans	**57,264**	56,412	56,738

Movements in impaired assets and provisions for impairment charges on loans are outlined in Note 6.

On 22 November 2010, Westpac NZ Covered Bond Limited ('**WNZCBL**') was incorporated, as part of the NZ Banking Group's global covered bond programme, to hold a portion of the NZ Banking Group's housing loans and to provide guarantees of the covered bonds issued from time to time by Westpac Securities NZ Limited ('**WSNZL**'). WSNZL is an indirect, wholly-owned subsidiary company of Westpac New Zealand. Each guarantee provided by WNZCBL is secured by the housing loans from time to time held by WNZCBL. As at 30 June 2011, the value of the housing loans held by WNZCBL (being the underlying collateral for those guarantees) was $2.75 billion (30 June 2010: nil, 30 September 2010: nil). These housing loans have not been derecognised from Westpac New Zealand's financial statements as Westpac New Zealand retains all of the risks and rewards of ownership. During the three months ended 30 June 2011, WSNZL issued $1.8 billion of covered bonds during its initial offer under this programme, with a maturity date of 16 June 2016.

Note 6 Credit quality, impaired assets and provisions for impairment charges on loans

	NZ Banking Group			
	Nine Months Ended 30 June 2011 (Unaudited)			
	Residential Mortgages $m	Other Loans for Consumer Purposes $m	Loans for Business Purposes $m	Total $m
Total neither past due nor impaired	33,269	1,618	20,029	54,916
Past due assets				
Less than 30 days past due	922	95	464	1,481
At least 30 days but less than 60 days past due	120	21	79	220
At least 60 days but less than 90 days past due	59	11	31	101
At least 90 days past due	119	19	200	338
Total past due assets[1, 2]	1,220	146	774	2,140
Individually impaired assets[2]				
Balance at beginning of the period	302	-	588	890
Additions	244	-	408	652
Amounts written off	(82)	-	(214)	(296)
Returned to performing or repaid	(245)	-	(61)	(306)
Balance at end of the period	219	-	721	940
Restructured assets				
Balance at beginning of the period	-	-	-	-
Additions	1	-	-	1
Balance at end of the period	1	-	-	1
Total impaired assets	220	-	721	941
Total gross loans[3]	34,709	1,764	21,524	57,997
Individually assessed provisions				
Balance at beginning of the period	80	-	276	356
Impairment charges on loans:				
New provisions	85	-	175	260
Recoveries	(6)	-	-	(6)
Reversal of previously recognised impairment charges on loans	(13)	-	(11)	(24)
Amounts written off	(80)	-	(200)	(280)
Interest adjustments	3	-	1	4
Balance at end of the period	69	-	241	310
Collectively assessed provisions				
Balance at beginning of the period	80	104	332	516
Impairment charges on loans	(3)	(22)	(32)	(57)
Balance at end of the period	77	82	300	459
Total provisions for impairment charges on loans and credit commitments	146	82	541	769
Provision for credit commitments	-	-	(36)	(36)
Total provisions for impairment charges on loans	146	82	505	733
Total net loans	34,563	1,682	21,019	57,264

1 Past due assets are not impaired assets.
2 The NZ Banking Group has an undrawn balance of $5 million on individually impaired assets under loans for business purposes as at 30 June 2011.
3 The NZ Banking Group does not have other assets under administration.

Note 7 Deposits

	NZ Banking Group		
	30 June 2011 Unaudited $m	30 June 2010 Unaudited $m	30 September 2010 Audited $m
Deposits at fair value			
Certificates of deposit	**1,469**	1,975	1,902
Call and Term deposits	**278**	459	551
Total deposits at fair value	**1,747**	2,434	2,453
Deposits at amortised cost			
Non-interest bearing, repayable at call	**2,810**	2,517	2,515
Other interest bearing:			
At call	**13,768**	12,655	13,221
Term	**20,516**	19,012	19,831
Total deposits at amortised cost	**37,094**	34,184	35,567
Total deposits	**38,841**	36,618	38,020

The NZ Branch held no retail deposits from individuals as at 30 June 2011 (30 June 2010: nil, 30 September 2010: nil).

Note 8 Trading liabilities

	NZ Banking Group		
	30 June 2011 Unaudited $m	30 June 2010 Unaudited $m	30 September 2010 Audited $m
Held for trading			
Securities sold short	**353**	262	219
Securities sold under agreements to repurchase	**1,112**	83	20
Total trading liabilities	**1,465**	345	239

Note 9 Debt issues

	NZ Banking Group		
	30 June 2011 Unaudited $m	30 June 2010 Unaudited $m	30 September 2010 Audited $m
Short-term debt			
Commercial paper	**5,310**	8,055	6,546
Total short-term debt	**5,310**	8,055	6,546
Long-term debt			
Non-domestic medium-term notes	**8,235**	6,413	6,711
Domestic medium-term notes	**1,593**	2,261	2,182
Total long-term debt	**9,828**	8,674	8,893
Total debt issues	**15,138**	16,729	15,439
Debt issues at amortised cost	**9,368**	8,674	8,893
Debt issues at fair value	**5,770**	8,055	6,546
Total debt issues	**15,138**	16,729	15,439
Movement in debt issues			
Balance at beginning of the period/year	**15,439**	12,369	12,369
Issuance during the period/year	**13,859**	19,498	22,961
Repayments during the period/year	**(12,784)**	(15,565)	(19,797)
Effect of foreign exchange movements during the period/year	**(1,269)**	335	(240)
Effect of fair value movements during the period/year	**(107)**	92	146
Balance at end of the period/year	**15,138**	16,729	15,439

As at 30 June 2011, the NZ Banking Group had New Zealand Government guaranteed debt of $3,789 million (30 June 2010: $4,424 million, 30 September 2010: $4,141 million). For further information on New Zealand Government guaranteed debt please refer to Guarantee arrangements on page 2.

Note 10 Related entities

Westpac NZ Covered Bond Holdings Limited ('**WNZCBHL**') and its wholly-owned subsidiary company, WNZCBL, were incorporated on 22 November 2010. The NZ Banking Group, through two of its subsidiaries, Westpac NZ Operations Limited ('**WNZO**') and Westpac Holdings-NZ-Limited, has a qualifying interest of 19% in WNZCBHL. The NZ Banking Group is considered to control both WNZCBHL and WNZCBL through contractual arrangements currently in place, and as such both WNZCBHL and WNZCBL are consolidated into the financial statements of the NZ Banking Group. In addition, on 30 June 2011, WNZO acquired 100% of the shares issued by Aotearoa Financial Services Limited ('**AFS**') from Westpac Capital-NZ-Limited (a wholly-owned subsidiary of the Overseas Bank). AFS is a non-trading entity. These changes have no material impact on the NZ Banking Group's result or financial position.

There have been no other changes to the composition of the NZ Banking Group since 30 September 2010. Controlled entities of the Banking Group as at 30 September 2010 are set out in Note 27 to the NZ Banking Group's financial statements included in the General Disclosure Statement for the year ended 30 September 2010.

The total liabilities of the NZ Branch, net of amounts due to related entities as at 30 June 2011 amounted to $13,273 million (30 June 2010: $10,542 million, 30 September 2010: $12,303 million).

Note 11 Commitments and contingent liabilities

	NZ Banking Group		
	30 June 2011 Unaudited $m	30 June 2010 Unaudited $m	30 September 2010 Audited $m
Commitments for capital expenditure			
Due within one year	**12**	59	30
Other expenditure commitments:			
One year or less	**85**	87	87
Between one and five years	**38**	123	102
Over five years	**-**	-	-
Total other expenditure commitments	**123**	210	189
Lease commitments (all leases are classified as operating leases)			
Premises and sites	**257**	212	205
Motor vehicles	**5**	7	6
Total lease commitments	**262**	219	211
Lease commitments are due as follows:			
One year or less	**54**	47	43
Between one and five years	**119**	93	94
Over five years	**89**	79	74
Total lease commitments	**262**	219	211
Other contingent liabilities and commitments			
Direct credit substitutes	**336**	314	319
Commitments with certain drawdown	**140**	179	105
Transaction related contingent items	**677**	661	665
Underwriting and sub-underwriting facilities	**11**	-	-
Short-term, self liquidating trade related contingent liabilities	**717**	787	892
Other commitments to provide financial services which have an original maturity of one year or more	**10,134**	9,454	9,246
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	**6,616**	6,542	6,722
Total other contingent liabilities and commitments	**18,631**	17,937	17,949

The NZ Banking Group is a 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, 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/or investments.

Note 11 Commitments and contingent liabilities (continued)

The NZ Banking Group has transferred certain housing loans originated by it to the securitisation vehicles listed below. The NZ Banking Group is obliged to repurchase housing loans:

(a) held by the Westpac Home Loan Trust ('**HLT**') where it is discovered within 120 days of sale that those loans were not eligible for sale when sold;

(b) held by the Westpac NZ Securitisation Limited securitisation programme where the housing loans cease to conform to certain terms and conditions of the Westpac NZ Securitisation Limited securitisation programme;

(c) held by WNZCBL (pursuant to the global covered bond programme of the NZ Banking Group) where:

  (i) it is discovered that there has been a material breach of a sale warranty (or any such sale warranty is materially untrue);

  (ii) the housing loan becomes materially impaired or is enforced prior to the second monthly covered bond payment date falling after the assignment of such housing loan; or

  (iii) at the cut-off date relating to the housing loan there were arrears of interest and that housing loan subsequently becomes a delinquent loan prior to the second monthly covered bond payment date falling after the assignment of the housing loan.

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

Westpac New Zealand guarantees commercial paper and other debt securities issued by its wholly-owned subsidiary Westpac Securities NZ Limited, the proceeds of which, in accordance with Reserve Bank guidelines, are immediately on-lent to Westpac New Zealand. Guarantees outstanding as at 30 June 2011 were $13,511 million (30 June 2010: $14,380 million, 30 September 2010: $13,114 million).

In addition, the NZ Banking Group (through WNZCBL) guarantees covered bonds issued by WSNZL (refer to Note 5 for further details).

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 Commissioner of Inland Revenue ('**CIR**') of the previously reported proceedings relating to nine structured finance transactions undertaken between 1998 and 2002. Under the settlement, the NZ Banking Group agreed to pay the CIR 80% of the full amount of primary tax and interest and with no imposition of penalties. All proceedings have been discontinued and the other terms of the settlement are subject to confidentiality. The NZ Banking Group provided in full for the primary tax and interest claimed by the CIR as part of its 2009 result, and consequently there was a write back through income tax expense in the year ended 30 September 2010.

Westpac (NZ) Investments Limited ('**WNZIL**'), a subsidiary of Westpac New Zealand, leases the majority of the properties occupied by the NZ Banking Group. As is normal practice, the lease agreements contain 'make good' provisions, which require WNZIL, upon termination of a lease, to return the premises to the lessor in the original condition. The maximum amount payable by WNZIL upon vacation of all leased premises subject to these provisions as at 30 June 2011 was estimated to be $25 million (30 June 2010: $22 million, 30 September 2010: $22 million). No amount has been recognised for the $25 million in estimated maximum vacation payments as the NZ Banking Group believes it is highly unlikely that WNZIL would incur a material operating loss as a result of such 'make good' provisions in the normal course of its business operations.

Other commitments

As at 30 June 2011, 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 arrangements 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 a material loss to the NZ Banking Group will arise from these transactions to the extent that a provision has not been provided for under the NZ Banking Group's usual practices.

Note 12 Segment information

The NZ Banking Group operates predominantly in the consumer banking, business banking and institutional banking sectors within New Zealand. On this basis, no geographical segment information is provided.

The basis of segment reporting reflects the management of the business, rather than the legal structure of the NZ Banking Group. There is no difference in accounting measurement between the management and legal structures. 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.

The basis used in identifying segment categories reflects the key revenue earning sectors that the NZ Banking Group operates in New Zealand and aligns with internal reporting to key management personnel.

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

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

- Business Banking provides financial services for small to medium sized enterprise customers, corporates and agricultural businesses. Business Banking also provides domestic transactional banking to the New Zealand Government;
- Retail Banking provides financial services for private individuals;
- Wealth provides financial services for high net worth individuals, funds management and insurance distribution; and
- Institutional Banking provides a broad range of financial services to large corporate, institutional and government customers and the supply of derivatives and risk management products to the entire Westpac customer base in New Zealand.

Retail Banking and Wealth have been aggregated and disclosed as the Consumer Banking reportable segment. Business Banking and Institutional Banking are separately reportable segments.

Note 12 Segment information (continued)

Reconciling items primarily represent:

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

	NZ Banking Group				
	Business Banking $m	Consumer Banking $m	Institutional Banking $m	Reconciling Items $m	Total $m
Nine months ended 30 June 2011 (Unaudited)					
Revenue from external customers[1]	**1,386**	**2,560**	**533**	**(1,092)**	**3,387**
Internal revenue	**3**	**1**	**(3)**	**(1)**	**-**
Total segment revenue	**1,389**	**2,561**	**530**	**(1,093)**	**3,387**
Profit before income tax expense	**219**	**555**	**184**	**(301)**	**657**
Income tax expense	**(65)**	**(157)**	**(74)**	**85**	**(211)**
Profit after income tax expense	**154**	**398**	**110**	**(216)**	**446**
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	**154**	**395**	**110**	**(216)**	**443**
Non-controlling interests	**-**	**3**	**-**	**-**	**3**
	154	**398**	**110**	**(216)**	**446**
Total gross loans	**21,163**	**30,368**	**6,724**	**(258)**	**57,997**
Total deposits	**9,744**	**22,283**	**5,067**	**1,747**	**38,841**
Nine months ended 30 June 2010 (Unaudited)					
Revenue from external customers[1]	1,304	2,464	473	(880)	3,361
Internal revenue	3	1	(4)	-	-
Total segment revenue	1,307	2,465	469	(880)	3,361
Profit before income tax expense	224	398	182	(147)	657
Income tax expense	(68)	(113)	(56)	226	(11)
Profit after income tax expense	156	285	126	79	646
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	156	283	126	79	644
Non-controlling interests	-	2	-	-	2
	156	285	126	79	646
Total gross loans	20,993	29,549	6,914	(279)	57,177
Total deposits	9,128	20,701	4,357	2,432	36,618
Year Ended 30 September 2010 (Audited)					
Revenue from external customers[1]	1,773	3,318	638	(1,225)	4,504
Internal revenue	3	2	(4)	(1)	-
Total segment revenue	1,776	3,320	634	(1,226)	4,504
Profit before income tax expense	271	558	235	(241)	823
Income tax expense	(82)	(156)	(72)	250	(60)
Profit after income tax expense	189	402	163	9	763
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	189	399	163	9	760
Non-controlling interests	-	3	-	-	3
	189	402	163	9	763
Total gross loans	20,995	29,811	6,910	(148)	57,568
Total deposits	9,410	21,066	5,091	2,453	38,020

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

Note 13 Securitisation, funds management and other fiduciary activities

In December 2010, the NZ Banking Group executed a global covered bond programme which allows for the issue of mortgage-backed securities to the market for funding purposes. The programme pool was maintained during the quarter.

Since 31 March 2011, there have been no material changes in the nature of the NZ Banking Group's involvement in the following activities:

- establishment, marketing, or sponsorship of trust, custodial, funds management, and other fiduciary activities;
- origination of securitised assets, and the marketing or servicing of securitisation schemes; or
- marketing and distribution of insurance products;

including arrangements that help minimise the possibility that any difficulties arising from the above activities would impact adversely on the NZ Banking Group.

Note 14 Insurance business

The NZ Banking Group conducts an insurance business through its controlled entity, 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 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 following table presents the aggregate amount of the NZ Banking Group's insurance business as at 30 June 2011:

	NZ Banking Group 30 June 2011 Unaudited $m
Total assets	**153**
As a percentage of total assets of the NZ Banking Group	**0.20%**

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

There have been no material changes in the NZ Banking Group's approach to managing its insurance business since 31 March 2011.

Note 15 Risk management

There have been no material changes in the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed since 31 March 2011.

15.1 Credit risk

Risk-weighted exposures

The following risk-weighted exposures are derived in accordance with the Reserve Bank's Capital Adequacy Framework ('**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's credit risk management practices are consistent with the Overseas Banking Group's practices. The Overseas Banking Group is accredited by APRA to apply the Advanced Internal Ratings Based ('**Advanced IRB**') and Advanced Measurement Approach ('**AMA**') methodologies under Basel II. However, under the Order, the NZ Banking Group is required to disclose capital under the Basel I approach as outlined in the following tables.

Note 15 Risk management (continued)

Calculation of on-balance sheet exposures

	NZ Banking Group		
	30 June 2011 (Unaudited)		
	Principal Amount $m	Risk Weighting	Risk-weighted Exposure $m
Cash and short-term claims on government	3,762	0%	-
Long-term claims on government	1,429	10%	143
Claims on banks	3,119	20%	624
Claims on public sector entities	130	20%	26
Residential mortgages (refer to Residential mortgages – total net loans in Note 6)	34,563	50%	17,282
Other assets	24,497	100%	24,497
Non-risk-weighted assets	7,916		
Total on-balance sheet exposures	75,416		42,572
Calculation of off-balance sheet securitised mortgage exposures			
Securitised mortgages	327	50%	164
Total off-balance sheet securitised mortgage exposures	327		164

Calculation of off-balance sheet and derivative exposures

	NZ Banking Group				
	30 June 2011 (Unaudited)				
	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	336	100%	336	85%	287
Total direct credit substitutes	336		336		287
Commitments					
Commitments with certain drawdown	140	100%	140	50%	70
Transaction related contingent items	677	50%	339	98%	332
Underwriting and sub-underwriting facilities	11	50%	6	100%	6
Short-term, self liquidating trade related contingent liabilities	717	20%	143	99%	142
Other commitments to provide financial services which have an original maturity of one year or more	10,134	50%	5,067	68%	3,423
Other commitments with an original maturity of less than one year or which can be unconditionally cancelled at any time	6,616	0%	-	0%	-
Total commitments	18,295		5,695		3,973
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	49,736		1,603	31%	493
Swaps	69,287		5,912	21%	1,230
Interest rate contracts:					
Forwards	300		-	0%	-
Futures	23,882		-	0%	-
Options	3,751		11	45%	5
Swaps	263,419		5,955	26%	1,529
Total market related contracts (derivatives)	410,375		13,481		3,257
Total off-balance sheet and derivative exposures	429,006		19,512		7,517
Total risk-weighted credit exposures					50,272

Additional mortgage information

The information below relates to the residential mortgage loan-to-value ratios ('**LVR**') reflected in the capital calculation.

	NZ Banking Group			
	30 June 2011 (Unaudited)			
LVR range	Does not Exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
On-balance sheet exposures	26,331	5,277	3,042	34,650
Undrawn commitments and other off-balance sheet exposures	5,216	344	205	5,765
Value of exposures ($m)	31,547	5,621	3,247	40,415

Note 15 Risk management (continued)

Reconciliation of residential mortgage-related amounts

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

	NZ Banking Group
	30 June 2011 Unaudited $m
Term loans – Housing (as disclosed in Note 5) and Residential mortgages – total gross loans (as disclosed in Note 6)	34,709
Reconciling items:	
Fair value hedge adjustments	(59)
Value of undrawn commitments and other off-balance sheet amounts relating to residential mortgages	5,765
Residential mortgages by LVR	40,415

15.2 Market risk

Market risk notional capital charges

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 three month period ended 30 June 2011. The end-of-period exposures below have been calculated by determining the end-of-day aggregate market risk as at 30 June 2011.

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)'.

The following table provides a summary of the NZ Banking Group's notional capital charges by risk type as at balance date and the peak end-of-day notional capital charges by risk type for the three months ended 30 June 2011:

	NZ Banking Group	
	30 June 2011 (Unaudited)	
	Implied Risk-weighted Exposure $m	Notional Capital Charge $m
End-of-period		
Interest rate risk	2,225	178
Foreign currency risk	102	8
Equity risk	45	4
Peak end-of-day		
Interest rate risk	2,488	199
Foreign currency risk	141	11
Equity risk	45	4

15.3 Liquid assets

The table below shows the NZ Banking Group's holding of liquid assets and represents the key liquidity information provided to management. Liquid assets include high quality assets (including cash, government securities, registered certificates of deposit issued by other banks and residential mortgage-backed securities) readily convertible to cash to meet the NZ Banking Group's liquidity requirements. In management's opinion, liquidity is sufficient to meet the NZ Banking Group's present requirements.

	NZ Banking Group
	30 June 2011 Unaudited $m
Cash	1,103
Supranational securities	74
NZ government securities	2,344
Semi government securities	80
NZ corporate securities	3,435
Residential mortgage-backed securities	3,999
Total liquid assets	11,035

Note 16 Concentration of credit exposures

Analysis of credit exposures to individual counterparties

The following credit exposures are based on actual credit exposures to individual counterparties and groups of closely related counterparties.

The number of individual 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 30 June 2011 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2011 was 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 30 June 2011 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2011 was nil.

The peak end-of-day exposures have been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure over the relevant three-month period, and then dividing that amount by the Overseas Banking Group's equity as at 31 March 2011, which is the most recently publicly disclosed amount. 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 the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, or to any bank 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 (excluding exposures recorded outside New Zealand) and were calculated net of individually assessed provisions.

Note 17 Overseas Bank and Overseas Banking Group capital adequacy

	30 June 2011 Unaudited %	30 June 2010 Unaudited %
Overseas Banking Group[1]		
Tier One Capital ratio	**9.6**	8.9
Total Capital ratio	**11.0**	10.8
Overseas Bank (Extended Licensed Entity)[1]		
Tier One Capital ratio	**9.7**	9.1
Total Capital ratio	**11.4**	11.4

1 The capital ratios represent information mandated by APRA.

Basel II came into effect on 1 January 2008. The Overseas Banking Group is accredited by APRA to apply the Advanced IRB approach for credit risk, the AMA methodology for operational risk and the internal model approach for interest rate risk in the banking book 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 the 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 a semi-annual basis. This information is made available to users via the Overseas Banking Group's 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 30 June 2011. APRA specifies a minimum prudential capital ratio for the Overseas Banking Group, which is not made publicly available.

The Overseas Banking Group's approach seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalised as an ADI. The Overseas Banking Group considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans.

The Overseas Banking Group evaluates these considerations through an Internal Capital Adequacy Assessment Process, the key features of which include:

- the development of a capital management strategy including target capital ratios, capital buffers and contingency plans which guide the development of specific capital plans;
- consideration of both economic (calibrated to the Overseas Banking Group's AA debt rating) and regulatory capital driven requirements;
- a process which challenges the capital measures, coverage and requirements which incorporate a comparison of economic and regulatory requirements and the use of the Quantitative Scenario Analysis (stress testing) framework that considers amongst others, the impact of adverse economic scenarios that threaten the achievement of planned outcomes; and
- consideration of the perspectives of external stakeholders such as regulators, rating agencies and equity investors.

The Overseas Banking Group's approach to capital management is influenced by plans for a smooth transition to Basel III, which is scheduled to come into force in 2013.

Note 18 Other information on the Overseas Banking Group

Other information on the Overseas Banking Group is from the most recently published financial statements of the Overseas Banking Group for the six months ended 31 March 2011.

Profitability	**31 March 2011 Unaudited**
Net profit after tax for the six months ended 31 March 2011 (A$m)	**3,961**
Net profit after tax (for the 12 month period to 31 March 2011) as a percentage of average total assets	**1.2%**

Total assets and equity	**As at 31 March 2011 Unaudited**
Total assets (A$m)	**621,958**
Percentage change in total assets over the 12 months ended 31 March 2011	**3.5%**
Total equity (A$m)	**42,119**

Asset quality	**As at 31 March 2011 Unaudited**
Total individually impaired assets[1, 2] (A$m)	**4,251**
As a percentage of total assets	**0.7%**
Total individual credit impairment allowance (A$m)	**1,780**
As a percentage of total impaired assets	**41.9%**
Total collective credit impairment allowance (A$m)	**3,188**

1 Total individually impaired assets are before allowances for credit impairment loss and net of interest held in suspense.

2 Non-financial assets have not been acquired through the enforcement of security.