

Westpac Banking Corporation - New Zealand Division **Disclosure Statement**

For the nine months ended 30 June 2013



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General information and definitions

Certain of the information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ('Reserve Bank Act') and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2013 ('Order').

In this Disclosure Statement, reference is made to five main reporting groups:

- Westpac Banking Corporation Group (otherwise referred to as the '**Overseas Banking Group**') – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities;
- Westpac Banking Corporation (otherwise referred to as the '**Overseas Bank**') – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities;
- Westpac Banking Corporation - New Zealand Division (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation Group including those entities whose business is required to be reported in the financial statements of the Overseas Banking Group's New Zealand business. Controlled entities of the NZ Banking Group as at 30 September 2012 are set out in Note 26 to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2012. Except as detailed in Note 10 to the financial statements included in this Disclosure Statement, there have been no other changes in the structure or composition of the NZ Banking Group since 30 September 2012;
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac); and
- Westpac New Zealand Limited (otherwise referred to as '**Westpac New Zealand**') – refers to a locally incorporated subsidiary of the Overseas Bank carrying on the Overseas Bank's New Zealand consumer, business and institutional banking operations.

Words and phrases not defined in this Disclosure Statement, but defined by the Order, have the meaning given by the Order when used in this Disclosure Statement. All amounts referred to in this Disclosure Statement are in New Zealand dollars unless otherwise stated.

General matters

Directors

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

Lindsay Philip Maxsted, DipBus (Gordon), FCA, FAICD – Chairman

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

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

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

Gordon McKellar Cairns, MA (Hons.)

Ewen Graham Wolseley Crouch AM, BEc (Hons.), LLB

Robert George Elstone, BA (Hons.), MA (Econ.), MCom

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

Peter Ralph Marriott, BEc (Hons.), FCA

Ann Darlene Pickard, BA, MA

Chief Executive Officer, NZ Branch

Karen Lee Ann Silk, B.Com

The following changes in the composition of the Overseas Bank's Board of Directors (the '**Board**') have been effected since 30 September 2012:

- Peter Wilson retired from the Board at the conclusion of Westpac Banking Corporation's 2012 Annual General Meeting on 13 December 2012;
- Robert Elstone was appointed as Chairman of the Overseas Bank's Board Audit Committee effective 13 December 2012;
- Ewen Crouch was appointed to the Board effective 1 February 2013; and
- Peter Marriott was appointed to the Board effective 1 June 2013.

Responsible person

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

Credit ratings

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

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

There have been no changes to the above Overseas Bank's credit ratings or rating outlooks since 30 September 2012.

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

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

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

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2012 and for the six months ended 31 March 2013 and can be accessed at the internet address www.westpac.com.au.

Guarantee arrangements

As at the date this Disclosure Statement was signed, no material obligations of the Overseas Bank that relate to the NZ Branch are guaranteed.

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

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

- (a) contains all information that is required by the Order; and
- (b) is not false or misleading.

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch, believes, after due enquiry, that, over the nine months ended 30 June 2013:

- (a) the Overseas Bank has complied with the conditions of registration imposed on it pursuant to section 74 of the Reserve Bank Act; and
- (b) the NZ Branch had systems in place to monitor and control adequately the NZ Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement has been signed on behalf of the Directors by Peter Graham Clare, Chief Executive, Westpac New Zealand, and by Karen Lee Ann Silk, as Chief Executive Officer, NZ Branch.



Peter Graham Clare



Karen Lee Ann Silk

Dated this the 21st day of August 2013

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Consolidated income statement for the nine months ended 30 June 2013

\$ millions	Note	NZ Banking Group		
		Nine Months Ended 30-Jun-13 Unaudited	Nine Months Ended 30-Jun-12 Unaudited	Year Ended 30-Sep-12 Audited
Interest income		2,845	2,987	3,965
Interest expense		(1,661)	(1,849)	(2,440)
Net interest income		1,184	1,138	1,525
Non-interest income	2	442	424	582
Net operating income		1,626	1,562	2,107
Operating expenses		(667)	(651)	(872)
Impairment charges on loans	3	(84)	(125)	(184)
Operating profit		875	786	1,051
Share of profit of associate accounted for using the equity method		-	-	1
Profit before income tax expense		875	786	1,052
Income tax expense		(243)	(213)	(293)
Profit after income tax expense		632	573	759
Profit after income tax expense attributable to:				
Head office account and owners of the NZ Banking Group		629	571	756
Non-controlling interests		3	2	3
		632	573	759

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

Consolidated statement of comprehensive income for the nine months ended 30 June 2013

\$ millions	NZ Banking Group		
	Nine Months Ended 30-Jun-13 Unaudited	Nine Months Ended 30-Jun-12 Unaudited	Year Ended 30-Sep-12 Audited
Profit after income tax expense	632	573	759
Other comprehensive income which may be reclassified to the income statement:			
Available-for-sale securities:			
Net unrealised gains from changes in fair value of available-for-sale securities	29	71	66
Exchange differences	6	(3)	(6)
Income tax effect	(1)	(14)	(11)
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	53	88	56
Income tax effect	(15)	(25)	(16)
Total other comprehensive income which may be reclassified to the income statement	72	117	89
Other comprehensive income/(expense) which will not be reclassified to the income statement:			
Actuarial gains/(losses) on employee defined benefit superannuation schemes	6	-	(25)
Income tax effect	(2)	-	7
Total other comprehensive income/(expense) which will not be reclassified to the income statement	4	-	(18)
Total other comprehensive income, net of tax	76	117	71
Total comprehensive income	708	690	830
Total comprehensive income attributable to:			
Head office account and owners of NZ Banking Group	705	688	827
Non-controlling interests	3	2	3
	708	690	830

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

Consolidated statement of changes in equity for the nine months ended 30 June 2013

NZ Banking Group										
\$ millions	Head Office Account		Convertible Debentures	NZ Banking Group Equity				Total before Non-controlling Interests	Non-controlling Interests	Total Equity
	Branch Capital	Retained Profits		Share Capital	Retained Profits	Available-for-sale Securities Reserve	Cash Flow Hedge Reserve			
As at 1 October 2011	1,300	89	1,284	139	1,984	31	(74)	4,753	8	4,761
Nine months ended 30 June 2012 (Unaudited)										
Profit after income tax expense	-	141	-	-	430	-	-	571	2	573
Net gains from changes in fair value	-	-	-	-	-	71	88	159	-	159
Exchange differences	-	-	-	-	-	(3)	-	(3)	-	(3)
Income tax effect	-	-	-	-	-	(14)	(25)	(39)	-	(39)
Actuarial losses on employee defined benefit superannuation schemes	-	-	-	-	-	-	-	-	-	-
Income tax effect	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended 30 June 2012	-	141	-	-	430	54	63	688	2	690
Transactions with owners:										
Dividends paid on convertible debentures (net of tax)	-	(36)	-	-	-	-	-	(36)	-	(36)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)
As at 30 June 2012 (Unaudited)	1,300	194	1,284	139	2,414	85	(11)	5,405	6	5,411
Year ended 30 September 2012 (Audited)										
Profit after income tax expense	-	196	-	-	560	-	-	756	3	759
Net gains from changes in fair value	-	-	-	-	-	66	56	122	-	122
Exchange differences	-	-	-	-	-	(6)	-	(6)	-	(6)
Income tax effect	-	-	-	-	-	(11)	(16)	(27)	-	(27)
Actuarial losses on employee defined benefit superannuation schemes	-	-	-	-	(25)	-	-	(25)	-	(25)
Income tax effect	-	-	-	-	7	-	-	7	-	7
Total comprehensive income for the year ended 30 September 2012	-	196	-	-	542	49	40	827	3	830
Transactions with owners:										
Dividends paid on convertible debentures (net of tax)	-	(72)	-	-	-	-	-	(72)	-	(72)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)
As at 30 September 2012 (Audited)	1,300	213	1,284	139	2,526	80	(34)	5,508	7	5,515
Nine months ended 30 June 2013 (Unaudited)										
Profit after income tax expense	-	160	-	-	469	-	-	629	3	632
Net gains from changes in fair value	-	-	-	-	-	29	53	82	-	82
Exchange differences	-	-	-	-	-	6	-	6	-	6
Income tax effect	-	-	-	-	-	(1)	(15)	(16)	-	(16)
Actuarial gains on employee defined benefit superannuation schemes	-	-	-	-	6	-	-	6	-	6
Income tax effect	-	-	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income for the nine months ended 30 June 2013	-	160	-	-	473	34	38	705	3	708
Transactions with owners:										
Dividends paid on convertible debentures (net of tax)	-	(36)	-	-	-	-	-	(36)	-	(36)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)
As at 30 June 2013 (Unaudited)	1,300	337	1,284	139	2,999	114	4	6,177	6	6,183

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

Consolidated balance sheet as at 30 June 2013

\$ millions	Note	NZ Banking Group		
		30-Jun-13 Unaudited	30-Jun-12 Unaudited	30-Sep-12 Audited
Assets				
Cash and balances with central banks		1,644	1,404	1,714
Due from other financial institutions		172	308	322
Derivative financial instruments		4,285	5,328	5,506
Trading securities	4	4,065	6,732	4,028
Available-for-sale securities		2,791	2,658	2,694
Loans	5, 6	60,936	59,198	59,892
Life insurance assets		274	226	237
Due from related entities		2,043	1,761	2,006
Investment in associate		48	48	48
Goodwill and other intangible assets		695	634	652
Property, plant and equipment		166	157	162
Current tax assets		48	8	-
Deferred tax assets		176	205	209
Other assets		355	296	384
Total assets		77,698	78,963	77,854
Liabilities				
Due to other financial institutions		1,350	496	214
Deposits	7	46,379	41,845	43,390
Derivative financial instruments		3,994	5,512	5,841
Trading liabilities	8	522	919	518
Debt issues	9	11,944	15,887	12,914
Current tax liabilities		-	-	49
Provisions		84	90	96
Other liabilities		600	619	721
Total liabilities excluding related entities liabilities		64,873	65,368	63,743
Subordinated debentures		740	752	712
Due to related entities		5,902	7,432	7,884
Total related entities liabilities		6,642	8,184	8,596
Total liabilities		71,515	73,552	72,339
Net assets		6,183	5,411	5,515
Equity				
Head office account				
Branch capital		1,300	1,300	1,300
Retained profits		337	194	213
Total head office account		1,637	1,494	1,513
Convertible debentures		1,284	1,284	1,284
NZ Banking Group equity				
Ordinary share capital		139	139	139
Retained profits		2,999	2,414	2,526
Available-for-sale securities reserve		114	85	80
Cash flow hedge reserve		4	(11)	(34)
Total equity attributable to owners of the NZ Banking Group		3,256	2,627	2,711
Non-controlling interests		6	6	7
Total equity		6,183	5,411	5,515
Interest earning and discount bearing assets		69,964	70,716	69,024
Interest and discount bearing liabilities		62,509	62,813	60,877

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

Consolidated statement of cash flows for the nine months ended 30 June 2013

\$ millions	NZ Banking Group		
	Nine Months Ended 30-Jun-13 Unaudited	Nine Months Ended 30-Jun-12 Unaudited	Year Ended 30-Sep-12 Audited
Cash flows from operating activities			
Interest income received	2,841	2,986	3,955
Interest expense paid	(1,682)	(1,894)	(2,436)
Non-interest income received	464	432	562
Net (increase)/decrease in trading securities	(97)	(1,056)	1,643
Net increase/(decrease) in trading liabilities	4	(367)	(768)
Net movement in derivative financial instruments	(573)	884	1,003
Operating expenses paid	(655)	(617)	(824)
Income tax paid	(305)	(240)	(240)
Net cash (used in)/provided by operating activities	(3)	128	2,895
Cash flows from investing activities			
Purchase of available-for-sale securities	(62)	(1,072)	(1,179)
Proceeds from maturities of available-for-sale securities	-	-	63
Net loans advanced to customers	(1,128)	(1,209)	(1,962)
Net increase in life insurance assets	(37)	(40)	(51)
Net (increase)/decrease in due from related entities	(37)	511	266
Purchase of capitalised computer software	(71)	(46)	(73)
Purchase of property, plant and equipment	(24)	(23)	(36)
Net cash used in investing activities	(1,359)	(1,879)	(2,972)
Cash flows from financing activities			
Net increase in deposits	2,989	2,270	3,815
Net decrease in debt issues	(970)	(1,743)	(4,716)
Net (decrease)/increase in due to related entities	(1,987)	735	1,185
Net increase/(decrease) in subordinated debentures	28	(33)	(73)
Dividends paid on convertible debentures	(50)	(50)	(100)
Dividends paid to minority shareholders	(4)	(4)	(4)
Net cash provided by financing activities	6	1,175	107
Net (decrease)/increase in cash and cash equivalents	(1,356)	(576)	30
Cash and cash equivalents at beginning of the period/year	1,822	1,792	1,792
Cash and cash equivalents at end of the period/year	466	1,216	1,822
Cash and cash equivalents comprise:			
Cash and balances with central banks	1,644	1,404	1,714
Due (to)/from other financial institutions (net)	(1,178)	(188)	108
Cash and cash equivalents at end of the period/year	466	1,216	1,822
Reconciliation of profit after income tax expense to net cash (used in)/provided by operating activities			
Profit after income tax expense	632	573	759
<i>Adjustments:</i>			
Impairment charges on loans	84	125	184
Computer software amortisation costs	28	29	38
Depreciation on property, plant and equipment	20	20	28
Share-based payments	5	5	7
Movement in other assets	31	(62)	(108)
Movement in other liabilities	(70)	(58)	(10)
Movement in current and deferred tax	(66)	(5)	55
Tax on cash flow hedge reserve	(15)	(25)	(16)
Tax on available-for-sale securities reserve	(1)	(14)	(11)
Tax on convertible debentures dividends	14	14	28
Movement in trading securities	(96)	(991)	1,706
Movement in trading liabilities	4	(367)	(768)
Movement in derivative financial instruments	(573)	884	1,003
Net cash (used in)/provided by operating activities	(3)	128	2,895

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

Notes to the financial statements

Note 1 Statement of accounting policies

Statutory base

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

- Westpac Banking Corporation Group (otherwise referred to as the '**Overseas Banking Group**') – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities;
- Westpac Banking Corporation (otherwise referred to as the '**Overseas Bank**') – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities;
- Westpac Banking Corporation - New Zealand Division (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation Group including those entities whose business is required to be reported in the financial statements of the Overseas Banking Group's New Zealand business;
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac); and
- Westpac New Zealand Limited (otherwise referred to as '**Westpac New Zealand**') – refers to a locally incorporated subsidiary of the Overseas Bank (carrying on the Overseas Bank's New Zealand consumer, business and institutional banking operations).

These consolidated financial statements have been prepared and presented in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2013 ('**Order**') and the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**').

These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit-oriented entities, and the New Zealand Equivalent to International Accounting Standard ('**NZ IAS**') 34 *Interim Financial Reporting* and should be read in conjunction with the Disclosure Statements for the year ended 30 September 2012 and for the periods ended 31 December 2012 and 31 March 2013.

These financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

As a result of the revised accounting standard which became operative for the annual reporting period commencing 1 October 2012, the NZ Banking Group adopted *Presentation of Items of Other Comprehensive Income* (Amendments to NZ IAS 1). Under the amended standard, the format of other comprehensive income has changed to separate items that may be recycled to the income statement from items that will not be recycled. Adoption of this revised accounting standard only relates to disclosures and has no impact to the NZ Banking Group's reported result or financial position.

These financial statements were authorised for issue by the Overseas Bank's Board of Directors ('**Board**') on 21 August 2013. The Board has the power to amend the financial statements after they are authorised for issue.

Basis of preparation

These 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 financial derivative contracts. The going concern concept and the accrual basis of accounting have been adopted. All amounts are expressed in New Zealand dollars unless otherwise stated.

The same accounting policies and methods of computation have been followed in preparing these financial statements as were used in preparing the financial statements for the year ended 30 September 2012, except as amended for the changes required due to the adoption of the revised accounting standard as explained in the 'Statutory base' section.

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

Basis of aggregation

The NZ Banking Group as at 30 June 2013, has been aggregated by combining the sum of the capital and reserves of the NZ Branch, Hastings Forestry Investments Limited and the consolidated capital and reserves of BT Financial Group (NZ) Limited, Westpac Financial Services Group-NZ-Limited, Westpac Group Investment-NZ-Limited, Westpac New Zealand Group Limited and their controlled entities. For New Zealand entities acquired by the Overseas Banking Group, capital and reserves at acquisition are netted and recognised as capital contributed to the NZ Banking Group.

All transactions and balances between entities within the NZ Banking Group have been eliminated. Control exists when the parent entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date on which control commences and are de-consolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the NZ Banking Group.

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

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

Notes to the financial statements

Note 2 Non-interest income

\$ millions	NZ Banking Group		
	Nine Months Ended 30-Jun-13 Unaudited	Nine Months Ended 30-Jun-12 Unaudited	Year Ended 30-Sep-12 Audited
Fees and commissions			
Transaction fees and commissions	185	181	244
Lending fees (loan and risk)	48	46	61
Insurance commissions received	13	11	17
Other non-risk fee income	12	14	18
Total fees and commissions	258	252	340
Wealth management revenue			
Fees from trust and other fiduciary activities	102	97	134
Net life insurance income and change in policy liabilities	(33)	(29)	(32)
Total wealth management revenue	69	68	102
Trading income			
Foreign exchange trading	66	65	85
Interest rate trading	35	22	31
Total trading income	101	87	116
Net ineffectiveness on qualifying hedges	2	(1)	1
Other non-interest income			
Net (losses)/gains on derivatives held for risk management purposes	(1)	4	6
Dividend income	2	2	2
Rental income	-	1	1
Other	11	11	14
Total other non-interest income	12	18	23
Total non-interest income	442	424	582

Note 3 Impairment charges on loans

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	
Nine months ended 30 June 2013 (Unaudited)				
Collectively assessed provisions	5	4	(13)	(4)
Individually assessed provisions	21	-	38	59
Bad debts written-off directly to the income statement	3	31	17	51
Interest adjustments	(3)	(7)	(12)	(22)
Total impairment charges on loans	26	28	30	84
Nine months ended 30 June 2012 (Unaudited)				
Collectively assessed provisions	(1)	4	(40)	(37)
Individually assessed provisions	20	-	110	130
Bad debts written-off directly to the income statement	4	32	21	57
Interest adjustments	(2)	(7)	(16)	(25)
Total impairment charges on loans	21	29	75	125
Year ended 30 September 2012 (Audited)				
Collectively assessed provisions	(5)	(6)	(60)	(71)
Individually assessed provisions	23	-	190	213
Bad debts written-off directly to the income statement	2	43	29	74
Interest adjustments	(4)	(10)	(18)	(32)
Total impairment charges on loans	16	27	141	184

Notes to the financial statements

Note 4 Trading securities

\$ millions	NZ Banking Group		
	30-Jun-13 Unaudited	30-Jun-12 Unaudited	30-Sep-12 Audited
Certificates of deposit	2,204	2,989	2,172
Corporate bonds	712	568	485
Mortgage-backed securities	3	5	-
NZ Government securities	462	1,095	478
Local authority securities	375	248	349
Securities purchased under agreement to resell	309	1,827	544
Total trading securities	4,065	6,732	4,028

As at 30 June 2013, the NZ Banking Group had \$149 million of trading securities (30 June 2012: \$540 million, 30 September 2012: \$12 million) that were encumbered through repurchase agreements as part of standard terms of transactions with other banks.

Note 5 Loans

\$ millions	NZ Banking Group		
	30-Jun-13 Unaudited	30-Jun-12 Unaudited	30-Sep-12 Audited
Overdrafts	1,210	1,218	1,460
Credit card outstandings	1,350	1,320	1,311
Money market loans	975	993	1,165
Term loans:			
Housing	37,063	35,869	35,963
Non-housing	20,048	19,571	19,798
Other	855	870	802
Total gross loans	61,501	59,841	60,499
Provisions for impairment charges on loans	(565)	(643)	(607)
Total net loans	60,936	59,198	59,892

As at 30 June 2013, \$2.6 billion of housing loans and \$1.1 billion of cash are used by the NZ Banking Group to secure the obligations of Westpac Securities NZ Limited ('WSNZL') under Westpac New Zealand's Global Covered Bond Programme ('CB Programme') (30 June 2012: \$3.4 billion of housing loans and \$0.3 billion of cash, 30 September 2012: \$3.1 billion of housing loans and \$0.6 billion of cash). These housing loans were not derecognised from Westpac New Zealand's financial statements in accordance with the accounting policies outlined in Note 1 to the financial statements included in the Disclosure Statement for the year ended 30 September 2012. As at 30 June 2013, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was \$2.1 billion (30 June 2012: \$2.0 billion, 30 September 2012: \$2.0 billion).

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

\$ millions	NZ Banking Group			Total
	Residential Mortgages	30-Jun-13 (Unaudited) Other Loans for Consumer Purposes	Loans for Business Purposes	
Total neither past due nor impaired	35,878	1,704	21,731	59,313
Past due assets:				
Less than 90 days past due	1,013	140	267	1,420
At least 90 days past due	59	17	59	135
Total past due assets	1,072	157	326	1,555
Individually impaired assets	113	-	520	633
Total gross loans	37,063	1,861	22,577	61,501
Individually assessed provisions	36	-	204	240
Collectively assessed provisions	66	67	229	362
Total provisions for impairment charges on loans and credit commitments	102	67	433	602
Provision for credit commitments	-	-	(37)	(37)
Total provisions for impairment charges on loans	102	67	396	565
Total net loans	36,961	1,794	22,181	60,936

Notes to the financial statements

Note 7 Deposits

\$ millions	NZ Banking Group		
	30-Jun-13 Unaudited	30-Jun-12 Unaudited	30-Sep-12 Audited
Deposits at fair value			
Certificates of deposit	1,070	973	1,423
Total deposits at fair value	1,070	973	1,423
Deposits at amortised cost			
Non-interest bearing, repayable at call	3,209	2,962	2,969
Other interest bearing:			
At call	17,437	16,013	15,931
Term	24,663	21,897	23,067
Total deposits at amortised cost	45,309	40,872	41,967
Total deposits	46,379	41,845	43,390

The NZ Branch held no retail deposits from individuals as at 30 June 2013 (30 June 2012: nil, 30 September 2012: nil).

Note 8 Trading liabilities

\$ millions	NZ Banking Group		
	30-Jun-13 Unaudited	30-Jun-12 Unaudited	30-Sep-12 Audited
Held for trading			
Securities sold short	373	379	506
Securities sold under agreements to repurchase	149	540	12
Total trading liabilities	522	919	518

Note 9 Debt issues

\$ millions	NZ Banking Group		
	30-Jun-13 Unaudited	30-Jun-12 Unaudited	30-Sep-12 Audited
Short-term debt			
Commercial paper	3,935	7,432	4,033
Total short-term debt	3,935	7,432	4,033
Long-term debt			
Non-domestic medium-term notes	5,325	6,384	6,207
Domestic medium-term notes	2,684	2,071	2,674
Total long-term debt	8,009	8,455	8,881
Total debt issues	11,944	15,887	12,914
Debt issues at amortised cost	8,009	8,423	8,851
Debt issues at fair value	3,935	7,464	4,063
Total debt issues	11,944	15,887	12,914
Movement in debt issues			
Balance at beginning of the period/year	12,914	17,630	17,630
Issuance during the period/year	4,942	11,107	12,589
Repayments during the period/year	(6,417)	(12,137)	(16,196)
Effect of foreign exchange movements during the period/year	572	(779)	(1,188)
Effect of fair value movements during the period/year	(67)	66	79
Balance at end of the period/year	11,944	15,887	12,914

As at 30 June 2013, the NZ Banking Group had New Zealand Government guaranteed debt of \$1,977 million on issue (30 June 2012: \$2,039 million, 30 September 2012: \$1,970 million). For further information on New Zealand Government guaranteed debt refer to Guarantee arrangements in Westpac New Zealand's Disclosure Statement for the nine months ended 30 June 2013.

Notes to the financial statements

Note 10 Related entities

Westpac NZ Securitisation No.2 Limited ('**WNZSL 2**') was incorporated on 2 November 2012. WNZSL 2 is a wholly owned subsidiary of Westpac NZ Securitisation Holdings Limited.

Westpac Cash PIE Fund was established on 14 November 2012 and commenced operation on 22 November 2012. Westpac Cash PIE Fund is not owned by the NZ Banking Group, but is regarded as a controlled entity due to contractual arrangements.

Other controlled entities of the NZ Banking Group as at 30 September 2012 are set out in Note 26 to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2012.

Interchange and Settlement Limited ('**ISL**') was removed from the New Zealand Companies Register on 25 February 2013. The removal of ISL did not have a significant impact on the NZ Banking Group's financial position or results of operations for the nine months ended 30 June 2013.

Mondex NZ Limited ('**Mondex**') was removed from the New Zealand Companies Register on 4 July 2013. Mondex did not have a significant impact on the NZ Banking Group's financial position or results of operations for the nine months ended 30 June 2013.

There have been no other changes to the structure or composition of the NZ Banking Group since 30 September 2012.

The total liabilities of the NZ Branch, net of amounts due to related entities as at 30 June 2013, amounted to \$5,785 million (30 June 2012: \$6,729 million, 30 September 2012: \$6,372 million).

Note 11 Commitments and contingent liabilities

\$ millions	NZ Banking Group		
	30-Jun-13 Unaudited	30-Jun-12 Unaudited	30-Sep-12 Audited
Commitments for capital expenditure			
Due within one year	7	1	4
Other expenditure commitments:			
One year or less	106	77	95
Between one and five years	228	285	293
Over five years	2	-	-
Total other expenditure commitments	336	362	388
Lease commitments (all leases are classified as operating leases)			
Premises and sites	269	211	219
Motor vehicles	8	6	8
Total lease commitments	277	217	227
Lease commitments are due as follows:			
One year or less	53	42	44
Between one and five years	146	108	117
Over five years	78	67	66
Total lease commitments	277	217	227
Other contingent liabilities and commitments			
Direct credit substitutes	1,031	334	335
Loan commitments with certain drawdown	222	192	177
Transaction-related contingent items	903	803	796
Short-term, self liquidating trade-related contingent liabilities	418	386	397
Other commitments to provide financial services	18,700	19,181	19,118
Total other contingent liabilities and commitments	21,274	20,896	20,823

Note 12 Segment information

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

The basis of segment reporting reflects the management of the business, rather than the legal structure of the NZ Banking Group. There is no difference in accounting measurement between the management and legal structures. The operating segment results have been presented on a management reporting basis and consequently internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Intersegment pricing is determined on a cost recovery basis.

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

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

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

Notes to the financial statements

Note 12 Segment information (continued)

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

Reconciling items primarily represent:

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

Net interest income and non-interest income have been included in the following table to align with the information provided to the 'chief operating decision maker'. Comparative information has been changed to ensure consistent presentation with the current reporting period. Additionally, profit before income tax expense from domestic transactional banking deposits of certain customers and the associated deposits has been reclassified from the Business Banking segment to the Institutional Banking segment. The revised presentation has no impact on total profit before income tax expense for the nine months ended 30 June 2012 and the year ended 30 September 2012.

\$ millions	NZ Banking Group				Total
	Consumer Banking	Business Banking	Institutional Banking	Reconciling Items ¹	
Nine months ended 30 June 2013 (Unaudited)					
Net interest income	596	351	139	98	1,184
Non-interest income	221	69	134	18	442
Net operating income	817	420	273	116	1,626
Net operating income from external customers	1,012	742	257	(385)	1,626
Net internal operating (expense)/income	(195)	(322)	16	501	-
Net operating income	817	420	273	116	1,626
Operating expenses	(137)	(54)	(39)	(437)	(667)
Impairment (charges)/recoveries on loans	(50)	1	(36)	1	(84)
Profit before income tax expense	630	367	198	(320)	875
Total gross loans	32,450	22,298	6,936	(183)	61,501
Total deposits	25,974	11,384	7,951	1,070	46,379
Nine months ended 30 June 2012 (Unaudited)					
Net interest income	599	366	136	37	1,138
Non-interest income	202	68	132	22	424
Net operating income	801	434	268	59	1,562
Net operating income from external customers	1,104	802	285	(629)	1,562
Net internal operating (expense)/income	(303)	(368)	(17)	688	-
Net operating income	801	434	268	59	1,562
Operating expenses	(138)	(54)	(39)	(420)	(651)
Impairment (charges)/recoveries on loans	(44)	(84)	3	-	(125)
Profit before income tax expense	619	296	232	(361)	786
Total gross loans	31,285	21,978	6,808	(230)	59,841
Total deposits	23,906	10,413	6,553	973	41,845
Year ended 30 September 2012 (Unaudited)					
Net interest income	800	488	181	56	1,525
Non-interest income	283	94	180	25	582
Net operating income	1,083	582	361	81	2,107
Net operating income from external customers	1,466	1,063	380	(802)	2,107
Net internal operating (expense)/income	(383)	(481)	(19)	883	-
Net operating income	1,083	582	361	81	2,107
Operating expenses	(184)	(73)	(56)	(559)	(872)
Impairment charges on loans	(39)	(144)	(6)	5	(184)
Share of profit of associate accounted for using equity method	-	-	-	1	1
Profit before income tax expense	860	365	299	(472)	1,052
Total gross loans	31,383	22,129	7,209	(222)	60,499
Total deposits	24,744	10,809	6,414	1,423	43,390

¹ Included in the reconciling items for total operating expenses is \$434 million (30 June 2012: \$422 million; 30 September 2012: \$562 million) of head office operating expenses, which are not allocated to a business unit that meets the definition of an operating segment.

Notes to the financial statements

Note 13 Insurance business

The following table presents the aggregate amount of the NZ Banking Group's insurance business conducted through one of its controlled entities, Westpac Life-NZ- Limited calculated in accordance with the Overseas Bank's conditions of registration as at the reporting date:

\$ millions	NZ Banking Group 30-Jun-13 Unaudited
Total assets	242
As a percentage of total assets of the NZ Banking Group	0.31%

Note 14 Risk management

14.1 Credit risk

The NZ Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 30 June 2013 (Unaudited)

In order to calculate origination LVR, the current exposure is that used in the internal ratings based approach for mortgage lending. For loans originated from 1 January 2008, the NZ Banking Group utilises its loan origination system. For loans originated prior to 1 January 2008, the origination LVR is not separately recorded, and therefore is not available for disclosure as required under Clause 1 of Schedule 9 to the Order. For these loans, the NZ Banking Group utilises its dynamic LVR process to calculate an origination LVR. Exposures for which no LVR is available have been included in the 'Exceeds 90%' category in accordance with the requirements of the Order.

LVR range (\$ millions)	NZ Banking Group 30-Jun-13 (Unaudited)			Total
	Does not Exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
On-balance sheet exposures	28,384	5,745	2,851	36,980
Undrawn commitments and other off-balance sheet exposures	6,348	411	178	6,937
Value of exposures	34,732	6,156	3,029	43,917

14.2 Market risk

The following table provides a summary of the NZ Banking Group's notional capital charges by risk type as at the reporting date.

\$ millions	NZ Banking Group 30-Jun-13 (Unaudited)	
	Implied Risk-weighted Exposure	Notional Capital Charge
End-of-period		
Interest rate risk	2,313	185
Foreign currency risk	104	8
Equity risk	101	8

Note 14 Risk management (continued)**14.3 Liquidity risk****Liquid assets**

The table below shows the NZ Banking Group's holding of liquid assets and represents the key liquidity information provided to management. Liquid assets include high quality assets readily convertible to cash to meet the NZ Banking Group's liquidity requirements. In management's opinion, liquidity is sufficient to meet the NZ Banking Group's present requirements.

\$ millions	NZ Banking Group 30-Jun-13 Unaudited
Cash and balances with central banks	1,644
Supranational securities	436
NZ Government securities	2,298
NZ public securities	458
NZ corporate securities	2,591
Residential mortgage-backed securities	3,992
Total liquid assets	11,419

Note 15 Concentration of credit exposures to individual counterparties

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

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

- as at 30 June 2013 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2013 was nil.

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

- as at 30 June 2013 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2013 was nil.

The peak end-of-day aggregate credit exposures have been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure over the relevant three-month period and then dividing that amount by the Overseas Banking Group's equity as at 31 March 2013.

Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties exclude exposures to the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, or to any bank with a long-term credit rating of A- or A3 or above, or its equivalent. These calculations relate only to exposures held in the financial records of the NZ Banking Group (excluding exposures booked outside New Zealand) and were calculated net of individually assessed provisions.

Notes to the financial statements

Note 16 Overseas Bank and Overseas Banking Group capital adequacy

The table below represents the capital adequacy calculation for the Overseas Bank and Overseas Banking Group based on the Australian Prudential Regulation Authority's ('APRA') application of the Basel III capital adequacy framework. The information for the comparative period is calculated based on APRA's application of the Basel 2.5 capital adequacy framework.

%	30-Jun-13 Unaudited	30-Jun-12 Unaudited
Overseas Banking Group¹		
Common Equity Tier One Capital ratio	8.4	8.2
Additional Tier One Capital ratio	2.1	1.9
Tier Two Capital ratio	1.3	0.6
Total Regulatory Capital ratio	11.8	10.7
Overseas Bank (Extended Licensed Entity)^{1,2}		
Common Equity Tier One Capital ratio	8.5	8.1
Additional Tier One Capital ratio	2.3	2.0
Tier Two Capital ratio	1.4	0.9
Total Regulatory Capital ratio	12.2	11.0

1 The capital ratios represent information mandated by APRA.

2 The capital ratios of the Overseas Bank (Extended Licensed Entity) are publicly available in the Overseas Banking Group's Pillar 3 report. This information is made available to users via the Overseas Bank's website (www.westpac.com.au).

APRA's new capital standards came into effect on 1 January 2013. The Overseas Banking Group is accredited by APRA to apply the Advanced Internal Ratings Based ('Advanced IRB') approach for credit risk, the Advanced Measurement Approach ('AMA') for operational risk and the internal model approach for interest rate risk in the banking book for calculating regulatory capital (known as 'Advanced Accreditation') and is required by APRA to hold minimum capital at least equal to that specified under the Advanced IRB and AMA methodologies. Under New Zealand regulations this methodology is referred to as the Basel III (internal models based) approach. With this accreditation, the Overseas Banking Group is required to disclose additional detailed information on its risk management practices and capital adequacy on a quarterly and a semi-annual basis. This information is made available to users via the Overseas Banking Group's website (www.westpac.com.au). The aim is to allow the market to better assess the Overseas Banking Group's risk and reward assessment process and hence increase the scrutiny of this process. The Overseas Banking Group, and the Overseas Bank (Extended Licensed Entity as defined by APRA), exceeded the minimum capital adequacy requirements as specified by APRA as at 30 June 2013. APRA specifies a minimum prudential capital ratio for the Overseas Banking Group, which is not made publicly available.

Note 17 Other information on the Overseas Banking Group

Other information on the Overseas Banking Group is from the most recently published financial statements of the Overseas Banking Group for the six months ended 31 March 2013.

Profitability	31-Mar-13 Unaudited
Net profit after tax for the six months ended 31 March 2013 (A\$ millions)	3,339
Net profit after tax (for the 12 month period to 31 March 2013) as a percentage of average total assets	0.9%

Total assets and equity	31-Mar-13 Unaudited
Total assets (A\$ millions)	677,509
Percentage change in total assets for the 12 months ended 31 March 2013	3.6%
Total equity (A\$ millions)	45,217

Asset quality	31-Mar-13 Unaudited
Total individually impaired assets ^{1, 2} (A\$ millions)	3,759
As a percentage of total assets	0.6%
Total individual credit impairment allowance (A\$ millions)	1,505
As a percentage of total individually impaired assets	40.0%
Total collective credit impairment allowance (A\$ millions)	2,694

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

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

Note 18 Events after the reporting date

Mondex was removed from the New Zealand Companies Register on 4 July 2013. Mondex did not have a significant impact on the NZ Banking Group's financial position or results of operations for the nine months ended 30 June 2013.

On 8 August 2013, Westpac New Zealand issued \$385 million of domestic senior unsecured medium term notes.

On 31 July 2013, Westpac Group Investment-NZ-Limited paid a dividend of \$303 million to Westpac Overseas Holdings Pty Limited and Westpac Custodian Nominees Limited. In addition Westpac Financial Services-Group-NZ-Limited paid a dividend of \$20 million to Westpac Financial Services Group Limited.

