Westpac New Zealand Limited

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 (New Zealand Incorporated Registered Banks) Order 2013 ('**Order**').

In this Disclosure Statement, reference is made to:

- Westpac New Zealand Limited (otherwise referred to as the '**Bank**'); and
- Westpac New Zealand Limited and its controlled entities (otherwise referred to as the '**Banking Group**'). Controlled entities of the Bank as at 30 September 2012 are set out in Note 25 to the financial statements included in the Disclosure Statement for the year ended 30 September 2012. Except as detailed in Note 9 to the financial statements included in this Disclosure Statement, there have been no other changes in the structure or composition of the Banking Group since 30 September 2012.

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.

Limits on material financial support by the Ultimate Parent Bank

There are limits on material financial support Westpac Banking Corporation ('**Ultimate Parent Bank**') can provide to the Bank. These limits are set out in the section titled 'Limits on material financial support by the Ultimate Parent Bank' in the Disclosure Statement of the Bank for the year ended 30 September 2012.

Since 30 September 2012, there have been changes to the Australian Prudential Regulation Authority's ('**APRA**') Prudential Standard APS 222 Associations with Related Entities ('**APS 222**'). In January 2013 a new provision in APS 222 took effect which allows APRA to set specific limits on the Ultimate Parent Bank's exposures to related entities, which include the Bank. No specific limits that may materially inhibit the legal ability of the Ultimate Parent Bank to provide material financial support to the Bank have been set under this provision.

Directors

There have been no changes in the composition of the Board of Directors of the Bank since 30 September 2012.

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, as at the date the Directors signed this Disclosure Statement:

Rating Agency	Current Credit Rating	Rating Outlook
Fitch Ratings	AA-	Stable
Moody's Investors Service	Aa3	Stable
Standard & Poor's	AA-	Stable

There have been no changes to any of the 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 Bank. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in the Bank's securities are cautioned to evaluate each rating independently of any other rating.

Guarantee arrangements

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

Government Wholesale Guarantee

The Bank has a Wholesale Funding Guarantee Facility Deed and Wholesale Funding Guarantee with the New Zealand Government ('**Crown**'), each dated 23 February 2009 (together the '**Wholesale Guarantee**').

The Wholesale Guarantee closed on 30 April 2010 from which date no new Guarantee Eligibility Certificates can be issued. Guaranteed Liabilities (as defined below) as at 30 April 2010 were not affected.

Description of Wholesale Guarantee

The following description of the Wholesale Guarantee is for general information purposes only and does not purport to be exhaustive. Further information about the Wholesale Guarantee is available from the Treasury internet site www.treasury.govt.nz.

Guarantee arrangements (continued)

The guarantor of the Bank's obligations under the Wholesale Guarantee is the Crown. The Crown's address for service in relation to the Wholesale Guarantee is:

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

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

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

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

Further information about the Wholesale Guarantee is included in the Bank's Disclosure Statement for the year ended 30 September 2012. A copy of the Bank's Disclosure Statement for the year ended 30 September 2012 is available, free of charge, at 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.

Summary of 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.

In this context, a '**Beneficiary**' means each person to whom a Guaranteed Liability is owed, excluding a 'Related Party' of the Bank as that term is defined in the Wholesale Guarantee and anyone acting as a nominee of, or trustee for, a Related Party.

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 ('**WSNZL**'), a controlled entity of the Bank. 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.

Expiry of the Wholesale Guarantee

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

- the scheduled maturity date of the security under which that Guaranteed Liability arises; and
- 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.

There have been no changes to the terms of the Wholesale Guarantee since the date of signing the Bank's Disclosure Statement for the year ended 30 September 2012.

Conditions of registration

The Bank's conditions of registration were amended from 13 May 2013. The change relates to new (higher) housing correlation factors for high loan-to-value loans which comes into effect on 30 September 2013. The Reserve Bank of New Zealand ('**Reserve Bank**') has issued new versions of the Reserve Bank documents 'Capital adequacy framework (Internal Models Based Approach)' (BS2B) and 'Connected exposures policy' (BS8), each dated May 2013. The only changes to BS8 is the version (i.e., the date) of the BS2B document to which it refers.

The Bank's conditions of registration were further amended from 28 June 2013 to implement the Reserve Bank's Open Bank Resolution ('**OBR**') Pre-positioning Policy (BS17). The new conditions took effect from 30 June 2013. The policy applies to all locally incorporated banks with retail deposits over $1 billion. OBR has been developed by the Reserve Bank to provide the Crown with an option to respond to a bank failure that would allow a bank to be open for full-scale or limited business on the next business day after being placed under statutory management (as a result of, for example, an insolvency event). Banks must be pre-positioned to be able to meet certain requirements so that this could occur.

Directors' statement

Each Director of the Bank 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 Bank believes, after due enquiry, that, over the nine months ended 30 June 2013:

(a) the Bank has complied with the conditions of registration imposed on it pursuant to section 74 of the Reserve Bank Act;

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

(c) 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 Disclosure Statement has been signed by all the Directors:

Peter David Wilson

Peter Graham Clare

Malcolm Guy Bailey

Philip Matthew Coffey

Janice Amelia Dawson

Christopher John David Moller

Dated this 14th day of August 2013

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Consolidated income statement for the nine months ended 30 June 2013

		The Banking Group		
$ millions	Note	**Nine Months Ended 30-Jun-13 Unaudited**	Nine Months Ended 30-Jun-12 Unaudited	Year Ended 30-Sep-12 Audited
Interest income		**2,822**	2,912	3,881
Interest expense		**(1,670)**	(1,795)	(2,382)
Net interest income		**1,152**	1,117	1,499
Non-interest income	2	**276**	267	356
Net operating income		**1,428**	1,384	1,855
Operating expenses		**(618)**	(607)	(807)
Impairment charges on loans	3	**(85)**	(131)	(190)
Operating profit		**725**	646	858
Share of profit of associate accounted for using the equity method		**-**	-	1
Profit before income tax expense		**725**	646	859
Income tax expense		**(203)**	(181)	(246)
Profit after income tax expense	9	**522**	465	613
Profit after income tax expense attributable to:				
Owners of the Banking Group		**519**	463	610
Non-controlling interests		**3**	2	3
		522	465	613

The accompanying notes (numbered 1 to 16) 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

	The Banking Group		
$ millions	**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	**522**	465	613
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 (losses)/gains from changes in fair value of cash flow hedges	**(4)**	57	4
Transferred to the income statement	**5**	9	10
Income tax effect	**-**	(19)	(4)
Total other comprehensive income which may be reclassified to the income statement	**35**	101	59
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	**39**	101	41
Total comprehensive income	**561**	566	654
Total comprehensive income attributable to:			
Owners of the Banking Group	**558**	564	651
Non-controlling interests	**3**	2	3
	561	566	654

The accompanying notes (numbered 1 to 16) 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

$ millions	Share Capital	Retained Profits	Available-for-sale Securities Reserve	Cash Flow Hedge Reserve	Total before Non-controlling Interests	Non-controlling Interests	Total
	The Banking Group						
As at 1 October 2011	3,470	967	31	20	4,488	8	4,496
Nine months ended 30 June 2012 (Unaudited)							
Profit after income tax expense	-	463	-	-	463	2	465
Net gains from changes in fair value	-	-	71	57	128	-	128
Exchange differences	-	-	(3)	-	(3)	-	(3)
Income tax effect	-	-	(14)	(16)	(30)	-	(30)
Transferred to the income statement	-	-	-	9	9	-	9
Income tax effect	-	-	-	(3)	(3)	-	(3)
Actuarial losses on defined benefit obligations	-	-	-	-	-	-	-
Income tax effect	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended 30 June 2012	-	463	54	47	564	2	566
Transactions with owners:							
Ordinary share capital issued	1,130	-	-	-	1,130	-	1,130
Dividends paid on ordinary shares	-	(480)	-	-	(480)	(4)	(484)
As at 30 June 2012 (Unaudited)	4,600	950	85	67	5,702	6	5,708
Year ended 30 September 2012 (Audited)							
Profit after income tax expense	-	610	-	-	610	3	613
Net gains from changes in fair value	-	-	66	4	70	-	70
Exchange differences	-	-	(6)	-	(6)	-	(6)
Income tax effect	-	-	(11)	(1)	(12)	-	(12)
Transferred to the income statement	-	-	-	10	10	-	10
Income tax effect	-	-	-	(3)	(3)	-	(3)
Actuarial losses on defined benefit obligations	-	(25)	-	-	(25)	-	(25)
Income tax effect	-	7	-	-	7	-	7
Total comprehensive income for the year ended 30 September 2012	-	592	49	10	651	3	654
Transactions with owners:							
Ordinary share capital issued	1,130	-	-	-	1,130	-	1,130
Dividends paid on ordinary shares	-	(480)	-	-	(480)	(4)	(484)
As at 30 September 2012 (Audited)	4,600	1,079	80	30	5,789	7	5,796
Nine months ended 30 June 2013 (Unaudited)							
Profit after income tax expense	**-**	**519**	**-**	**-**	**519**	**3**	**522**
Net gains/(losses) from changes in fair value	**-**	**-**	**29**	**(4)**	**25**	**-**	**25**
Exchange differences	**-**	**-**	**6**	**-**	**6**	**-**	**6**
Income tax effect	**-**	**-**	**(1)**	**1**	**-**	**-**	**-**
Transferred to the income statement	**-**	**-**	**-**	**5**	**5**	**-**	**5**
Income tax effect	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**(1)**
Actuarial gains on defined benefit obligations	**-**	**6**	**-**	**-**	**6**	**-**	**6**
Income tax effect	**-**	**(2)**	**-**	**-**	**(2)**	**-**	**(2)**
Total comprehensive income for the nine months ended 30 June 2013	**-**	**523**	**34**	**1**	**558**	**3**	**561**
Transactions with owners:							
Dividends paid on ordinary shares	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
As at 30 June 2013 (Unaudited)	**4,600**	**1,602**	**114**	**31**	**6,347**	**6**	**6,353**

The accompanying notes (numbered 1 to 16) form part of, and should be read in conjunction with, these financial statements.

Consolidated balance sheet as at 30 June 2013

$ millions	Note	The Banking Group 30-Jun-13 Unaudited	 30-Jun-12 Unaudited	 30-Sep-12 Audited
Assets				
Cash and balances with central banks		**1,590**	1,347	1,595
Due from other financial institutions		**169**	308	322
Derivative financial instruments		**10**	11	10
Trading securities	4	**1,877**	3,395	2,040
Available-for-sale securities		**2,791**	2,658	2,694
Loans	5, 6	**60,453**	58,725	59,422
Due from related entities		**948**	1,921	1,527
Current tax assets		**53**	-	-
Investment in associate		**48**	48	48
Goodwill and other intangible assets		**641**	585	598
Property, plant and equipment		**166**	156	162
Deferred tax assets		**191**	201	209
Other assets		**240**	225	195
Total assets		**69,177**	69,580	68,822
Liabilities				
Due to other financial institutions		**3**	-	3
Deposits	7	**46,379**	41,845	43,390
Derivative financial instruments		**160**	300	360
Debt issues	8	**11,944**	15,887	12,914
Current tax liabilities		**-**	-	48
Provisions		**75**	79	83
Other liabilities		**527**	515	579
Total liabilities excluding related entities liabilities		**59,088**	58,626	57,377
Perpetual subordinated notes	9	**-**	970	970
Due to related entities		**3,736**	4,276	4,679
Total related entities liabilities		**3,736**	5,246	5,649
Total liabilities		**62,824**	63,872	63,026
Net assets		**6,353**	5,708	5,796
Equity				
Share capital		**4,600**	4,600	4,600
Retained profits		**1,602**	950	1,079
Available-for-sale securities reserve		**114**	85	80
Cash flow hedge reserve		**31**	67	30
Total equity attributable to owners of the Banking Group		**6,347**	5,702	5,789
Non-controlling interests		**6**	6	7
Total equity		**6,353**	5,708	5,796
Interest earning and discount bearing assets		**68,112**	68,730	67,935
Interest and discount bearing liabilities		**58,751**	59,487	57,999

The accompanying notes (numbered 1 to 16) 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	The 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	**2,826**	2,906	3,866
Interest expense paid	**(1,686)**	(1,846)	(2,388)
Non-interest income received	**224**	218	347
Net decrease in trading securities	**163**	1,823	3,178
Net movement in derivative financial instruments	**(204)**	296	339
Operating expenses paid	**(598)**	(574)	(761)
Income tax paid	**(273)**	(220)	(220)
Net cash provided by operating activities	**452**	2,603	4,361
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	**(1,116)**	(1,270)	(2,026)
Net decrease/(increase) in due from related entities	**579**	(404)	(10)
Purchase of capitalised computer software	**(70)**	(45)	(67)
Purchase of property, plant and equipment	**(24)**	(22)	(35)
Net cash acquired from the transfer of additional banking operations	**-**	(154)	(154)
Net cash used in investing activities	**(693)**	(2,967)	(3,408)
Cash flows from financing activities			
Issue of ordinary share capital	**-**	1,130	1,130
Net increase in deposits	**2,989**	1,899	3,444
Net decrease in debt issues	**(970)**	(1,743)	(4,716)
Net decrease in due to related entities	**(962)**	(597)	(227)
Net decrease in perpetual subordinated notes	**(970)**	-	-
Payment of dividends	**(4)**	(484)	(484)
Net cash provided by/(used in) financing activities	**83**	205	(853)
Net (decrease)/increase in cash and cash equivalents	**(158)**	(159)	100
Cash and cash equivalents at beginning of the period/year	**1,914**	1,814	1,814
Cash and cash equivalents at end of the period/year	**1,756**	1,655	1,914
Cash and cash equivalents comprise:			
Cash and balances with central banks	**1,590**	1,347	1,595
Due from other financial institutions (net)	**166**	308	319
	1,756	1,655	1,914
Reconciliation of profit after income tax expense to net cash provided by operating activities			
Profit after income tax expense	**522**	465	613
Adjustments:			
Impairment charges on loans	**85**	131	190
Computer software amortisation costs	**27**	29	38
Depreciation on property, plant and equipment	**20**	20	27
Share-based payments	**5**	5	5
Movement in other assets	**(45)**	(55)	(25)
Movement in other liabilities	**(51)**	(72)	(30)
Movement in current and deferred tax	**(85)**	(52)	(5)
Tax losses transferred from related entities	**16**	46	46
Tax on cash flow hedge reserve	**-**	(19)	(4)
Tax on available-for-sale securities reserve	**(1)**	(14)	(11)
Movement in trading securities	**163**	1,823	3,178
Movement in derivative financial instruments	**(204)**	296	339
Net cash provided by operating activities	**452**	2,603	4,361

The accompanying notes (numbered 1 to 16) 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 New Zealand Limited (otherwise referred to as the '**Bank**'); and
- Westpac New Zealand Limited and its controlled entities (otherwise referred to as the '**Banking Group**').

These consolidated financial statements have been prepared and presented in accordance with the Registered Bank Disclosure Statements (New Zealand 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 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 Banking Group's reported result or financial position.

Controlled entities of the Banking Group as at 30 September 2012 are set out in Note 25 to the Banking Group's financial statements included in the Disclosure Statement for the year ended 30 September 2012. Except as detailed in Note 9 to these financial statements, there have been no other changes to the composition of the Banking Group since 30 September 2012.

These financial statements were authorised for issue by the Board of Directors of the Bank (the '**Board**') on 14 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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries (including special purpose entities) controlled by the Bank and the results of those subsidiaries. The effects of all transactions between entities within the Banking Group are 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 Banking Group.

The Banking Group may invest in or establish special purpose entities to enable it to undertake specific types of transactions. Where the Banking Group controls such entities they are consolidated into the 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 Bank. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Note 2 Non-interest income

	The Banking Group		
$ millions	**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	**176**	170	230
Lending fees (loan and risk)	**45**	43	56
Management fees received from related entities	**3**	2	3
Insurance commissions received	**27**	26	35
Other non-risk fee income	**10**	10	12
Total fees and commissions	**261**	251	336
Net ineffectiveness on qualifying hedges	**2**	(1)	1
Other non-interest income			
Net unrealised gains on derivatives held for trading	**1**	4	3
Dividend income	**2**	2	2
Other	**10**	11	14
Total other non-interest income	**13**	17	19
Total non-interest income	**276**	267	356

Note 3 Impairment charges on loans

	The Banking Group			
$ millions	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
Nine months ended 30 June 2013 (Unaudited)				
Collectively assessed provisions	**5**	**4**	**(12)**	**(3)**
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**	**31**	**85**
Nine months ended 30 June 2012 (Unaudited)				
Collectively assessed provisions	(1)	4	(38)	(35)
Individually assessed provisions	20	-	112	132
Bad debts written-off directly to the income statement	4	32	21	57
Interest adjustments	(2)	(7)	(14)	(23)
Total impairment charges on loans	21	29	81	131
Year ended 30 September 2012 (Audited)				
Collectively assessed provisions	(5)	(6)	(57)	(68)
Individually assessed provisions	23	-	192	215
Bad debts written-off directly to the income statement	2	43	29	74
Interest adjustments	(4)	(10)	(17)	(31)
Total impairment charges on loans	16	27	147	190

Note 4 Trading securities

$ millions	The Banking Group 30-Jun-13 Unaudited	30-Jun-12 Unaudited	30-Sep-12 Audited
Certificates of deposit	**1,250**	2,333	1,549
Corporate bonds	**306**	254	255
NZ Government securities	**1**	606	61
Local authority securities	**320**	202	175
Total trading securities	**1,877**	3,395	2,040

As at 30 June 2013, no trading securities in the Banking Group (30 June 2012: nil, 30 September 2012: nil) were encumbered through repurchase agreements.

Note 5 Loans

$ millions	The 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	**37,062**	35,901	35,986
Non-housing	**20,021**	19,543	19,769
Other	**399**	391	336
Total gross loans	**61,017**	59,366	60,027
Provisions for impairment charges on loans	**(564)**	(641)	(605)
Total net loans	**60,453**	58,725	59,422

As at 30 June 2013, $2.6 billion of housing loans and $1.1 billion of cash are used by the Banking Group to secure the obligations of Westpac Securities NZ Limited (‘**WSNZL**’) under the Bank’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 the Bank’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

	The Banking Group			
	30-Jun-13 (Unaudited)			
$ millions	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
Total neither past due nor impaired	**35,877**	**1,704**	**21,248**	**58,829**
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	**37,062**	**1,861**	**22,094**	**61,017**
Individually assessed provisions	**36**	**-**	**204**	**240**
Collectively assessed provisions	**66**	**67**	**228**	**361**
Total provisions for impairment charges on loans and credit commitments	**102**	**67**	**432**	**601**
Provision for credit commitments	**-**	**-**	**(37)**	**(37)**
Total provisions for impairment charges on loans	**102**	**67**	**395**	**564**
Total net loans	**36,960**	**1,794**	**21,699**	**60,453**

Note 7 Deposits

$ millions	The 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

Note 8 Debt issues

$ millions	The 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 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). Refer to Guarantee arrangements on pages 1 and 2 for further information on New Zealand Government guaranteed debt.

Note 9 Related entities

On 1 November 2011, the Westpac Banking Corporation New Zealand Branch ('**NZ Branch**') transferred additional business activities and associated employees to the Bank. The pre-acquisition profit before income tax expense of the transferred business operations from 1 October 2011 through 31 October 2011 was $20 million (refer to Note 2 Business combination – transfer of operations within the financial statements included in the Disclosure Statement for the year ended 30 September 2012 for further details).

On 29 November 2012, the Bank repaid $470 million of the perpetual subordinated notes issued to the Bank's parent company, Westpac New Zealand Group Limited ('**WNZGL**'). On 29 May 2013, the Bank repaid the remaining $500 million of perpetual subordinated notes.

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 Bank, but is regarded as a controlled entity due to contractual arrangements.

Other controlled entities of the Bank as at 30 September 2012 are set out in Note 25 to the financial statements included in the 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 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 Banking Group since 30 September 2012.

Note 10 Commitments and contingent liabilities

	The Banking Group		
$ millions	**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	**74**	79	80
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	**18,650**	19,138	19,030
Total other contingent liabilities and commitments	**20,267**	20,598	20,480

Note 11 Segment information

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

The Banking Group's operating segments are defined by the customers they serve and the services they provide. The 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[1].

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 of the results, assets and liabilities of the Banking Group's controlled entities in the preparation of the consolidated financial statements of the Banking Group;
- results of certain entities included for management reporting purposes, but excluded from the consolidated financial statements of the Banking Group for statutory financial reporting purposes; and
- results of certain business units excluded for management reporting purposes, but included within the consolidated financial statements of the 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.

1 On 1 November 2011, the NZ Branch transferred additional institutional banking business activities and associated employees to the Bank (refer to Note 2 of the financial statements included in the 30 September 2012 Disclosure Statement for further details). Further information on the NZ Branch is available in Westpac Banking Corporation's most recently published Disclosure Statement.

Note 11 Segment information (continued)

	The Banking Group				
$ millions	Consumer Banking	Business Banking	Institutional Banking	Reconciling Items[1]	Total
Nine months ended 30 June 2013 (Unaudited)					
Net interest income	**596**	**351**	**130**	**75**	**1,152**
Non-interest income	**221**	**69**	**31**	**(45)**	**276**
Net operating income	**817**	**420**	**161**	**30**	**1,428**
Net operating income from external customers	**1,012**	**742**	**124**	**(450)**	**1,428**
Net internal operating (expense)/income	**(195)**	**(322)**	**37**	**480**	**-**
Net operating income	**817**	**420**	**161**	**30**	**1,428**
Operating expenses	**(137)**	**(54)**	**(15)**	**(412)**	**(618)**
Impairment (charges)/recoveries on loans	**(50)**	**1**	**(37)**	**1**	**(85)**
Profit before income tax expense	**630**	**367**	**109**	**(381)**	**725**
Total gross loans	**32,450**	**22,298**	**6,453**	**(184)**	**61,017**
Total deposits	**25,974**	**11,384**	**7,951**	**1,070**	**46,379**
Nine months ended 30 June 2012 (Unaudited)					
Net interest income	599	366	112	40	1,117
Non-interest income	202	68	30	(33)	267
Net operating income	801	434	142	7	1,384
Net operating income from external customers	1,104	802	133	(655)	1,384
Net internal operating (expense)/income	(303)	(368)	9	662	-
Net operating income	801	434	142	7	1,384
Operating expenses	(138)	(54)	(13)	(402)	(607)
Impairment charges on loans	(44)	(84)	(3)	-	(131)
Profit before income tax expense	619	296	126	(395)	646
Total gross loans	31,285	21,978	6,302	(199)	59,366
Total deposits	23,906	10,413	6,553	973	41,845
Year ended 30 September 2012 (Unaudited)					
Net interest income	800	488	155	56	1,499
Non-interest income	283	94	39	(60)	356
Net operating income	1,083	582	194	(4)	1,855
Net operating income from external customers	1,466	1,063	178	(852)	1,855
Net internal operating (expense)/income	(383)	(481)	16	848	-
Net operating income	1,083	582	194	(4)	1,855
Operating expenses	(184)	(73)	(20)	(530)	(807)
Impairment charges on loans	(39)	(144)	(12)	5	(190)
Share of profit of associate accounted for using equity method	-	-	-	1	1
Profit before income tax expense	860	365	162	(528)	859
Total gross loans	31,383	22,129	6,713	(198)	60,027
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.

Note 12 Insurance business

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

Note 13 Capital adequacy

The information contained in this note has been derived in accordance with the Bank'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. Effective from 1 January 2013 the Banking Group incorporated the Reserve Bank's application of the Basel III capital adequacy requirements.

During the nine months ended 30 June 2013, the Banking Group complied in full with all its externally imposed capital requirements.

The Banking Group's capital summary

$ millions	The Banking Group 30-Jun-13 Unaudited
Tier One Capital	
Common Equity Tier One Capital[1]	**6,347**
Less deductions from Common Equity Tier One Capital	**(1,036)**
Total Common Equity Tier One Capital	**5,311**
Additional Tier One Capital	**3**
Less deductions from Additional Tier One Capital	**-**
Total Tier One Capital	**5,314**
Tier Two Capital	**-**
Less deductions from Tier Two Capital	**-**
Total Capital	**5,314**

1 Common Equity Tier One Capital includes available-for-sale securities reserve of $114 million and cash flow hedge reserve of $31 million.

Capital ratios

The table below is disclosed under the Reserve Bank's Basel III framework in accordance with Clause 1 of Schedule 12 to the Order and represents the capital adequacy calculation based on the Reserve Bank document 'Capital adequacy framework (Internal Models Based Approach)' (BS2B).

%	The Banking Group 30-Jun-13 Unaudited
Capital adequacy ratios	
Common Equity Tier One Capital ratio	**12.1**
Tier One Capital ratio	**12.1**
Total Capital ratio	**12.1**
Reserve Bank minimum ratios	
Common Equity Tier One Capital ratio	**4.5**
Tier One Capital ratio[1]	**6.0**
Total Capital ratio	**8.0**
Buffer ratios	
Buffer ratio[2]	**4.1**
Buffer ratio requirement[2]	**N/A**

1 Prior to a change to the Conditions of registration that took effect on 1 January 2013, locally incorporated registered banks having the benefit of the Wholesale Funding Guarantee Facility were required to maintain an additional 2% Tier One Capital ratio buffer above the then 4% regulatory minimum. Following the change, all locally incorporated registered banks are required to hold a minimum Tier One Capital ratio of 6%. For further information about the Wholesale Guarantee, refer to Guarantee arrangements on pages 1 and 2, or the Bank's Disclosure Statement for the year ended 30 September 2012.

2 As at 30 June 2013, there is no prescribed minimum regulatory buffer ratio. A prescribed minimum regulatory ratio of 2.5% will be effective from 1 January 2014.

Note 13 Capital adequacy (continued)

The Banking Group Pillar 1 total capital requirement

$ millions	The Banking Group 30-Jun-13 Unaudited
Credit risk	
Exposures subject to the internal ratings based approach:	
Residential mortgages	**1,049**
Other retail (credit cards, personal loans, personal overdrafts)	**199**
Small business	**63**
Banking Group – Corporate/Business lending	**1,240**
Sovereign	**21**
Bank	**29**
Total exposures subject to the internal ratings based approach	**2,601**
Exposures not subject to the internal ratings based approach:	
Equity exposures	**26**
Specialised lending subject to the slotting approach	**393**
Exposures subject to the standardised approach	**67**
Total exposures not subject to the internal ratings based approach	**486**
Total credit risk (scaled)[1]	**3,087**
Operational risk	**366**
Market risk	**62**
Supervisory adjustment	**-**
Total	**3,515**

1 As disclosed in the Bank's conditions of registration included in the Disclosure Statement for the year ended 30 September 2012, the value of the scalar used in determining the minimum capital requirement (Required Regulatory Capital) is 1.06.

Capital for other material risk

The Banking Group's internal capital adequacy assessment process identifies, reviews and measures additional material risks that must be captured within the Banking Group's capital adequacy assessment process. These other material risks are those not captured by Pillar 1 regulatory capital requirements and consist of funding liquidity risk, reputational risk, environmental, social and governance risk, business risk, model risk and subsidiary risk.

The Banking Group's internal capital allocation for 'other material risk' is:

$ millions	The Banking Group 30-Jun-13 Unaudited
Internal capital allocation	
Other material risk	**551**

Note 14 Risk management

14.1 Credit risk

The 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 Bank 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 7 of Schedule 12 to the Order. For these loans, the Bank 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.

	The Banking Group					
	30-Jun-13 (Unaudited)					
LVR range ($ millions)	**Does not Exceed 60%**	**Exceeds 60% and not 70%**	**Exceeds 70% and not 80%**	**Exceeds 80% and not 90%**	**Exceeds 90%**	**Total**
On-balance sheet exposures	13,980	6,105	8,299	5,745	2,851	36,980
Undrawn commitments and other off-balance sheet exposures	4,296	1,044	1,008	411	178	6,937
Value of exposures	**18,276**	**7,149**	**9,307**	**6,156**	**3,029**	**43,917**

14.2 Liquidity risk

Liquid assets

The table below shows the 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 Banking Group's liquidity requirements. In management's opinion, liquidity is sufficient to meet the Banking Group's present requirements.

$ millions	**The Banking Group 30-Jun-13 Unaudited**
Cash and balances with central banks	1,590
Due from other financial institutions (included in due from related entities)	231
Supranational securities	436
NZ Government securities	2,298
NZ public securities	458
NZ corporate securities	1,637
Residential mortgage-backed securities	3,992
Total liquid assets	**10,642**

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 Banking Group has an aggregate credit exposure or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the 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 Banking Group has an aggregate credit exposure or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Banking Group's equity:

- as at 30 June 2013 was one counterparty with a credit rating of A- or A3 or above, or its equivalent, having an aggregate credit exposure between 15%-19%; and
- for the three months ended 30 June 2013 was one counterparty with a credit rating of A- or A3 or above, or its equivalent, having a peak end-of-day aggregate credit exposure between 15%-19%.

The peak end-of-day aggregate credit exposures to each individual counterparty or a group of closely related counterparties 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 Banking Group's equity as at the end of the period.

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 connected persons, 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 Banking Group and were calculated net of individually assessed provisions.

Note 16 Events after the reporting date

On 8 August 2013, the Bank issued $385 million of domestic senior unsecured medium term notes.

Westpac New Zealand Limited