Westpac New Zealand Limited
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 – New Zealand Incorporated Registered Banks) Order 2008 ('**Order**').

In this General Short Form Disclosure Statement reference is made to:

- Westpac New Zealand Limited (otherwise referred to as the '**Bank**').
- Westpac New Zealand Limited and its controlled entities (otherwise referred to as the '**Banking Group**'). As at 31 December 2009, the Bank has the following controlled entities:
  - Westpac NZ Operations Limited - Holding company
  - Westpac Securities NZ Limited - Funding company
  - The Home Mortgage Company Limited - Residential mortgage company
  - Westpac (NZ) Investments Limited - Property owning and capital funding company
  - The Warehouse Financial Services Limited - Financial services company
  - Westpac NZ Securitisation Holdings Limited and its subsidiary company - Holding company and funding company
  - Westpac Term PIE Fund - Unit trust

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 Bank was incorporated as Westpac New Zealand Limited under the Companies Act 1993 (Company Number 1763882) on 14 February 2006. The head office of the Bank is situated at, and the address for service of the Bank is, Level 15, 188 Quay Street, Auckland, New Zealand.

The Bank is a subsidiary of Westpac New Zealand Group Limited, a New Zealand company, which in turn is a wholly-owned subsidiary of Westpac Overseas Holdings No. 2 Pty Limited, an Australian company. Westpac Overseas Holdings No. 2 Pty Limited is, in turn, a wholly-owned subsidiary of Westpac Banking Corporation ('**Ultimate Parent Bank**'). The Ultimate Parent Bank is incorporated in Australia under the Australian Corporations Act 2001, and its address for service is Level 20, Westpac Place, 275 Kent Street, Sydney, New South Wales 2000, Australia.

Westpac New Zealand Group Limited has a direct qualifying interest in 85% of the voting securities in the Bank. Westpac Overseas Holdings No. 2 Pty Limited has a direct qualifying interest in 15% of the voting securities of the Bank. The Ultimate Parent Bank has an indirect qualifying interest in 100% of the securities of the Bank.

Westpac New Zealand Group Limited has the ability to directly appoint up to 100% of the Board of Directors of the Bank (the '**Board**') and, as indirect holding companies of the Bank, each of the Ultimate Parent Bank and Westpac Overseas Holdings No. 2 Pty Limited has the ability to indirectly appoint up to 100% of the Board.

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

All appointments to the Board must be approved by the Reserve Bank of New Zealand (please refer to the Bank's conditions of registration on page 8 of this General Short Form Disclosure Statement for details of the Reserve Bank of New Zealand's approval process).

The Bank commenced trading on 1 November 2006 (refer to the section on Westpac in New Zealand on page 2 for more information).

Limits on material financial support by the Ultimate Parent Bank

The Ultimate Parent Bank is an authorised deposit-taking institution ('**ADI**') under the Banking Act 1959 of Australia ('**Australian Banking Act**') and, as such, is subject to prudential regulation and supervision by the Australian Prudential Regulation Authority ('**APRA**'). APRA has the power to prescribe prudential requirements which may affect the ability of the Ultimate Parent Bank to provide material financial support to the Bank. Pursuant to current APRA requirements, unless APRA provides otherwise, the Ultimate Parent Bank must comply with, among other prudential requirements, APRA's Prudential Standard APS 222 Associations with Related Entities ('**APS 222**'). APS 222 includes the following prudential requirements:

- the Ultimate Parent Bank's exposure to the Bank (being a related ADI) must not exceed 50% of the Ultimate Parent Bank's Level 1 capital base (as defined in APS 222);
- the Ultimate Parent Bank must not hold unlimited exposures to the Bank (such as a general guarantee covering any of the Bank's obligations);
- the Ultimate Parent Bank must not enter into cross-default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default of the Ultimate Parent Bank in its obligations;
- when determining limits on acceptable levels of exposure to the Bank, the board of the Ultimate Parent Bank must have regard to:
  - the level of exposures that would be approved to third parties of broadly equivalent credit status; and
  - the impact on the Ultimate Parent Bank's stand-alone capital and liquidity positions, and its ability to continue operating, in the event of a failure by the Bank or any other related entity to which it is exposed.

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

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

- first, certain obligations of the Ultimate Parent Bank to APRA (if any) arising under Division 2AA of Part II of the Australian Banking Act in respect of amounts payable by APRA to holders of 'protected accounts' (as defined in the Australian Banking Act) as part of the financial claims scheme ('**FCS**') for the Australian Government guarantee of 'protected accounts' (including most deposits) up to A$1 million in the winding-up of the Ultimate Parent Bank;

General matters (continued)

- secondly, APRA's costs (if any) in exercising its powers and performing its functions relating to the Ultimate Parent Bank in connection with the FCS; and
- thirdly, the Ultimate Parent Bank's deposit liabilities in Australia (other than any liabilities under the first priority listed above).

Under section 16 of the Australian Banking Act, in the 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 of Australia, debts due by an ADI to the Reserve Bank of Australia shall, in the winding-up of that ADI, 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.

Directorate

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

Peter David Wilson, CA

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

George Frazis, B. Eng. (Elec.) (Hons.), MBA

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

Harold Maffey Price

Ralph Graham Waters, C.P.Eng., F.I.E (AUST.), M.Bus.

Philip Matthew Coffey BEc (Hons.) (alternate director to Gail Patricia Kelly)

There have been no changes to the composition of the Board since publication of the Bank's General Disclosure Statement for the year ended 30 September 2009.

All communications may be sent to the Directors at the head office of the Bank at Level 15, 188 Quay Street, Auckland, New Zealand.

Westpac in New Zealand

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

Further information on the NZ Branch is available in Westpac Banking Corporation's General Short Form Disclosure Statement for the three months ended 31 December 2009.

Credit ratings

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

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

During the two year period ended 31 December 2009, the Bank's credit rating issued by Fitch Ratings has not changed. On 6 June 2008, the credit rating outlook was revised from stable to positive and on 3 December 2008, the Bank's credit rating outlook was revised to stable.

In the two years prior to 31 December 2009, the Bank's credit rating issued by Moody's Investors Service has not changed at Aa2 with a 'stable' outlook.

In the two years prior to 31 December 2009, the Bank's credit rating issued by Standard & Poor's has not changed at AA with a 'stable' outlook.

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.

Credit ratings (continued)

Descriptions of credit rating scales[1]

	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 Bank's current approximate position within the credit rating scales.

Supplemental disclosure statement

A copy of the Bank's most recent Supplemental Disclosure Statement will be provided immediately, free of charge, to any person requesting a copy where the request is made at the Bank's head office, Level 15, 188 Quay Street, Auckland. It is also available, free of charge, at the internet address www.westpac.co.nz or within five working days of any request, at any branch of the Bank and at any staffed premises of an agency of the Bank, primarily engaged in the business of the Bank, or other staffed premises of the Bank, to which its customers have access in order to conduct banking business.

The Bank's most recent Supplemental Disclosure Statement contains a copy of the bilateral netting agreement (refer to Note 22), a copy of the Crown Deeds of Guarantee and Supplemental Deed to the Crown Deed of Guarantee between the Bank and the New Zealand Government (refer note below) and a copy of the Crown Wholesale Funding Guarantee granted by the New Zealand Government in respect of the Bank (refer note below).

Guarantee arrangements

Certain material obligations of the Bank are guaranteed as at the date the Directors signed this General Short Form Disclosure Statement.

Government guarantees

The Bank has a guarantee under the New Zealand deposit guarantee scheme ('**Deposit Guarantee Scheme**') in respect of obligations incurred before 1 January 2010. The Bank and the New Zealand Government ('**Crown**') entered into a Crown Deed of Guarantee on 11 November 2008 pursuant to the Deposit Guarantee Scheme, which was amended by a Supplemental Deed dated 24 November 2008 (together '**Deposit Guarantee**'). The Bank also has a guarantee under the revised New Zealand deposit guarantee scheme in respect of obligations incurred on or after 1 January 2010. The Bank and the Crown entered into a Crown Deed of Guarantee on 16 December 2009 pursuant to the revised Deposit Guarantee Scheme ('**Revised Deposit Guarantee**').

The Bank also has a guarantee under the New Zealand wholesale funding guarantee facility ('**Wholesale Funding Guarantee Facility**'). The Bank and the Crown have entered into a Crown Wholesale Funding Guarantee Facility Deed dated 23 February 2009. The Crown has also provided a Crown Wholesale Funding Guarantee in respect of the Bank by deed dated 23 February 2009 ('**Wholesale Guarantee**') and has issued Guarantee Eligibility Certificates in respect of certain liabilities of the Bank pursuant to the Wholesale Guarantee.

The following descriptions of the Deposit Guarantee, the Revised Deposit Guarantee and the Wholesale Guarantee ('**Government Guarantees**') are for general information purposes only, and do not purport to be exhaustive or definitive. For full information on the terms of the Government Guarantees, reference should be made to the Government Guarantees, a copy of each of which is included in the Bank's Supplemental Disclosure Statement.

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.

Guarantee arrangements (continued)

The guarantor of the Bank's obligations under the Government Guarantees is the Crown. The Crown's address for service in relation to the Deposit Guarantee and Revised Deposit Guarantee, is 1 The Terrace, Wellington, New Zealand.

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

- Minister of Finance, Parliament Buildings, Wellington; or
- New Zealand High Commissioner in London at the address of the New Zealand High Commission in London for the time being; or
- 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 (made by delivery by hand or facsimile) to The Treasurer, The New Zealand Debt Management Office, 1 The Terrace, Wellington, New Zealand.

Further information about the Government Guarantees may be obtained from the Treasury internet site www.treasury.govt.nz. The most recent audited financial statements of the Crown may also be obtained from the Treasury internet site.

The Crown has the following credit ratings in respect of its long-term obligations payable in New Zealand dollars. There have not been any changes to the ratings in the two years immediately before the latest balance date. The outlook for the ratings issued by Moody's Investors Service and Standard & Poor's is stable, and there have been no changes in the outlook for those ratings in the two years immediately before the latest balance date. The outlook for the rating issued by Fitch Ratings is negative, the outlook for that rating having changed from stable to negative on 16 July 2009.

Rating Agency	The Crown's Current Credit Rating	Outlook
Moody's Investors Service	Aaa	Stable
Standard & Poor's	AAA	Stable
Fitch Ratings	AAA	Negative

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

For an explanation of the credit rating scales see the table under the sub-heading "Descriptions of credit rating scales" on page 3 of this General Short Form Disclosure Statement.

Deposit Guarantee

Obligations guaranteed

The obligations guaranteed by the Crown under the Deposit Guarantee are obligations of the Bank, incurred before 1 January 2010, to pay money (whether present or future) to a Creditor (as defined below) under debt securities, other than those obligations referred to below as not being covered by the Deposit Guarantee ('**Indebtedness**').

Subject to the terms of the Deposit Guarantee, the Crown:

(i) guarantees to each Creditor from time to time, the due and punctual payment by the Bank of:

  (a) all Indebtedness that becomes due and payable between 12 October 2008 and 11 October 2010 (inclusive) ('**Guarantee Period**'); and

  (b) if a default event of any of the types specified in paragraphs (b) to (g) (inclusive) of the definition of "Default Event" in the Deposit Guarantee occurs during the Guarantee Period, all Indebtedness that exists on the date of that Default Event (whether or not that Indebtedness is due and payable during the Guarantee Period) and all interest accruing thereon in accordance with the terms of that Indebtedness; and

(ii) undertakes to each Creditor from time to time that, if the Bank does not pay to any Creditor any Indebtedness or interest guaranteed when due and payable, then the Crown will pay the amount of that Indebtedness or interest to the Creditor when due and payable (except to the extent that the Indebtedness or interest is not paid solely as a result of administrative or technical error and is subsequently paid within seven days of its due date).

In this context a '**Creditor**' is anyone to whom the Bank has an obligation to pay money (whether present or future) under a debt security, excluding:

(i) a 'Related Party' of the Bank, as that term is defined in section 157B of the Reserve Bank Act, as if:

  (a) the Bank was a 'deposit taker'; and

  (b) 'related party' included anyone who is a subsidiary of, or who is (or whose business or affairs are substantially) controlled by, any person of whom the Bank is a subsidiary or by whom the Bank is (or its business or affairs are substantially) controlled;

(ii) a 'financial institution', as that term is defined in section 2 of the Reserve Bank Act and including:

  (a) a 'collective investment scheme' as that term is defined in section 157B of the Reserve Bank Act (as if that term also included any 'superannuation fund' or 'superannuation scheme' as those terms are defined in section YA1 of the Income Tax Act 2007) or an issuer, trustee or manager of any such scheme acting in that capacity;

  (b) an 'insurer' as that term is defined in section 2 of the Insurance Companies (Ratings and Inspections) Act 1994 or anyone carrying on the business of providing insurance cover (of whatever nature);

  (c) anyone carrying on business as a sharebroker, an investment adviser or a fund manager (to the extent that person is acting in that capacity); or

  (d) anyone who is a subsidiary of, or who is (or whose business or affairs are substantially) controlled by, a financial institution within (a), (b) or (c) above; and

Guarantee arrangements (continued)

(iii) subject to (v) below, anyone acting (directly or indirectly) as a nominee of, or a trustee for, anyone referred to in (i) or (ii) above,

but including:

(iv) anyone designated by the Crown, in accordance with the Deposit Guarantee, to be a 'Nominated Beneficiary' for the purposes of the Deposit Guarantee; and

(v) if a person ('**A**') would be a Creditor if directly owed Indebtedness by the Bank, any person ('**B**') who is bare trustee for A (to the extent that B is acting in that capacity).

A debt security generally means any interest in or right to be paid money that is, or is to be, deposited with or lent to any person (whether or not the interest or right is secured by a charge over any property). It includes deposits, term deposits, current accounts, bonds, bank bills and debentures.

Subordinated debt is not covered by the Deposit Guarantee. Subordinated debt refers to obligations of the Bank which in terms of priority of payment and otherwise on a winding-up, dissolution or liquidation of the Bank would rank behind the unsecured unsubordinated obligations of the Bank.

Limits on the amount of obligations guaranteed

The maximum liability of the Crown to each Creditor under the Deposit Guarantee is $1 million, or such other amount as may be specified in respect of a 'Nominated Beneficiary' pursuant to the Deposit Guarantee. The $1 million cap is on individual Creditors (e.g. a natural person or company), not on individual bank accounts.

Material conditions applicable to the guarantee

The following is a summary of material conditions applicable to the Deposit Guarantee other than non-performance by the Bank.

Except to the extent agreed in writing by the Crown, the Crown will not be liable to any Creditor under the Deposit Guarantee if, as at 11 November 2008, a '**Default Event**' (as that term is defined in the Deposit Guarantee) with respect to the Bank has occurred and is continuing unremedied. Also, any Indebtedness which arises following a Default Event, other than interest accruing on Indebtedness existing at the Default Event, is not covered by the Deposit Guarantee, except to the extent otherwise agreed by the Crown in writing.

The Crown will not be obliged to make a payment to a Creditor under the Deposit Guarantee unless and until the Crown:

(i) receives a notice of claim from the Creditor in respect of relevant Indebtedness; and

(ii) has satisfied itself as to the amount of the Indebtedness and as to such other matters as the Crown reasonably considers appropriate in order to ascertain the extent of its liability under the Deposit Guarantee in respect of that Indebtedness.

Where the Bank's Indebtedness is or becomes the subject of any guarantee, indemnity or other arrangement under which it is effectively guaranteed, or the relevant Creditor is effectively indemnified in respect of any non-payment of that indebtedness by any other person, the Bank must notify the Crown of that arrangement. The Bank must also use all reasonable endeavours to ensure that Creditors claim under that other arrangement before claiming against the Crown under the Deposit Guarantee and/or that the Crown has the benefit of that other arrangement in respect of any amounts paid to Creditors under the Deposit Guarantee.

Expiry and withdrawal of the guarantee

The Deposit Guarantee, in its current form, is due to expire at the end of 11 October 2010. The Deposit Guarantee may be withdrawn by the Crown in certain circumstances. The Bank does not have an option to roll over or renew the Deposit Guarantee.

Where the Bank fails to comply with:

(i) certain information requests from the Crown;

(ii) any prudential supervision direction, notice or requirement under the Reserve Bank Act or otherwise; or

(iii) the terms of any trust deed for debt securities issued by the Bank,

and the appropriate notice has been given by the Crown pursuant to the Deposit Guarantee, the Crown may withdraw the Deposit Guarantee.

Under the Deposit Guarantee, if the Crown reasonably considers that the business or affairs of the Bank or any member of the Banking Group are being, or are intended or likely to be, carried on in a manner which will or may extend the effective benefit of the Deposit Guarantee to persons who are not intended to receive that benefit or is or would be otherwise inconsistent with the intentions of the Crown in entering into the Deposit Guarantee, the Crown may withdraw the Deposit Guarantee by written notice to the Bank. Upon such a withdrawal, the Deposit Guarantee will not cover Indebtedness to a Creditor who is concerned in, and has or ought to have knowledge of, the activities described in this paragraph.

The Crown may also withdraw the Deposit Guarantee for any other reason by written notice to the Bank provided that it first offers to enter into a new guarantee, effective from the date of withdrawal of the Deposit Guarantee, with the Bank on terms the Crown reasonably considers to be not materially adverse to Creditors generally as compared to the Deposit Guarantee. The Crown has recently announced that it will be exercising this option and will be withdrawing the current Deposit Guarantee in respect of new investments from 1 January 2010 and offering guaranteed institutions (including the Bank) the opportunity to enter a new guarantee deed (see Revised Deposit Guarantee below).

The Deposit Guarantee does not cover Indebtedness which arises following the date of a withdrawal (other than interest accruing on Indebtedness existing at the date of withdrawal).

Guarantee fees

Under the Deposit Guarantee, the Bank was required to pay a fee of 10 basis points (or 0.1%) on the amounts owing to Creditors 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 Deposit Guarantee

Obligations guaranteed

The obligations guaranteed by the Crown under the Revised Deposit Guarantee are obligations of the Bank, incurred on or after 1 January 2010, to pay money (whether present or future) to a Creditor (as defined below) under debt securities, other than those obligations referred to below as not being covered by the Revised Deposit Guarantee ('**Indebtedness**').

Guarantee arrangements (continued)

Subject to the terms of the Revised Deposit Guarantee, the Crown:

(i) guarantees to each Creditor from time to time the due and punctual payment by the Bank of:

  (a) all Indebtedness that becomes due and payable between 12 October 2008 and 11 October 2010 (inclusive) ('**Guarantee Period**'); and

  (b) if a default event of any of the types specified in paragraphs (b) to (f) (inclusive) of the definition of 'Default Event' in the Revised Deposit Guarantee occurs during the Guarantee Period, all Indebtedness arising under Debt Securities that exist on the date of that Default Event (whether or not that Indebtedness is due and payable during the Guarantee Period); and

(ii) undertakes to each Creditor from time to time that if the Bank does not pay to any Creditor any Indebtedness when due and payable, the Crown will pay the amount of that Indebtedness to the Creditor no later than 14 days after the due date of that Indebtedness, if that Indebtedness is not otherwise paid on or before that day.

In this context a 'Creditor' is anyone to whom the Bank has an obligation to pay money (whether present or future) under a debt security, excluding:

(a) any 'Related Party' (as defined in the Revised Deposit Guarantee) of the Bank;

(b) any person controlled by a Related Party of the Bank;

(c) any Financial Institution (as defined in the Revised Deposit Guarantee);

(d) any person acting (directly or indirectly) as a nominee of or trustee for a person referred to in (a),(b) or (c) above; or

(e) any person that consists of two or more persons who jointly hold that debt security where one or more of those persons would not be a Creditor if the Bank had a direct obligation to pay money (whether present or future) to that person individually under that debt security,

except that a person will not be so excluded where that person is:

(f) designated by the Crown, in accordance with the Revised Deposit Guarantee, to be a 'Nominated Beneficiary' for the purposes of the Revised Deposit Guarantee;

(g) a bare trustee for another person if that other person would be a Creditor if the Bank had a direct obligation to pay money (whether present or future) to that person under a debt security;

(h) acting as trustee or nominee for any one or more persons (each a '**Beneficiary**') if:

  (i) that trustee or nominee is not excluded by exceptions (a), (b) or (c) above from being a Creditor; and

  (ii) the Crown (in its sole and unfettered discretion), having regard to certain factors specified in the Revised Guarantee Deed, gives notice in writing to that trustee or nominee (which may or may not be subject to such conditions, if any, as the Crown may specify) that that trustee or nominee is a Creditor; or

(i) a person ('**Joint Holder**') consisting of two or more persons who jointly hold a debt security under which the Bank has an obligation to pay money (whether present or future) to that Joint Holder if:

  (i) none of those persons are excluded by exceptions (a), (b), (c) or (d) above from being a Creditor;

  (ii) at least one of those persons would be a Creditor if the Bank had a direct obligation to pay money (whether present or future) to that person individually (rather than jointly) under that debt security;

  (iii) the Joint Holder would not be excluded by exceptions (a), (b), (c) or (d) above from being a Creditor; and

  (iv) the Joint Holder does not hold that debt security in its capacity as trustee or nominee for one or more other persons.

A debt security generally means any interest in or right to be paid money that is, or is to be, deposited with or lent to any person (whether or not the interest or right is secured by a charge over any property). It includes deposits, term deposits, current accounts, bonds, bank bills and debentures.

The Revised Deposit Guarantee does not cover:

(i) subordinated debt (subordinated debt refers to obligations of the Bank which in terms of priority of payment and otherwise on a winding-up, dissolution or liquidation of the Bank would rank behind the unsecured unsubordinated obligations of the Bank);

(ii) any obligation under a debt security in respect of which the Crown has provided a guarantee (by issue of a Guarantee Eligibility Certificate (refer to Wholesale Guarantee below)) under the Wholesale Guarantee;

(iii) any obligation which constitutes Indebtedness for the purposes of the Deposit Guarantee and is guaranteed by the Deposit Guarantee;

(iv) any debt security that is issued during the Guarantee Period under the terms of a registered prospectus or an investment statement under the Securities Act 1978 that states that the debt security is an 'Excluded Security' for the purposes of the Revised Deposit Guarantee and that accordingly none of the obligations of the Bank in respect of that Excluded Security have the benefit of the Revised Deposit Guarantee;

(v) any obligation under any debt security in respect of which the Crown, in its sole discretion (and on such conditions, if any, as it may specify) agrees with the Bank, prior to that debt security being offered to any person by or on behalf of the Bank, that none of the obligations of the Bank in respect of that debt security will have the benefit of the Revised Deposit Guarantee; and

(vi) any obligation excluded by clause 2.4, clause 9.5(b) or clause 9.6 of the Revised Deposit Guarantee (which relate to Indebtedness incurred after a Default Event or notice of withdrawal of the Revised Deposit Guarantee).

Limits on the amount of obligations guaranteed

The maximum aggregate liability of the Crown to each Creditor under the Revised Deposit Guarantee, the Deposit Guarantee and any guarantee that replaces the Revised Deposit Guarantee is $1 million, or such other amount as may be specified in respect of a 'Nominated Beneficiary' pursuant to the Revised Deposit Guarantee. The $1 million cap is on individual Creditors (e.g. a natural person or company), not on individual bank accounts.

Guarantee arrangements (continued)

Material conditions applicable to the guarantee

The following is a summary of material conditions applicable to the Revised Deposit Guarantee other than non-performance by the Bank.

Except to the extent agreed in writing by the Crown, the Crown will not be liable to any Creditor under the Revised Deposit Guarantee if, as at 16 December 2009, a 'Default Event' (as that term is defined in the Revised Deposit Guarantee) with respect to the Bank has occurred and is continuing unremedied. Also, any Indebtedness which arises or is acquired by the Creditor following a Default Event or notice of withdrawal of the Revised Deposit Guarantee is not covered by the Revised Deposit Guarantee, except to the extent otherwise agreed by the Crown in writing.

The Crown will not be obliged to make a payment to a Creditor under the Revised Deposit Guarantee unless and until the Crown:

(i) receives a notice of claim from the Creditor in respect of relevant Indebtedness; and

(ii) has satisfied itself as to the amount of the Indebtedness and as to such other matters as the Crown reasonably considers appropriate in order to ascertain the extent of its liability under the Revised Deposit Guarantee in respect of that Indebtedness.

Where the Bank's Indebtedness is or becomes the subject of any guarantee, indemnity or other arrangement under which it is effectively guaranteed or the relevant Creditor is effectively indemnified in respect of any non-payment of that Indebtedness by any other person ('**Other Guarantee**'), the Bank must notify the Crown of the Other Guarantee. The Bank must also use all reasonable endeavours to ensure that Creditors claim under that Other Guarantee before claiming against the Crown under the Revised Deposit Guarantee and/or that the Crown has the benefit of the Other Guarantee in respect of any amounts paid to Creditors under the Revised Deposit Guarantee. The Crown shall not be obliged to make any payment in respect of any Indebtedness to any Creditor who has the benefit of, and is entitled to claim under, the Other Guarantee in respect of that Indebtedness except to the extent that that Creditor has made a claim under that Other Guarantee in respect of that Indebtedness and has not, within 14 days of the date of that claim, received payment in respect of that Indebtedness under that Other Guarantee.

The Crown may also limit its liability under the Revised Deposit Guarantee in respect of any debt securities in the event the Bank varies such debt securities in accordance with, or in contemplation of, any compromise or agreement with its creditors.

Expiry and withdrawal of the guarantee

The Revised Deposit Guarantee, in its current form, is due to expire at the end of 11 October 2010. The Revised Deposit Guarantee may be withdrawn by the Crown in certain circumstances. The Bank does not have an option to roll over or renew the Revised Deposit Guarantee.

Where the Bank fails to comply with:

(i) certain information requests from the Crown;

(ii) the Reserve Bank Act or any prudential supervision direction, notice or requirement under the Reserve Bank Act or otherwise; or

(iii) the terms of any debt securities or trust deed for debt securities issued by the Bank,

and the appropriate notice has been given by the Crown pursuant to the Revised Deposit Guarantee, the Crown may withdraw the Revised Deposit Guarantee.

Under the Revised Deposit Guarantee, if the Crown reasonably considers that the business or affairs of the Bank or any member of the Banking Group are being, or are intended or likely to be, carried on in a manner which will or may extend the effective benefit of the Revised Deposit Guarantee to persons who are not intended to receive that benefit or is or would be otherwise inconsistent with the intentions of the Crown in entering into the Deposit Guarantee and Revised Deposit Guarantee, the Crown may withdraw the Revised Deposit Guarantee by written notice to the Bank. Upon such a withdrawal, the Revised Deposit Guarantee will not cover Indebtedness to a Creditor who is concerned in, and has or ought to have knowledge of, the activities described in this paragraph.

The Crown may also withdraw the Revised Deposit Guarantee for any other reason by written notice to the Bank provided that it first offers to enter into a new guarantee, effective from the date of withdrawal of the Revised Deposit Guarantee, with the Bank on terms the Crown reasonably considers to be not materially adverse to Creditors generally as compared to the Revised Deposit Guarantee.

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 the Bank) 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 the Bank. Further details of the new scheme are available from the Treasury internet site www.treasury.govt.nz.

Wholesale Guarantee

Obligations guaranteed

The obligations guaranteed by the Crown under the Wholesale Guarantee are obligations of the Bank to pay money to a Beneficiary (as defined below) under a Guaranteed Liability. A Guaranteed Liability is a liability to pay principal or interest in respect of which the Crown has issued a Guarantee Eligibility Certificate under the Wholesale Guarantee, but excluding any penalty interest or other amount only payable following a default.

For a liability of the Bank to be covered by the Wholesale Guarantee, the Bank must apply to the Crown for a Guarantee Eligibility Certificate in respect of that liability. A liability of the Bank is only a Guaranteed Liability if a Guarantee Eligibility Certificate has been issued in relation to it. The decision to issue a Guarantee Eligibility Certificate in respect of a liability of the Bank is at the sole and absolute discretion of the Crown.

Guarantee arrangements (continued)

Subject to the terms of the Wholesale Guarantee, including the material conditions described below under the heading "Material conditions applicable to the guarantee", under the Wholesale Guarantee the Crown irrevocably:

(i) guarantees to each Beneficiary the payment by the Bank of the Guaranteed Liabilities owed to that Beneficiary; and

(ii) undertakes to each Beneficiary that, if the Bank does not pay any Guaranteed Liability owed to that Beneficiary on its due date, the Crown will, within five business days of demand being made in accordance with the terms of the Wholesale Guarantee and following the expiry of any applicable grace period, pay that Guaranteed Liability.

In this context, a Beneficiary means each person to whom a Guaranteed Liability is from time to time owed, excluding:

(i) a 'Related Party' of the Bank as that term is defined in section 157B of the Reserve Bank Act, as if:

  (a) the Bank was a 'deposit taker'; and

  (b) 'related party' included anyone who is a subsidiary of, or who is (or whose business or affairs are substantially) controlled by, any person of whom the Bank is a subsidiary or by whom the Bank is (or its business or affairs are substantially) controlled; and

(ii) anyone acting (directly or indirectly) as a nominee of or trustee for anyone referred to in (i).

The Crown has issued Guarantee Eligibility Certificates in respect of payment obligations of the Bank under certain notes issued by the Bank. The Crown has also issued Guarantee Eligibility Certificates in respect of payment obligations of the Bank as guarantor of certain notes issued by Westpac Securities NZ Limited. Copies of the Guarantee Eligibility Certificates issued, which provide further details of the obligations of the Bank guaranteed by the Crown under the Wholesale Guarantee, are available on the New Zealand Treasury internet site www.treasury.govt.nz.

Limits on the amount of obligations guaranteed

The obligations of the Crown in respect of a Guaranteed Liability are limited to the relevant payment obligations of the Bank in respect of principal and interest under the particular debt securities which are specified in the relevant Guarantee Eligibility Certificate.

Material conditions applicable to the guarantee

The material conditions applicable to the Wholesale Guarantee, other than non-performance by the Bank, are summarised below.

(i) The Crown will not be liable in respect of any Guaranteed Liability which has been varied, amended, waived, released, novated, supplemented, extended or restated in any respect without the prior written consent of the Crown.

(ii) The Crown is not obliged to make a payment under the Wholesale Guarantee unless and until the Crown receives a written demand for that payment that is:

  (a) delivered to the Crown in accordance with the terms of the Wholesale Guarantee or in such other manner as the Crown may from time to time agree;

  (b) in the form set out in Schedule 2 of the Wholesale Guarantee; and

  (c) signed by a Beneficiary or, if there is a trustee in respect of the relevant Guaranteed Liability, by that trustee (or, as the case may be, a duly authorised agent of that Beneficiary or trustee).

(iii) Special conditions may be specified in the Guarantee Eligibility Certificate in respect of a particular Guaranteed Liability.

The Crown has also imposed a requirement that locally incorporated registered banks having the benefit of the Wholesale Funding Guarantee Facility maintain an additional 2% Tier One Capital buffer, above the regulatory minimum 4% Tier One Capital ratio. The Crown has indicated that, if this additional buffer is not maintained by a bank, no further Guarantee Eligibility Certificates will be issued in relation to the bank's liabilities. This requirement applies to the Bank.

Expiry and withdrawal of the guarantee

In respect of each Guaranteed Liability, the guarantee under the Wholesale Guarantee will expire at midnight on the date falling 30 days after the earlier of:

(i) the scheduled maturity date of the security under which that Guaranteed Liability arises; and

(ii) the date falling five years after the issue date of the security under which that Guaranteed Liability arises.

There is no provision for the withdrawal of the Wholesale Guarantee in respect of a Guaranteed Liability.

Guarantee fees

The Bank is required to pay a fee in respect of each Guarantee Eligibility Certificate, fixed at the discretion of the Crown. The Crown has published an indicative fee schedule on the Treasury internet site www.treasury.govt.nz, but this schedule is not binding on the Crown.

Conditions of registration

The conditions of registration imposed on the Bank, which applied from 22 October 2009, are as follows:

1. That the Banking Group complies with the following requirements:

  (a) the Total Capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008 is not less than 8%;

  (b) the Tier One Capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008 is not less than 4%; and

  (c) the Capital of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008 is not less than $30 million.

  For the purposes of this condition of registration, the scalar referred to in the Reserve Bank of New Zealand document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008 is 1.06.

Conditions of registration (continued)

For the purposes of this condition of registration, the supervisory adjustment referred to in the Reserve Bank of New Zealand document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008 is the sum of:

(a) 15% of risk-weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008; and

(b) 12.5 times the greater of: zero; and 90% of adjusted Basel I capital, less adjusted Basel II capital; where

(i) "adjusted Basel I capital" means 8% of total risk-weighted exposures, plus deductions from Tier One Capital, plus deductions from Total Capital, all calculated in accordance with the Reserve Bank of New Zealand document 'Capital adequacy framework (Basel I approach)' (BS2) dated March 2008;

(ii) "adjusted Basel II capital" means 8% of total Basel II risk-weighted exposures plus deductions from Tier One Capital, plus deductions from Total Capital, less any amount included in Tier Two Capital arising from the excess of eligible allowances for impairment over EL (expected losses), all calculated in accordance with the Reserve Bank of New Zealand document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008; and

(iii) "total Basel II risk-weighted exposures" means scalar x (risk-weighted on and off-balance sheet credit exposures) +12.5 x total capital charge for market risk exposure +12.5 x total capital requirement for operational risk + 15% of risk-weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008.

1A. That –

(a) the Bank has an internal capital adequacy assessment process ('**ICAAP**') that accords with the requirements set out in the document 'Guidelines on a bank's internal capital adequacy assessment process ('ICAAP')' (BS12) dated December 2007;

(b) under its ICAAP the Bank identifies and measures its "other material risks" defined as all material risks of the Banking Group that are not explicitly captured in the calculation of Tier One and Total Capital ratios under the requirements set out in the document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008; and

(c) the Bank determines an internal capital allocation for each identified and measured "other material risk".

1B. That the Banking Group complies with all requirements set out in the Reserve Bank of New Zealand document 'Capital adequacy framework (internal models based approach)' (BS2B) dated March 2008.

2. 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.

3. 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 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;

(ii) In measuring the size of a 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.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating[1]	**Connected exposure limit (% of the Banking Group's Tier One Capital)**
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

1 This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service (Fitch Ratings' scale is identical to Standard & Poor's).

Conditions of registration (continued)

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% of the Banking Group's Tier One Capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled 'Connected exposures policy' (BS8) dated March 2008.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the board of the Bank contains at least two independent directors. In this context an independent director is a director who is not an employee of the Bank, and who is not a director, trustee or employee of any holding company of the Bank, or any other entity capable of controlling or significantly influencing the Bank.
7. That the chairperson of the Bank's Board is not an employee of the Bank.
8. That the Bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).
9. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, 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.
10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.
11. That the Bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:
    (a) that the Bank's clearing and settlement obligations due on a day can be met on that day;
    (b) that the Bank's financial risk positions on a day can be identified on that day;
    (c) that the Bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and
    (d) that the Bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

    For the purposes of this condition of registration, the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled 'Outsourcing Policy' (BS11) dated January 2006.

    Until 31 March 2010, functions provided to the Bank by Paymark Limited (previously Electronic Transaction Services Limited) and Interchange and Settlement Limited are not covered by this condition.
12. (a) That the business and affairs of the Bank are managed by, or under the direction or supervision of, the Board of the Bank.
    (b) That the employment contract of the chief executive officer of the Bank or person in an equivalent position (together '**CEO**') is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the Board of the Bank.
    (c) That by 31 December 2007 all staff employed by the Bank will have their remuneration determined by (or under the delegated authority of) the Board or the CEO of the Bank and be accountable (directly or indirectly) to the CEO of the Bank.
13. That, for the purposes of calculating the Bank's capital ratios on a solo basis, a credit conversion factor of zero is only applied to a guarantee of a financing subsidiary's financial obligations if, in substance, the guarantee does not create a risk of loss for the Bank.
14. That the Banking Group complies with the following quantitative requirements for liquidity-risk management with effect from 1 April 2010:
    (a) the one-week mismatch ratio of the Banking Group is not less than zero percent at the end of each business day;
    (b) the one-month mismatch ratio of the Banking Group is not less than zero percent at the end of each business day; and
    (c) the one-year core funding ratio of the Banking Group is not less than 65 percent at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled 'Liquidity Policy' (BS13) dated 20 October 2009 and 'Liquidity Policy Annex: Liquid Assets' (BS13A) dated October 2009.
15. That, with effect from 1 April 2010, the Bank has an internal framework for liquidity risk management that is adequate in the Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:
    (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
    (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
    (c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and
    (d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

For the purposes of these conditions of registration, the term "Banking Group" means Westpac New Zealand Limited's financial reporting group as defined in section 2(1) of the Financial Reporting Act 1993.

Conditions of registration (continued)

The Reserve Bank of New Zealand's Outsourcing Policy (BS11) requires that certain core functions must be available under normal conditions and in the event of stress or failure of the Bank or of a service provider to the Bank. For the purposes of BS11 and condition 11 of the Bank's conditions of registration, services provided to the Bank by the Ultimate Parent Bank or the NZ Branch are regarded as outsourced. During the three months ended 31 December 2009, the Bank has complied with condition 11 of its conditions of registration except in the two respects set out below, both of which involve certain services provided to the Bank by the Ultimate Parent Bank or its NZ Branch:

- Growing customer demand for automated payment solutions has resulted in the potential requirement to add a back-up system and add more legal controls in relation to one product for a small number of business customers. Actions are underway to remediate this issue.
- In the event of stress or failure of the Bank or a service provider to the Bank, the Bank must be able to provide legal and practical controls relating to certain settlement tasks. The Bank needed to enhance its practical controls in this area and did so during the current period. Consequently, this issue has been resolved.

Review of operating model

Until 1 November 2006, the Ultimate Parent Bank conducted its operations in New Zealand in a branch structure. On that date, and after extensive consultation with the Reserve Bank of New Zealand ('**Reserve Bank**'), the Ultimate Parent Bank adopted a dual registration model including a locally incorporated subsidiary, the Bank, to conduct its consumer and business banking activities, and the NZ Branch, to conduct its institutional and financial markets activities. The conditions of registration of each of the Bank and the NZ Branch are consistent with these operating model arrangements. In May 2009 the Reserve Bank, the Bank and the NZ Branch agreed to an independent review of the structure of the operating model of the Ultimate Parent Bank'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 the Bank and the NZ Branch.

Directors' statement

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

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

(b) is not false or misleading.

Each Director of the Bank believes, after due enquiry that, over the three months ended 31 December 2009:

(a) the Bank has complied with the conditions of registration imposed on it pursuant to section 74 of the Reserve Bank Act, except as stated in (b) below;

(b) the Bank has not complied with condition 11 of its conditions of registration, relating to two aspects of outsourcing (refer to the first paragraph on page 11);

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

(d) except for the two aspects referred to in the first paragraph on the previous page 11, the Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Directors' Statement has been signed by all the Directors:

Peter David Wilson

Elizabeth Blomfield Bryan

George Frazis

Gail Patricia Kelly

Harold Maffey Price

Ralph Graham Waters

Dated this the 10th day of February 2010

Consolidated short form financial statements

Contents

Consolidated income statement for the three months ended 31 December 2009

		The Banking Group		
	Note	**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		**882**	1,099	3,988
Interest expense		**(597)**	(792)	(2,672)
Net interest income		**285**	307	1,316
Non-interest income:				
Fees and commissions		**72**	88	316
Gain on ineffective hedges		**3**	20	1
Other non-interest income		**3**	11	46
Total non-interest income		**78**	119	363
Net operating income		**363**	426	1,679
Operating expenses		**(178)**	(169)	(708)
Impairment charges on loans	2	**(125)**	(91)	(620)
Profit before income tax expense		**60**	166	351
Income tax expense		**(18)**	(50)	(103)
Profit after income tax expense		**42**	116	248
Profit after income tax expense attributable to:				
Owners of the Banking Group		**41**	115	245
Non-controlling interests		**1**	1	3
Profit after income tax expense		**42**	116	248

The accompanying notes (numbered 1 to 24) 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

	The 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 after income tax expense	**42**	116	248
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	**41**	(29)	(15)
Transferred to the income statement	**2**	-	(3)
Actuarial gains on employee defined benefit superannuation plans	**-**	-	30
Income tax relating to components of other comprehensive income[1]	**(13)**	9	(5)
Other comprehensive income/(expense) for the period/year, net of tax	**39**	(20)	9
Total comprehensive income for the period/year	**81**	96	257
Total comprehensive income attributable to:			
Owners of the Banking Group	**80**	95	254
Non-controlling interests	**1**	1	3
Total comprehensive income for the period/year	**81**	96	257

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

	The 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	**41**	**(12)**	**29**
Transferred to the income statement	**2**	**(1)**	**1**
Other comprehensive income	**52**	**(13)**	**39**
For the three months ended 31 December 2008 (unaudited)			
Cash flow hedges:			
Net losses from changes in fair value of cash flow hedges	(29)	9	(20)
Other comprehensive expense	(29)	9	(20)
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	(15)	5	(10)
Transferred to the income statement	(3)	1	(2)
Actuarial gains on employee defined benefit superannuation plans	30	(11)	19
Other comprehensive income	14	(5)	9

The accompanying notes (numbered 1 to 24) 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

	The Banking Group						
	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
Opening balance as at 1 October 2008	4,550	364	(3)	16	4,927	8	4,935
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	4,550	344	(3)	16	4,907	8	4,915
Total comprehensive income/(expense) for the three months ended 31 December 2008	-	115	(20)	-	95	1	96
Share capital issued	220	-	-	-	220	-	220
Dividends paid on ordinary shares	-	(220)	-	-	(220)	-	(220)
As at 31 December 2008 (unaudited)	4,770	239	(23)	16	5,002	9	5,011
Total comprehensive income/(expense) for the year ended 30 September 2009	-	264	(12)	2	254	3	257
Share capital issued	220	-	-	-	220	-	220
Share capital redeemed	(1,300)	-	-	-	(1,300)	-	(1,300)
Dividends paid on ordinary shares	-	(220)	-	-	(220)	(4)	(224)
Dividends paid on preference shares	-	(104)	-	-	(104)	-	(104)
As at 30 September 2009 (audited)	3,470	284	(15)	18	3,757	7	3,764
Total comprehensive income for the three months ended 31 December 2009	**-**	**41**	**30**	**9**	**80**	**1**	**81**
Dividends paid on ordinary shares	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**
As at 31 December 2009 (unaudited)	**3,470**	**325**	**15**	**27**	**3,837**	**5**	**3,842**

The accompanying notes (numbered 1 to 24) form part of, and should be read in conjunction with, these financial statements.

Consolidated balance sheet as at 31 December 2009

	Note	The Banking Group 31 December 2009 Unaudited $m	31 December 2008 Unaudited $m	30 September 2009 Audited $m
Assets				
Cash and balances with central banks		**324**	974	213
Due from other financial institutions		**2**	3	3
Derivative financial instruments		**18**	27	22
Trading securities and other financial assets designated at fair value	3	**4,252**	3,752	4,421
Available-for-sale securities		**46**	35	37
Loans	4	**48,795**	47,765	48,174
Due from related entities		**836**	2,337	576
Investment in associate		**48**	48	48
Goodwill and other intangible assets		**574**	576	575
Property, plant and equipment		**99**	87	92
Current tax assets		**-**	-	10
Deferred tax assets		**211**	160	196
Other assets		**152**	197	142
Total assets		**55,357**	55,961	54,509
Liabilities				
Deposits at fair value	6	**2,440**	4,254	3,468
Deposits at amortised cost	6	**29,321**	28,516	29,027
Trading liabilities and other financial liabilities designated at fair value	7	**601**	1,207	1,885
Debt issues	8	**15,770**	12,339	12,369
Current tax liabilities		**36**	137	-
Provisions		**69**	59	76
Other liabilities		**503**	637	524
Total liabilities excluding subordinated debentures and due to related entities		**48,740**	47,149	47,349
Perpetual subordinated notes		**970**	970	970
Total liabilities excluding due to related entities		**49,710**	48,119	48,319
Due to related entities		**1,805**	2,831	2,426
Total liabilities		**51,515**	50,950	50,745
Net assets		**3,842**	5,011	3,764
Equity				
Ordinary share capital		**3,470**	3,470	3,470
Preference share capital		**-**	1,300	-
Retained profits		**325**	239	284
Available-for-sale securities reserve		**27**	16	18
Cash flow hedge reserve		**15**	(23)	(15)
Total equity attributable to owners of the Banking Group		**3,837**	5,002	3,757
Non-controlling interests		**5**	9	7
Total equity		**3,842**	5,011	3,764

The accompanying notes (numbered 1 to 24) 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

	The 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	**889**	1,108	4,031
Interest paid	**(599)**	(866)	(2,847)
Other non-interest income received	**72**	107	356
Net decrease/(increase) in trading securities	**169**	(1,779)	(2,448)
Net (decrease)/increase in trading liabilities	**(1,284)**	1,207	1,885
Operating expenses paid	**(168)**	(170)	(647)
Income tax paid	**(1)**	-	(190)
Net cash (used in)/provided by operating activities	**(922)**	(393)	140
Cash flows from investing activities			
Net loans advanced to customers	**(746)**	(1,061)	(1,999)
Net (increase)/decrease in due from related entities	**(216)**	(18)	1,696
Net increase in other assets	**-**	(2)	-
Purchase of capitalised computer software	**(9)**	(8)	(44)
Purchase of property, plant and equipment	**(14)**	(16)	(38)
Proceeds from disposal of property, plant and equipment	**-**	-	5
Net cash used in investing activities	**(985)**	(1,105)	(380)
Cash flows from financing activities			
Redemption of preference share capital	**-**	-	(1,300)
Net (decrease)/increase in deposits	**(734)**	543	268
Net proceeds from debt issues	**3,401**	1,237	1,267
Net (decrease)/increase in due to related entities	**(622)**	582	174
Net (decrease)/increase in other liabilities	**(25)**	-	42
Payment of dividends on ordinary shares	**(3)**	-	(108)
Net cash provided by financing activities	**2,017**	2,362	343
Net increase in cash and cash equivalents	**110**	864	103
Cash and cash equivalents at beginning of the period/year	**216**	113	113
Cash and cash equivalents at end of the period/year	**326**	977	216
Cash and cash equivalents comprise:			
Cash and balances with central banks	**324**	974	213
Due from other financial institutions – at call	**2**	3	3
Cash and cash equivalents at end of the period/year	**326**	977	216

The accompanying notes (numbered 1 to 24) 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

	The 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 after income tax expense to net cash flows from operating activities			
Profit after income tax expense	**42**	116	248
Adjustments:			
Software amortisation costs	**10**	11	45
Impairment charges on intangible assets	**-**	-	3
Impairment charges on loans	**125**	91	620
Depreciation on property, plant and equipment	**7**	5	20
Gain on disposal of property, plant and equipment	**-**	-	(3)
Share-based payments	**1**	-	3
Movement in other assets	**(10)**	(12)	41
Movement in other liabilities and provisions	**(4)**	(67)	(186)
Movement in current and deferred tax	**31**	40	(143)
Tax losses transferred to related entities	**-**	1	59
Movement in trading securities	**169**	(1,779)	(2,448)
Movement in trading liabilities	**(1,284)**	1,207	1,885
Movement in derivative financial instruments	**4**	(15)	(10)
Tax effect of change in cash flow hedge reserve	**(13)**	9	6
Net cash flows from operating activities	**(922)**	(393)	140

The accompanying notes (numbered 1 to 24) 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 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 Banking Group's reported result or financial position.

These financial statements were authorised for issue by the Board on 10 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 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 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 Banking Group applied the corridor approach.

The new policy has been applied retrospectively for the Banking Group and the Bank 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 Banking Group.

	The Banking Group		
	Previously Reported 31 December 2008 $m	Increase/ (Decrease) $m	Restated 31 December 2008 $m
Balance sheet (extract)			
Deferred tax assets	150	10	160
Other liabilities	607	30	637
Net assets	5,031	(20)	5,011
Retained profits	259	(20)	239
Total equity	5,031	(20)	5,011

Note 2 Impairment on loans

	The Banking Group			
	Three Months Ended 31 December 2009 – Unaudited			
	Residential Mortgages $m	**Other Loans for Consumer Purposes $m**	**Loans for Business Purposes $m**	**Total $m**
Collectively assessed provision	**32**	**49**	**(23)**	**58**
Individually assessed provisions	**23**	**-**	**34**	**57**
Bad debt write-off direct to the income statement	**2**	**14**	**3**	**19**
Interest adjustments	**(1)**	**(3)**	**(5)**	**(9)**
Total impairment charges on loans	**56**	**60**	**9**	**125**

	The Banking Group			
	Three Months Ended 31 December 2008 – Unaudited			
	Residential Mortgages $m	Other Loans for Consumer Purposes $m	Loans for Business Purposes $m	Total $m
Collectively assessed provision	6	3	32	41
Individually assessed provisions	14	-	25	39
Bad debt write-off direct to the income statement	1	14	1	16
Interest adjustments	-	(2)	(3)	(5)
Total impairment charges on loans	21	15	55	91

	The Banking Group			
	Year Ended 30 September 2009 – Audited			
	Residential Mortgages $m	Other Loans for Consumer Purposes $m	Loans for Business Purposes $m	Total $m
Collectively assessed provision	12	(1)	137	148
Individually assessed provisions	86	-	327	413
Bad debt write-off direct to the income statement	7	73	8	88
Interest adjustments	(3)	(10)	(16)	(29)
Total impairment charges on loans	102	62	456	620

Notes to the consolidated short form financial statements

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

	The Banking Group		
	31 December 2009 Unaudited $m	31 December 2008 Unaudited $m	30 September 2009 Audited $m
Trading securities			
Securities	**4,252**	3,752	4,421
Total trading securities	**4,252**	3,752	4,421
Other financial assets designated at fair value	**-**	-	-
Total trading securities and other financial assets designated at fair value	**4,252**	3,752	4,421
Trading securities			
Listed			
NZ Government securities	**2,240**	544	2,369
Total listed securities	**2,240**	544	2,369
Unlisted			
NZ corporate securities:			
Certificates of deposit	**2,012**	3,208	2,052
Total unlisted securities	**2,012**	3,208	2,052
Total trading securities	**4,252**	3,752	4,421

Included in trading securities of the Banking Group as at 31 December 2009 were nil (31 December 2008: nil, 30 September 2009: nil) securities encumbered through repurchase agreements.

Note 4 Loans

	The Banking Group		
	31 December 2009 Unaudited $m	31 December 2008 Unaudited $m	30 September 2009 Audited $m
Overdrafts	**928**	1,071	1,056
Credit card outstandings	**1,240**	1,208	1,182
Overnight and at call money market loans	**663**	682	574
Term loans:			
Housing	**33,149**	32,020	32,587
Non-housing	**13,176**	12,951	12,985
Other	**255**	207	310
Total gross loans	**49,411**	48,139	48,694
Provisions for impairment charges on loans	**(616)**	(374)	(520)
Total net loans	**48,795**	47,765	48,174

The Banking Group has undertaken repurchase agreements with the Reserve Bank using residential mortgage-backed securities. The repurchase cash amount as at 31 December 2009 was $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.

Note 5 Impaired assets

	The 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	**670**	278	278
Movement for the period/year	**17**	117	392
Balance at end of the period/year	**687**	395	670
Undrawn balance	**-**	-	-
Interest forgone for the period/year on the above impaired assets[1]	**-**	-	-
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 assets[1]	**-**	-	-
Past due assets 1 to 89 days[2]			
Balance at beginning of the period/year	**1,403**	2,139	2,139
Movement for the period/year	**203**	(102)	(736)
Balance at end of the period/year	**1,606**	2,037	1,403
Past due assets 90+ days[2]			
Balance at beginning of the period/year	**346**	221	221
Movement for the period/year	**9**	100	125
Balance at end of the period/year	**355**	321	346
Undrawn balance	**-**	-	-
Interest forgone for the period/year on the above past due assets[1]	**-**	-	-
Other assets under administration[2]			
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	**150**	65	65
Impairment charges on loans:			
New provisions	**66**	42	434
Recoveries	**(9)**	(3)	(21)
Impairment charges on loans written off	**(20)**	(4)	(328)
Balance at end of the period/year	**187**	100	150
Collectively assessed provision			
Balance at beginning of the period/year	**405**	257	257
Movement for the period/year	**58**	41	148
Balance at end of the period/year	**463**	298	405
Total impairment provisions	**650**	398	555
Provisions for impairment on loans	**616**	374	520
Provisions for impairment on credit commitments	**34**	24	35
Total impairment provisions	**650**	398	555

1 The 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 Banking Group does not have any financial, real estate or other assets acquired through security enforcement.
Comparative numbers for the Banking Group have been restated as a result of continuing analysis of the 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

	The 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 days[1]			
Balance at beginning of the period/year	**850**	1,394	1,394
Additions	**1,437**	1,942	6,947
Deletions	**(1,307)**	(2,035)	(7,491)
Balance at end of the period/year	**980**	1,301	850
Past due assets 90+ days[1]			
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	**(17)**	(4)	(44)
Balance at end of the period/year	**72**	34	66
Collectively assessed provision			
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	**146**	70	108
Provisions for impairment on loans	**146**	70	108
Total impairment provisions	**146**	70	108

1 Past due assets are not impaired assets.

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

Note 5 Impaired assets (continued)

Other loans for consumer purposes

	The 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 days[1]			
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+ days[1]			
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 provision			
Balance at beginning of the period/year	**60**	61	61
Impairment charges on loans	**49**	3	(1)
Balance at end of the period/year	**109**	64	60
Total impairment provisions	**109**	64	60
Provisions for impairment on loans	**109**	64	60
Total impairment provisions	**109**	64	60

1 Past due assets are not impaired assets.

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

Notes to the consolidated short form financial statements

Note 5 Impaired assets (continued)

Loans for business purposes

	The 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	**319**	88	88
Additions	**208**	50	601
Amounts written off	**8**	(4)	(290)
Returned to performing or repaid	**(202)**	(2)	(80)
Balance at end of the period/year	**333**	132	319
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 days[1]			
Balance at beginning of the period/year	**422**	589	589
Additions	**746**	1,050	3,704
Deletions	**(680)**	(1,049)	(3,871)
Balance at end of the period/year	**488**	590	422
Past due assets 90+ days[1]			
Balance at beginning of the period/year	**232**	121	121
Additions	**59**	121	560
Deletions	**(52)**	(45)	(449)
Balance at end of the period/year	**239**	197	232
Undrawn balance	**-**	-	-
Individually assessed provisions			
Balance at beginning of the period/year	**84**	41	41
Impairment charges on loans:			
New provisions	**36**	26	332
Recoveries	**(2)**	(1)	(5)
Impairment charges on loans written off	**(3)**	-	(284)
Balance at end of the period/year	**115**	66	84
Collectively assessed provision			
Balance at beginning of the period/year	**303**	166	166
Impairment charges on loans	**(23)**	32	137
Balance at end of the period/year	**280**	198	303
Total impairment provisions	**395**	264	387
Provisions for impairment on loans	**361**	240	352
Provisions for impairment on credit commitments	**34**	24	35
Total impairment provisions	**395**	264	387

1 Past due assets are not impaired assets.

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

Note 6 Deposits

	The 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	**2,510**	2,193	2,219
Other interest bearing:			
At call	**10,542**	11,109	10,619
Term	**16,269**	15,214	16,189
Total deposits at amortised cost	**29,321**	28,516	29,027
Total deposits	**31,761**	32,770	32,495

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

	The Banking Group		
	31 December 2009 Unaudited $m	31 December 2008 Unaudited $m	30 September 2009 Audited $m
Securities sold under agreements to repurchase	**601**	1,207	1,885
Total trading liabilities	**601**	1,207	1,885
Other financial liabilities designated at fair value	**-**	-	-
Total trading liabilities and other financial liabilities designated at fair value	**601**	1,207	1,885

Note 8 Debt issues

	The 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	4,862
Domestic medium-term notes	**1,518**	-	1,480
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:

	The 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 has been no change to the composition of the Banking Group since the publication of the General Disclosure Statement for the year ended 30 September 2009.

Note 10 Interest earning assets and interest bearing liabilities

	The Banking Group		
	31 December 2009 Unaudited $m	31 December 2008 Unaudited $m	30 September 2009 Audited $m
Interest earning and discount bearing assets	**54,118**	55,004	53,721
Interest and discount bearing liabilities	**47,299**	46,516	46,224

Note 11 Commitments and contingent liabilities

The 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 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 Banking Group's option.

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

The Banking Group takes collateral where it is considered necessary to support, both on and off-balance sheet, financial instruments with credit risk. The 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 Bank guarantees commercial paper and other debt securities issued by Westpac Securities NZ Limited the proceeds of which, in accordance with Reserve Bank guidelines, are immediately on-lent to the Bank. Guarantees outstanding as at 31 December 2009 were New Zealand dollar equivalent $13,654 million (31 December 2008: $10,481 million, 30 September 2009: $10,168 million).

	The Banking Group		
	31 December 2009 Unaudited $m	31 December 2008 Unaudited $m	30 September 2009 Audited $m
Contingent liabilities			
Direct credit substitutes	**43**	50	45
Transaction related contingent items	**245**	281	279
Short-term, self liquidating trade related contingent liabilities	**696**	764	678
Total contingent liabilities	**984**	1,095	1,002

Other contingent liabilities

The Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the Banking Group's likely loss in respect of these matters 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 Branch and relevant subsidiaries reached a settlement with the New Zealand Inland Revenue Department of the previously reported challenge proceedings relating to nine structured finance transactions undertaken between 1998 and 2002. All proceedings have been discontinued and the terms of the settlement are subject to confidentiality. The payment of any tax under the settlement rests with the Ultimate Parent Bank.

The Bank leases the majority of the properties it occupies. As is normal practice, the lease agreements contain 'make good' provisions, which require the Bank, upon termination of the lease, to return the premises to the lessor in the original condition. The maximum amount payable by the Bank 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). The Bank 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.

Other commitments

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

Note 12 Segment information

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

The basis of segment reporting reflects the management of the business, rather than the legal structure of the 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 Banking Group operates in New Zealand and aligns with internal reporting to key management personnel. 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 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.
- Other, contains the corporate head office functions for the New Zealand business.

The comparative information has been prepared based on the requirements of the revised accounting standard NZ IFRS 8 *Operating Segments*.

	The Banking Group					
	Three Months Ended 31 December 2009 – Unaudited					
	Business Banking $m	Consumer Banking $m	Other $m	Total Management Reporting $m	Consolidation and Adjustments $m	Total Consolidated $m
Revenue from external customers[1]	344	587	(7)	924	36	960
Internal revenue	-	-	(12)	(12)	12	-
Total segment revenue	344	587	(19)	912	48	960
Profit before income tax expense	91	71	(97)	65	(5)	60
Income tax expense	(28)	(20)	31	(17)	(1)	(18)
Profit after income tax expense	63	51	(66)	48	(6)	42
Profit after income tax expense attributable to:						
Owners of the Banking Group	63	50	(66)	47	(6)	41
Non-controlling interests	-	1	-	1	-	1
Total external assets excluding tax assets	20,333	29,048	259	49,640	4,670	54,310
Intragroup assets	1	23	(12,892)	(12,868)	13,704	836
Tax assets	-	2	214	216	(5)	211
Total assets	20,334	29,073	(12,419)	36,988	18,369	55,357

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

	The Banking Group					
	Three Months Ended 31 December 2008 – Unaudited					
	Business Banking $m	Consumer Banking $m	Other $m	Total Management Reporting $m	Consolidation and Adjustments $m	Total Consolidated $m
Revenue from external customers[1]	481	696	6	1,183	35	1,218
Internal revenue	-	-	(103)	(103)	103	-
Total segment revenue	481	696	(97)	1,080	138	1,218
Profit before income tax expense	67	163	(70)	160	6	166
Income tax expense	(20)	(45)	20	(45)	(5)	(50)
Profit after income tax expense	47	118	(50)	115	1	116
Profit after income tax expense attributable to:						
Owners of the Banking Group	47	117	(50)	114	1	115
Non-controlling interests	-	1	-	1	-	1
Total external assets excluding tax assets	20,151	27,854	161	48,166	5,298	53,464
Intragroup assets	1	103	(14,411)	(14,307)	16,644	2,337
Tax assets	-	2	135	137	23	160
Total assets	20,152	27,959	(14,115)	33,996	21,965	55,961

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

Note 12 Segment information (continued)

	The Banking Group					
	Year Ended 30 September 2009 – Unaudited					
	Business Banking $m	Consumer Banking $m	Other $m	Total Management Reporting $m	Consolidation and Adjustments $m	Total Consolidated $m
Revenue from external customers[1]	1,582	2,572	(10)	4,144	207	4,351
Internal revenue	-	1	(114)	(113)	113	-
Total segment revenue	1,582	2,573	(124)	4,031	320	4,351
Profit before income tax expense	27	637	(335)	329	22	351
Income tax expense	(8)	(183)	102	(89)	(14)	(103)
Profit after income tax expense	19	454	(233)	240	8	248
Profit after income tax expense attributable to:						
Owners of the Banking Group	19	451	(233)	237	8	245
Non-controlling interests	-	3	-	3	-	3
Total external assets excluding tax assets	20,107	28,482	180	48,769	4,958	53,727
Intragroup assets	2	20	(9,460)	(9,438)	10,014	576
Tax assets	-	2	183	185	21	206
Total assets	20,109	28,504	(9,097)	39,516	14,993	54,509

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

Note 13 Securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products

During the three months ended 31 December 2009:

- financial services provided by any member of the Banking Group to entities which conduct the securitisation, funds management and other fiduciary activities, or on whose behalf insurance products are marketed or distributed, have been provided on arm's length terms and conditions and at fair value; and
- assets purchased from entities which conduct the securitisation, funds management and other fiduciary activities specified above, or on whose behalf insurance products are marketed or distributed, have been purchased on arm's length terms and conditions and at fair value.

Securitisation

As at 31 December 2009, the Banking Group had securitised assets amounting to $475 million (31 December 2008: $550 million), all having been sold by the Banking Group to the Westpac Home Loan Trust ('**HLT**') and the Westpac Mortgage Investment Fund ('**MIF**') via the HLT. HLT and MIF were established, pursuant to trust deeds between BT Funds Management (NZ) Limited and The New Zealand Guardian Trust Company Limited, with the principal purpose of investing in home loans originated by the Bank. The purchase of these home loans has been funded with the proceeds of units subscribed for, and issued to, retail investors in New Zealand. The Banking Group receives fees for various services provided to HLT and MIF on an arm's length basis, including servicing fees. These fees are recognised over the financial periods in which the costs are borne.

In addition, the Bank executed a $5.0 billion internal mortgage-backed securitisation in October 2008, which increased to $7.5 billion in December 2008. These securities are available for external issuance and the most senior rated securities ($7.25 billion) also qualify as eligible collateral for repurchase agreements with the Reserve Bank. Reflecting the underlying movement in loan balances in the facility, the Bank executed a $1.5 billion substitution to the internal mortgage-backed securitisation programme in September 2009 to ensure the appropriate quality and total value able to be securitised were maintained. Holding a portion of mortgages in securitised format enables the Bank to maintain a readily available source of cash should market conditions become difficult. It takes advantage of the Reserve Bank's guidelines for its overnight reverse repo facility and open market operations, which allows banks in New Zealand to offer securitised residential mortgage assets from their own balance sheets as collateral for the Reserve Bank's repurchase agreements.

Funds management and other fiduciary activities

The Bank markets the products of BT Funds Management (NZ) Limited, a member of the Ultimate Parent Bank Group, through its branches, advisory network and private bank. The Bank derives distribution fees from the sale of managed fund products, superannuation and unit trusts marketed on behalf of BT Funds Management (NZ) Limited. The Bank also provides investment advice to a number of clients, which includes the provision of other fiduciary activities.

The Westpac Term PIE Fund ('**Term PIE**') is administered by the Banking Group and invests in deposits with the Bank which derive the benefit of the guarantees under the Deposit Guarantee Scheme within the Bank. The Banking Group is considered, in accordance with the accounting standards, to control Term PIE, and as such Term PIE is consolidated in the financial statements of the Banking Group. As at 31 December 2009, $151 million (31 December 2008: nil) of funds under management were invested by Term PIE in the Bank's deposits.

Marketing and distribution of insurance products

The Bank markets and distributes both life and general insurance products. The life insurance products are underwritten by Westpac Life - NZ - Limited (a member of the Ultimate Parent Bank Group). The general insurance products are underwritten by external third party insurance companies. Disclosure statements are made in all marketing material that the products are underwritten by those companies and that the Bank does not guarantee the obligations of, or any products issued by, those companies.

Note 13 Securitisation, funds management, other fiduciary activities and the marketing and distribution of insurance products (continued)

Peak aggregate funding provided to entities

The Banking Group did not provide any funding to entities conducting funds management and other fiduciary activities or insurance product marketing and distribution activities described in this note during the three months ended 31 December 2009 (three months ended 31 December 2008: nil).

The Banking Group did provide funding to Westpac NZ Securitisation Limited ('**WNZSL**'), a member of the Banking Group involved in securitisation activities. This funding was provided on an intraday basis to facilitate the purchase of mortgages from the Bank in order to establish mortgage-backed securities under the internal mortgage-backed securitisation described above. As noted above, this was completed in two tranches, $5.0 billion and $2.5 billion. At all times during the quarter the end-of-day balance of funding provided was nil. The peak end-of-day aggregate amount of funding provided to WNZSL (which is also the peak end-of-day aggregate amount of funding provided to all entities conducting the activities described above), during the three months ended 31 December 2009 was nil (three months ended 31 December 2008: nil), and the peak end-of-day aggregate amount of funding provided to WNZSL expressed as percentage of the amount of WNZSL's assets was nil (31 December 2008: nil). The peak end-of-day aggregate amount of funding provided to all entities conducting the activities described above expressed as percentage of the Banking Group's Tier One Capital was nil (31 December 2008: nil).

For this purpose, peak ratio information was derived by determining the maximum end-of-day aggregate amount of funding over the relevant three month period and then dividing that amount by the amount of WNZSL's assets or the Banking Group's Tier One Capital (as the case required) as at the end of the quarter.

Note 14 Insurance business

The Banking Group does not conduct any insurance business (as that term is defined in the Order).

Note 15 Capital adequacy

The information contained in this note has been derived in accordance with the Banking Group's conditions of registration which relate to capital adequacy and the document 'Capital adequacy framework (internal models based approach)' (BS2B) issued by the Reserve Bank.

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

During the three months ended 31 December 2009, the Banking Group had complied in full with all its externally imposed capital requirements.

Summary of internal capital adequacy assessment process ('ICAAP')

The Banking Group's ICAAP outlines the Banking Group's approach to ensuring that it has sufficient available capital to meet minimum capital requirements, even under stressed scenarios. The Reserve Bank document 'Prudential standard' (BS12) reinforces this internal discipline by incorporating a specific requirement that the board of a New Zealand incorporated bank has a duty to ensure that capital held by the bank is commensurate with the level and extent of its risks. The Banking Group's ICAAP is founded on the core principle that its target level of capital is directly related to its risk appetite and corresponding risk profile. The connection between these two concepts is provided by economic capital, the economic capital requirement is calibrated to the Banking Group's target senior debt rating which is one of the key parameters defined in the risk appetite statement. In addition to the economic capital based principles outlined above, the ICAAP also takes account of stress testing, prudential minimum capital ratios, thin capitalisation requirements and peer group comparatives.

Internal capital for other material risk

	The Banking Group	
	31 December 2009 Unaudited $m	31 December 2008 Unaudited $m
Internal capital allocation		
Other material risk	**352**	400

Other material risk is a combination of business risk, liquidity risk and other assets risk.

Note 15 Capital adequacy (continued)

Basel II

The table below is disclosed in accordance with Schedule 4B, Clause 13 of the Order and represents capital adequacy calculation based on the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B).

	The Banking Group	
	31 December 2009 Unaudited %	31 December 2008 Unaudited %
Capital adequacy ratios		
Tier One Capital expressed as a percentage of risk-weighted exposures	**9.5**	9.3
Total Capital expressed as a percentage of risk-weighted exposures	**12.5**	12.5
Reserve Bank of New Zealand minimum ratios		
Tier One Capital expressed as a percentage of risk-weighted exposures	**4.0**[1]	4.0
Total Capital expressed as a percentage of risk-weighted exposures	**8.0**	8.0

1 In addition to this minimum 4%, locally incorporated registered banks having the benefit of the Wholesale Funding Guarantee Facility are required to maintain an additional 2% Tier One Capital buffer. See the 'Wholesale Guarantee' section on page 7 for more information.

Basel I

The table below is disclosed in accordance with Schedule 4B, Clause 14 of the Order and represents capital adequacy calculation based on the Basel I Capital adequacy framework.

For the purposes of calculating the capital adequacy ratios for the Bank, wholly-owned and wholly-funded subsidiaries of the Banking Group are consolidated with the Bank. In this context, wholly-funded by the Bank means that there are no liabilities (including off-balance sheet obligations) to anyone other than the Bank, the NZIRD and trade creditors, where aggregate exposure to trade creditors does not exceed 5% of the subsidiary's shareholders' equity. Wholly-owned by the Bank means that all equity issued by the subsidiary is held by the Bank.

	The Banking Group		The Bank	
	31 December 2009 Unaudited %	31 December 2008 Unaudited %	**31 December 2009 Unaudited %**	31 December 2008 Unaudited %
Capital adequacy ratios				
Tier One Capital expressed as a percentage of risk-weighted exposures	**8.7**	7.8	**7.1**	7.6
Total Capital expressed as a percentage of risk-weighted exposures	**11.5**	14.2	**9.4**	14.0
Total risk-weighted exposures ($m)	**36,266**	37,402	**44,047**	38,005

The Banking Group's capital summary

	The Banking Group	
	31 December 2009 Unaudited $m	31 December 2008 Unaudited $m
Tier One Capital		
Paid up share capital	**3,470**	3,470
Revenue and similar reserves[1]	**42**	137
Current period's retained profits	**284**	-
Non-controlling interests	**5**	9
Less deductions from Tier One Capital		
Goodwill	**(477)**	(477)
Other intangible assets	**(97)**	(99)
Cash flow hedge reserve	**(15)**	23
DTA Deduction	**(35)**	-
Expected loss excess over eligible allowance	**(9)**	(73)
Total Tier One Capital	**3,168**	2,990
Tier Two Capital – Upper Tier Two Capital		
Perpetual subordinated notes	**970**	970
Current period's unaudited retained profits	**41**	115
Total Upper – Tier Two Capital	**1,011**	1,085
Less deductions from Tier Two Capital		
Expected loss excess over eligible allowance	**(9)**	(73)
Total Tier Two Capital	**1,002**	1,012
Total Tier One Capital plus Tier Two Capital	**4,170**	4,002

1 Revenue and similar reserves include cash flow hedge reserve, available-for-sale securities reserve and prior periods' retained profits.

Note 15 Capital adequacy (continued)

The Banking Group's total capital requirement

	The Banking Group		
	Three Months ended 31 December 2009 – Unaudited		
	Total Exposure After Credit Risk Mitigation $m	Risk-weighted Exposure or Implied Risk-weighted Exposure $m	Total Capital Requirement $m
Total credit risk	**66,163**	**28,229**	**2,258**
Operational risk	**N/A**	**2,850**	**228**
Market risk	**N/A**	**855**	**69**
Supervisory adjustment	**N/A**	**1,552**	**124**
Total	**66,163**	**33,486**	**2,679**

The supervisory adjustment comprises the 15% scalar applied to mortgages and an adjustment to bring risk-weighted assets to 90% of adjusted Basel I capital, as per the Bank's conditions of registration.

The Banking Group includes the effect of credit risk mitigation through eligible guarantees within the calculation applied to Loss Given Default ('**LGD**'). The value of the guarantee is not separately recorded, and therefore not available for disclosure.

Note 16 Risk management policies

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

Note 17 Credit risk exposure by asset class

Credit risk exposure by asset class as at 31 December 2009 (Unaudited)

The Banking Group

Residential mortgages

PD Band (%)	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
0.00 to 0.10	-	-	-	-	-	-
0.10 to 0.25	**3,270**	-	**22**	**7**	**242**	**19**
0.25 to 1.0	**10,796**	**1**	**22**	**19**	**2,004**	**160**
1.0 to 2.5	**16,535**	**1**	**22**	**34**	**5,562**	**445**
2.5 to 10.0	**1,572**	**4**	**22**	**68**	**1,064**	**85**
10.0 to 99.99	**258**	**23**	**22**	**129**	**333**	**27**
Default	**873**	**100**	**22**	**202**	**1,761**	**141**
Total	**33,304**	**4**	**22**	**33**	**10,966**	**877**

Other retail (Credit cards, personal loans, personal overdrafts)

PD Band (%)	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
0.00 to 0.10	-	-	-	-	-	-
0.10 to 0.25	-	-	-	-	-	-
0.25 to 1.0	**1,095**	-	**63**	**41**	**447**	**36**
1.0 to 2.5	**734**	**2**	**68**	**88**	**646**	**52**
2.5 to 10.0	**684**	**5**	**66**	**103**	**701**	**56**
10.0 to 99.99	**177**	**23**	**66**	**148**	**262**	**21**
Default	**56**	**100**	**65**	**365**	**205**	**16**
Total	**2,746**	**5**	**65**	**82**	**2,261**	**181**

Note 17 Credit risk exposure by asset class (continued)

Credit risk exposure by asset class as at 31 December 2009 (Unaudited)

The Banking Group

Small business

PD Band (%)	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
0.00 to 0.10	-	-	-	-	-	-
0.10 to 0.25	-	-	-	-	-	-
0.25 to 1.0	593	1	18	14	84	7
1.0 to 2.5	1,489	2	18	24	356	28
2.5 to 10.0	521	5	21	33	173	14
10.0 to 99.99	35	27	21	53	19	1
Default	147	100	19	193	284	23
Total	2,785	8	18	33	916	73

Corporate

PD Band (%)	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
AAA	-	-	-	-	-	-
AA	11	-	60	13	1	-
A	101	-	58	23	23	2
BBB	364	-	47	45	165	13
BB	988	2	49	112	1,102	89
B	-	-	-	-	-	-
Other	435	20	47	247	1,073	86
Default	76	100	40	206	156	12
Total	1,975	9	48	128	2,520	202

Business lending

PD Band (%)	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
AAA	-	-	-	-	-	-
AA	7	-	60	16	1	-
A	129	-	55	29	38	3
BBB	820	-	35	32	263	21
BB	5,450	2	29	57	3,121	250
B	198	3	33	77	153	12
Other	985	16	35	141	1,391	111
Default	145	100	36	192	278	22
Total	7,734	5	31	68	5,245	419

Sovereign

PD Band (%)	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
AAA	2,267	-	5	-	10	1
AA	1	-	60	11	-	-
A	434	-	20	7	31	3
BBB	104	-	19	16	16	1
BB	-	-	-	-	-	-
B	-	-	-	-	-	-
Other	-	-	-	-	-	-
Default	-	-	-	-	-	-
Total	2,806	-	8	2	57	5

Note 17 Credit risk exposure by asset class (continued)

Credit risk exposure by asset class as at 31 December 2009 (Unaudited)

The Banking Group

Bank

PD Band (%)	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
AAA	-	-	-	-	-	-
AA	1,720	-	58	10	179	14
A	300	-	60	11	34	3
BBB	-	-	-	-	-	-
BB	-	-	-	-	-	-
B	-	-	-	-	-	-
Other	-	-	-	-	-	-
Default	-	-	-	-	-	-
Total	2,020	-	59	11	213	17

Equity

PD Band (%)	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
Equity holdings (not deducted from capital) that are publicly traded	46	-	-	300	138	11

The Banking Group

	Undrawn Commitments and Other Off-balance Sheet Amounts		Market Related Contracts	
	Value	EAD	Value	EAD
Residential mortgages	5,314	525	-	-
Other retail (Credit cards, personal loans, personal overdrafts)	2,621	1,087	-	-
Small business	995	564	-	-
Corporate	529	529	-	-
Business lending	1,067	1,067	-	-
Sovereign	159	159	-	-
Bank	-	-	-	-
	10,685	3,931	-	-

Note 18 Credit risk exposures for specialised lending

Specialised lending: Project and property finance as at 31 December 2009 (Unaudited)

The Banking Group

	EAD $m	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
On-balance sheet exposures by supervisory slotting grade				
Strong	970	70	679	54
Good	1,705	90	1,535	123
Satisfactory	761	115	876	70
Weak	854	250	2,136	171
Default	132	-	-	-
Total	4,422	118	5,226	418
Off-balance sheet exposures				
Undrawn commitments and other off-balance sheet amounts	310	102	315	25

Note 19 Credit risk exposures subject to the standardised approach

Credit risk exposures subject to the standardised approach as at 31 December 2009 (Unaudited)

Calculation of on-balance sheet exposures

	The Banking Group			
	Total Exposure After Credit Risk Mitigation $m	Average Risk Weight %	Risk-weighted Exposure $m	Minimum Capital Requirement $m
Property, plant and equipment and other assets	251	100	251	20
Related parties	884	35	311	25
Total on-balance sheet exposures	1,135	50	562	45

Calculation of off-balance sheet exposures

	Total Principal Amount $m	Credit Equivalent Amount $m	Average Risk Weight %	Risk-weighted Exposure $m	Minimum Capital Requirement $m
Market related contracts subject to the standardised approach					
Foreign exchange contracts	12,064	360	19	70	6
Interest rate contracts	25,154	73	22	16	1
Total market related contracts subject to the standardised approach	37,218	433	20	86	7
Standardised subtotal				648	
After adjustment for scalar				687	

Note 20 Additional mortgage information for credit risk

Residential mortgages by loan-to-value ratio ('LVR') as at 31 December 2009 (Unaudited)

	The Banking Group				
LVR range	0-60%	61-70%	71-80%	81-90%	Over 90%
Value of exposures ($m)	11,969	5,503	7,393	5,148	3,047

Note 21 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 Banking Group has an aggregate credit exposure that equals or exceeds 10% of the 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 (three months ended 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 Banking Group has an aggregate credit exposure that equals or exceeds 10% of the 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 (three months ended 31 December 2008: nil).

The peak end-of-day aggregate credit exposure has been calculated by determining the maximum end-of-day aggregate credit exposure over the relevant three-month period and then dividing that by the Banking Group's equity as at the end of the period. Credit exposure used in the above calculations is 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 connected persons nor 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 Banking Group and were calculated net of individually assessed provisions.

Note 22 Credit exposures to connected persons and non-bank connected persons

The Banking Group's credit exposure to connected persons is derived in accordance with the Reserve Bank document 'Connected exposures policy' (BS8) and is net of individual credit impairment allowances.

The Reserve Bank defines connected persons to be other members of the Ultimate Parent Bank Group and Directors of the Bank. Controlled entities of the Bank are not connected persons. Credit exposures to connected persons are based on actual credit exposures rather than internal limits, are net of specific provisions and exclude advances to connected persons of a capital nature. Peak end-of-day aggregate credit exposures to connected persons expressed as a percentage of Tier One Capital of the Banking Group have been derived 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 Banking Group's Tier One Capital as at the end of the period. Credit exposures to connected persons reported in the table below have been calculated partially on a bilateral net basis, and partially on a gross basis. Netting has occurred in respect of certain transactions which are the subject of the bilateral netting agreements disclosed in the Bank's most recent Supplemental Disclosure Statement. On this basis, there is a limit of 125% of the Banking Group Tier One Capital in respect of the gross amount of aggregate credit exposure to connected persons that can be netted off in determining the net exposure.

	The Banking Group			
	As at 31 December 2009 Unaudited $m	**Peak End-of-Day for the Three Months Ended 31 December 2009 Unaudited $m**	As at 31 December 2008 Unaudited (Restated) $m	Peak End-of-Day for the Three Months Ended 31 December 2008 Unaudited (Restated) $m
Credit exposures to connected persons:				
On gross basis, before netting	**1,063**	**1,344**	3,103	3,775
As a percentage of Tier One Capital of the Banking Group at end of the period (on gross basis, before netting)	**33.6%**	**42.4%**	103.8%	126.3%
Netted amount	**95**	**-**	1,820	1,919
As a percentage of Tier One Capital of the Banking Group at end of the period (netted amount)	**3.0%**	**0.0%**	60.9%	64.2%
On partial bilateral net basis	**968**	**1,344**	1,283	1,856
As a percentage of Tier One Capital of the Banking Group at end of the period (on partial bilateral net basis)	**30.6%**	**42.4%**	42.9%	62.1%
Credit exposures to non-bank connected persons	**-**	**-**	-	-
As a percentage of Tier One Capital of the Banking Group at end of the period	**0.0%**	**0.0%**	0.0%	0.0%

As at 31 December 2009, the rating-contingent limit applicable to the Banking Group was 75% of Tier One Capital. Within this overall rating-contingent limit there is a sub-limit of 15% of Tier One Capital which applies to the aggregate credit exposure to non-bank connected persons. There have not been any changes in these limits during the three months ended 31 December 2009.

The limits on aggregate credit exposure to all connected persons and to non-bank connected persons in the Bank's conditions of registration have been complied with at all times over the three months ended 31 December 2009.

Comparative numbers for the Banking Group have been restated as a result of continuing analysis of the Banking Group's credit exposures to connected persons.

Where a bank is funding a large loan it is common practice to share the risk of a customer default with a syndicate of banks. These arrangements are called risk lay-off arrangements. As at 31 December 2009, the Banking Group had no aggregate contingent exposures to connected persons arising from risk lay-off arrangements in respect of credit exposures to counterparties (other than counterparties which are connected persons) (31 December 2008: nil).

The aggregate amount of the Banking Group's specific provisions provided against credit exposures to connected persons was nil as at 31 December 2009 (31 December 2008: nil).

Notes to the consolidated short form financial statements

Note 23 Market risk

The Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B). The end of quarter aggregate interest rate exposure is calculated from the period end balance sheet information. The peak end-of-day exposure is derived by taking the largest daily internal risk measure ('**VaR**') during the quarter, comparing this to the current and previous quarter end VaRs and calculating the peak risk by using the ratio of the peak to the quarter ends. This method is approximate only as the two methods differ in the assumed repricing characteristics of the balance sheet.

For each category of market risk, the Banking Group's 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 (internal models based approach)' (BS2B).

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

Market risk notional capital charges

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

	The Banking Group					
	31 December 2009 – Unaudited			31 December 2008 – Unaudited		
	Implied Risk-weighted Exposure $m	**Aggregate Capital Charge $m**	**Aggregate Capital Charge as a Percentage of the Banking Group's Equity %**	Implied Risk-weighted Exposure $m	Aggregate Capital Charge $m	Aggregate Capital Charge as a Percentage of the Banking Group's Equity %
End-of-period						
Interest rate risk	**763**	**61**	**1.59**	900	72	1.43
Foreign currency risk	**46**	**4**	**0.10**	38	3	0.06
Equity risk	**46**	**4**	**0.10**	38	3	0.06
Peak end-of-day						
Interest rate risk	**1,350**	**108**	**2.81**	1,838	147	2.92
Foreign currency risk	**46**	**4**	**0.10**	38	3	0.06
Equity risk	**46**	**4**	**0.10**	38	3	0.06

Note 24 Operational risk

The Banking Group's operational risk capital requirement

	The Banking Group	
	Three Months Ended 31 December 2009 – Unaudited	
	Implied Risk-weighted Exposure $m	**Total Operational Risk Capital Requirement $m**
Approach implemented:		
Advanced measurement approach		
Operational risk	**2,850**	**228**

Westpac New Zealand Limited