Westpac New Zealand Limited

Disclosure Statement

For the nine months ended 30 June 2014

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General information and definitions

Certain 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 2014 ('**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 2013 are set out in Note 25 to the financial statements included in the Disclosure Statement for the year ended 30 September 2013. There have been no changes in the structure or composition of the Banking Group since 30 September 2013.

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.

Directors

Peter Leonard Thodey was appointed as a Director of the Bank on 20 February 2014. Peter Graham Clare resigned as a Director of the Bank on 12 August 2014. There have been no other changes in the composition of the Board of Directors of the Bank (the '**Board**') since 30 September 2013.

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 this Disclosure Statement was signed:

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

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

The Bank is subject to 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**'). On 28 July 2014, the Bank repaid all remaining debt guaranteed under the Wholesale Guarantee on its scheduled maturity date. Accordingly the Wholesale Guarantee will expire on 27 August 2014. As at the date the Directors signed this Disclosure Statement, no further material obligations of the Bank are guaranteed.

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.

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 2013. A copy of the Bank's Disclosure Statement for the year ended 30 September 2013 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.

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 2013.

Guarantee arrangements (continued)

Summary of obligations guaranteed

The obligations that are 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.

At the date the Disclosure Statement was signed by the Directors no Guaranteed Liability is owed.

Pending proceedings or arbitration

There are no pending legal proceedings or arbitration at the date of this Disclosure Statement involving any member of the Banking Group, whether in New Zealand or elsewhere, that may have a material adverse effect on the Banking Group or the Bank.

In March 2013, litigation funder, Litigation Lending Services (NZ) Limited, announced potential representative actions against five New Zealand banks in relation to certain fees. In 2013, proceedings were filed against two banks. On 20 August 2014, the plaintiff group filed proceedings against Westpac Banking Corporation. At this stage the impact of those proceedings cannot be determined with any certainty.

On 12 December 2013, the Commerce Commission notified Westpac Banking Corporation and the Bank that it intends filing proceedings against them under the Fair Trading Act 1986 in relation to the marketing and sale of interest rate swaps to rural customers. To date, no such proceedings have been filed. At this stage the impact of this notification cannot be determined with any certainty.

The contingent liabilities of the Banking Group are set out in Note 11 Commitments and contingent liabilities.

Conditions of registration

The Bank's conditions of registration were amended on 27 June 2014 with effect from 1 July 2014. The principal changes were to refer to revised versions of the 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) and the 'Framework for Restrictions on High-LVR Residential Mortgage Lending' (BS19). The changes update various defined terms in both documents and result from stage two of the Reserve Bank's housing capital review. BS19 has also been amended to add new clauses on anti-avoidance. In addition, several Banking Supervision Handbook documents were amended to update definitions to take into account the Financial Reporting Act 2013 coming into force. The changes to the conditions of registration reflect the updated versions of those documents.

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 2014:

(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

Malcolm Guy Bailey

Philip Matthew Coffey

Janice Amelia Dawson

Christopher John David Moller

Peter Leonard Thodey

Dated this 20th day of August 2014

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Consolidated income statement for the nine months ended 30 June 2014

$ millions	Note	The Banking Group Nine Months Ended 30-Jun-14 Unaudited	Nine Months Ended 30-Jun-13 Unaudited	Year Ended 30-Sep-13 Audited
Interest income		**2,910**	2,822	3,768
Interest expense		**(1,700)**	(1,670)	(2,232)
Net interest income		**1,210**	1,152	1,536
Non-interest income	2	**383**	276	371
Net operating income		**1,593**	1,428	1,907
Operating expenses		**(614)**	(618)	(810)
Impairment charges on loans	3	**(6)**	(85)	(107)
Operating profit		**973**	725	990
Share of profit of associate accounted for using the equity method		**-**	-	1
Profit before income tax expense		**973**	725	991
Income tax expense		**(250)**	(203)	(277)
Profit after income tax expense		**723**	522	714
Profit after income tax expense attributable to:				
Owners of the Banking Group		**721**	519	711
Non-controlling interests		**2**	3	3
		723	522	714

The accompanying notes (numbered 1 to 17) 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 2014

	The Banking Group		
$ millions	**Nine Months Ended 30-Jun-14 Unaudited**	Nine Months Ended 30-Jun-13 Unaudited	Year Ended 30-Sep-13 Audited
Profit after income tax expense	**723**	522	714
Other comprehensive (expense)/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	**21**	29	23
Transferred to the income statement (refer to Note 2)	**(88)**	-	-
Exchange differences	**(3)**	6	1
Income tax effect	**(3)**	(1)	2
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	**14**	15	30
Transferred to the income statement	**(20)**	(14)	(22)
Income tax effect	**2**	-	(2)
Total other comprehensive (expense)/income which may be reclassified to the income statement	**(77)**	35	32
Other comprehensive income which will not be reclassified to the income statement:			
Actuarial gains on employee defined benefit obligations	**-**	6	39
Income tax effect	**-**	(2)	(11)
Total other comprehensive income which will not be reclassified to the income statement	**-**	4	28
Total other comprehensive (expense)/income, net of tax	**(77)**	39	60
Total comprehensive income	**646**	561	774
Total comprehensive income attributable to:			
Owners of the Banking Group	**644**	558	771
Non-controlling interests	**2**	3	3
	646	561	774

The accompanying notes (numbered 1 to 17) 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 2014

	The Banking Group						
$ millions	Share Capital	Retained Profits	Available-for-sale Securities Reserve	Cash Flow Hedge Reserve	Total before Non-controlling Interests	Non-controlling Interests	Total Equity
As at 1 October 2012 as previously reported (Audited)	4,600	1,079	80	30	5,789	7	5,796
Adjustments due to amendments in NZ IAS 19 (refer to Note 1)	-	16	-	-	16	-	16
As at 1 October 2012 (Restated)	4,600	1,095	80	30	5,805	7	5,812
Nine months ended 30 June 2013 (Unaudited)							
Profit after income tax expense	-	519	-	-	519	3	522
Net gains from changes in fair value	-	-	29	15	44	-	44
Income tax effect	-	-	(1)	(4)	(5)	-	(5)
Exchange differences	-	-	6	-	6	-	6
Income tax effect	-	-	-	-	-	-	-
Transferred to the income statement	-	-	-	(14)	(14)	-	(14)
Income tax effect	-	-	-	4	4	-	4
Actuarial gains on employee 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	1,618	114	31	6,363	6	6,369
Year ended 30 September 2013 (Audited)							
Profit after income tax expense	-	711	-	-	711	3	714
Net gains from changes in fair value	-	-	23	30	53	-	53
Income tax effect	-	-	2	(8)	(6)	-	(6)
Exchange differences	-	-	1	-	1	-	1
Income tax effect	-	-	-	-	-	-	-
Transferred to the income statement	-	-	-	(22)	(22)	-	(22)
Income tax effect	-	-	-	6	6	-	6
Actuarial gains on employee defined benefit obligations	-	39	-	-	39	-	39
Income tax effect	-	(11)	-	-	(11)	-	(11)
Total comprehensive income for the year ended 30 September 2013	-	739	26	6	771	3	774
Transactions with owners:							
Dividends paid on ordinary shares	-	-	-	-	-	(4)	(4)
As at 30 September 2013 (Audited)	4,600	1,834	106	36	6,576	6	6,582
Adjustments due to amendments in NZ IAS 19 (refer to Note 1)	-	(3)	-	-	(3)	-	(3)
As at 30 September 2013 (Restated)	4,600	1,831	106	36	6,573	6	6,579
Nine months ended 30 June 2014 (Unaudited)							
Profit after income tax expense	**-**	**721**	**-**	**-**	**721**	**2**	**723**
Net gains from changes in fair value	**-**	**-**	**21**	**14**	**35**	**-**	**35**
Income tax effect	**-**	**-**	**(3)**	**(4)**	**(7)**	**-**	**(7)**
Exchange differences	**-**	**-**	**(3)**	**-**	**(3)**	**-**	**(3)**
Income tax effect	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transferred to the income statement	**-**	**-**	**(88)**	**(20)**	**(108)**	**-**	**(108)**
Income tax effect	**-**	**-**	**-**	**6**	**6**	**-**	**6**
Total comprehensive income for the nine months ended 30 June 2014	**-**	**721**	**(73)**	**(4)**	**644**	**2**	**646**
Transactions with owners:							
Share capital repurchased	**(450)**	**-**	**-**	**-**	**(450)**	**-**	**(450)**
Dividends paid on ordinary shares	**-**	**(375)**	**-**	**-**	**(375)**	**(3)**	**(378)**
As at 30 June 2014 (Unaudited)	**4,150**	**2,177**	**33**	**32**	**6,392**	**5**	**6,397**

The accompanying notes (numbered 1 to 17) form part of, and should be read in conjunction with, these financial statements.

Consolidated balance sheet as at 30 June 2014

		The Banking Group		
		30-Jun-14	30-Jun-13	30-Sep-13
$ millions	Note	**Unaudited**	Unaudited	Audited
Assets				
Cash and balances with central banks		**1,724**	1,590	1,804
Due from other financial institutions		**321**	169	173
Derivative financial instruments		**3**	10	8
Trading securities	4	**1,821**	1,877	1,578
Available-for-sale securities		**2,891**	2,791	2,715
Loans	5, 6	**63,788**	60,453	61,585
Due from related entities		**1,918**	1,318	1,510
Investment in associate		**48**	48	48
Goodwill and other intangible assets		**679**	641	660
Property, plant and equipment		**157**	166	169
Current tax assets		**30**	53	-
Deferred tax assets		**150**	185	175
Other assets		**331**	240	216
Total assets		**73,861**	69,541	70,641
Liabilities				
Due to other financial institutions		**5**	3	100
Deposits	7	**49,510**	46,379	48,182
Derivative financial instruments		**332**	160	178
Debt issues	8	**13,437**	11,944	11,645
Due to related entities		**3,580**	4,106	3,331
Current tax liabilities		**-**	-	19
Provisions		**75**	75	77
Other liabilities		**525**	505	530
Total liabilities		**67,464**	63,172	64,062
Net assets		**6,397**	6,369	6,579
Equity				
Share capital		**4,150**	4,600	4,600
Retained profits		**2,177**	1,618	1,831
Available-for-sale securities reserve		**33**	114	106
Cash flow hedge reserve		**32**	31	36
Total equity attributable to owners of the Banking Group		**6,392**	6,363	6,573
Non-controlling interests		**5**	6	6
Total equity		**6,397**	6,369	6,579
Interest earning and discount bearing assets		**72,456**	68,112	69,476
Interest and discount bearing liabilities		**62,243**	58,751	59,359

The accompanying notes (numbered 1 to 17) 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 2014

$ millions	The Banking Group		
	Nine Months Ended 30-Jun-14 Unaudited	Nine Months Ended 30-Jun-13 Unaudited[1]	Year Ended 30-Sep-13 Audited[1]
Cash flows from operating activities			
Interest income received	**2,905**	2,826	3,778
Interest expense paid	**(1,688)**	(1,686)	(2,236)
Non-interest income received	**288**	224	358
Operating expenses paid	**(567)**	(598)	(735)
Income tax paid	**(273)**	(273)	(273)
Cash flows from operating activities before changes in operating assets and liabilities	**665**	493	892
Net (increase)/decrease in:			
Due from other financial institutions	**(148)**	153	149
Trading securities	**(230)**	163	449
Loans	**(2,356)**	(1,116)	(2,270)
Due from related entities	**(318)**	579	151
Net increase/(decrease) in:			
Due to other financial institutions	**(95)**	-	97
Deposits	**1,328**	2,989	4,792
Net movement in external and related entity derivative financial instruments	**(213)**	(484)	(309)
Net cash (used in)/provided by operating activities	**(1,367)**	2,777	3,951
Cash flows from investing activities			
Purchase of available-for-sale securities	**(293)**	(167)	(191)
Proceeds from maturities/sale of available-for-sale securities	**133**	-	26
Purchase of capitalised computer software	**(55)**	(70)	(97)
Purchase of property, plant and equipment	**(9)**	(24)	(37)
Net cash used in investing activities	**(224)**	(261)	(299)
Cash flows from financing activities			
Share capital repurchased	**(450)**	-	-
Net increase/(decrease) in debt issues	**2,275**	(1,475)	(1,453)
Net increase/(decrease) in due to related entities	**64**	(72)	(1,016)
Net decrease in perpetual subordinated notes	**-**	(970)	(970)
Payment of dividends	**(378)**	(4)	(4)
Net cash provided by/(used in) financing activities	**1,511**	(2,521)	(3,443)
Net (decrease)/increase in cash and cash equivalents	**(80)**	(5)	209
Cash and cash equivalents at beginning of the period/year	**1,804**	1,595	1,595
Cash and cash equivalents at end of the period/year	**1,724**	1,590	1,804

[1] The presentation of the statement of cash flows has been revised to improve the classification of movements in cash and cash equivalents. Certain cash flows have been reclassified between operating, investing and financing activities. Certain balances due from/to other financial institutions have been reclassified out of cash and cash equivalents. Comparative figures have been revised in order to ensure consistency.

The accompanying notes (numbered 1 to 17) 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 2014 ('**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* ('**NZ IAS 34**') and should be read in conjunction with the Disclosure Statements for the year ended 30 September 2013 and for the periods ended 31 December 2013 and 31 March 2014. These financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

As outlined in the Disclosure Statement for the year ended 30 September 2013, a number of new standards have become effective for the annual reporting period commencing 1 October 2013. The following new and amended standards have an impact on these financial statements:

- NZ IFRS 9 (2013) *Financial Instruments* ('**NZ IFRS 9 (2013)**') – NZ IFRS 9 (2013) was issued by the External Reporting Board in December 2013. Unless early adopted, the standard is effective for the 30 September 2018 financial year. The Banking Group has early adopted the recognition of the change in the portion of the fair value of financial liabilities designated at fair value which is attributable to the Banking Group's own credit risk in other comprehensive income except where that would create an accounting mismatch. Where an accounting mismatch occurs, all changes in fair value are recognised in the income statement. The impact of the change on individual line items in the financial statements is not material.
- NZ IFRS 13 *Fair Value Measurement* ('**NZ IFRS 13**') – The new standard replaces existing guidance on fair value measurement in several standards with a single, unified definition of fair value and a framework for measuring and disclosing fair values. NZ IFRS 13 applies to all assets and liabilities measured at fair value, not just financial instruments. NZ IAS 34 requires the disclosure of certain information relating to fair value as prescribed in NZ IFRS 13 and accordingly this disclosure is provided in Note 10 Fair value of financial instruments.
- NZ IAS 19 *Employee Benefits* ('**NZ IAS 19**') – The amended standard has resulted in changes to the discount rate applied to the measurement of the Banking Group's defined benefit superannuation obligation with retrospective application.

  Adoption of the amendment has resulted in adjustments to comparative information as outlined below. The adjustments in respect of the 30 September 2012 balance sheet have also been applied to the 30 June 2013 balance sheet. The impact on the comparative consolidated income statements and consolidated statements of comprehensive income is not material and therefore these statements have not been restated.

	The Banking Group			The Banking Group		
$ millions	**Previously Reported 30-Sep-13**	**Increase/ (Decrease)**	**Restated 30-Sep-13**	Previously Reported 30-Sep-12	Increase/ (Decrease)	Restated 30-Sep-12
Balance sheet (extract)						
Deferred tax assets	**180**	**(5)**	**175**	209	(6)	203
Other liabilities	**548**	**(18)**	**530**	579	(22)	557
Retained profits	**1,818**	**13**	**1,831**	1,079	16	1,095

Controlled entities of the Banking Group as at 30 September 2013 are set out in Note 25 to the Banking Group's financial statements included in the Disclosure Statement for the year ended 30 September 2013. There have been no changes to the composition of the Banking Group since 30 September 2013.

These financial statements were authorised for issue by the Board of Directors of the Bank (the '**Board**') on 20 August 2014. 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 2013, except as amended for the changes required due to the adoption of the new and amended accounting standards 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.

Note 2 Non-interest income

$ millions	The Banking Group Nine Months Ended 30-Jun-14 Unaudited	Nine Months Ended 30-Jun-13 Unaudited	Year Ended 30-Sep-13 Audited
Fees and commissions			
Transaction fees and commissions	**216**	191	262
Lending fees (loan and risk)	**47**	45	62
Management fees received from related entities	**3**	3	4
Other non-risk fee income	**23**	22	30
Total fees and commissions	**289**	261	358
Net ineffectiveness on qualifying hedges	**2**	2	1
Other non-interest income			
Net unrealised (losses)/gains on derivatives held for trading	**(1)**	1	-
Dividend income	**2**	2	2
Gain on sale of available-for-sale securities[1]	**88**	-	-
Other	**3**	10	10
Total other non-interest income	**92**	13	12
Total non-interest income	**383**	276	371

[1] During the nine months ended 30 June 2014, the Bank realised a gain of $88 million upon the sale of its holding of available-for-sale overseas equity securities. Of this gain, $41 million was realised in respect of available-for-sale overseas equity securities which were sold to Westpac Banking Corporation (the '**Ultimate Parent Bank**').

Note 3 Impairment charges on loans

$ millions	The Banking Group Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
Nine months ended 30 June 2014 (Unaudited)				
Collectively assessed provisions	**-**	**7**	**(9)**	**(2)**
Individually assessed provisions	**7**	**-**	**(8)**	**(1)**
Bad debts written-off/(recovered) directly to the income statement	**1**	**30**	**(2)**	**29**
Interest adjustments	**(3)**	**(7)**	**(10)**	**(20)**
Total impairment charges/(recoveries) on loans	**5**	**30**	**(29)**	**6**
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
Year ended 30 September 2013 (Audited)				
Collectively assessed provisions	7	4	(21)	(10)
Individually assessed provisions	27	-	55	82
Bad debts written-off directly to the income statement	3	39	21	63
Interest adjustments	(4)	(10)	(14)	(28)
Total impairment charges on loans	33	33	41	107

Note 4 Trading securities

$ millions	The Banking Group 30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Certificates of deposit	**1,319**	1,250	892
Corporate bonds	**272**	306	337
NZ Government securities	**-**	1	1
Local authority securities	**230**	320	348
Total trading securities	**1,821**	1,877	1,578

As at 30 June 2014, no trading securities in the Banking Group (30 June 2013: nil, 30 September 2013: nil) were encumbered through repurchase agreements.

Note 5 Loans

$ millions	The Banking Group 30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Overdrafts	**1,064**	1,210	1,281
Credit card outstandings	**1,385**	1,350	1,352
Money market loans	**1,022**	975	997
Term loans:			
Housing	**39,283**	37,062	37,594
Non-housing	**21,043**	20,021	20,515
Other	**434**	399	398
Total gross loans	**64,231**	61,017	62,137
Provisions for impairment charges on loans	**(443)**	(564)	(552)
Total net loans	**63,788**	60,453	61,585

As at 30 June 2014, $4.2 billion of housing loans 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 2013: $2.6 billion, 30 September 2013: $4.2 billion). 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 2013. As at 30 June 2014, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was $3.2 billion (30 June 2013: $2.1 billion, 30 September 2013: $2.2 billion).

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

	The Banking Group 30-Jun-14 (Unaudited)			
$ millions	**Residential Mortgages**	**Other Loans for Consumer Purposes**	**Loans for Business Purposes**	**Total**
Neither past due nor impaired	**37,974**	**1,780**	**22,510**	**62,264**
Past due assets:				
Less than 90 days past due	**1,181**	**140**	**222**	**1,543**
At least 90 days past due	**54**	**16**	**25**	**95**
Total past due assets	**1,235**	**156**	**247**	**1,638**
Individually impaired assets	**74**	**-**	**255**	**329**
Total gross loans	**39,283**	**1,936**	**23,012**	**64,231**
Individually assessed provisions	**23**	**-**	**106**	**129**
Collectively assessed provisions	**68**	**74**	**210**	**352**
Total provisions for impairment charges on loans and credit commitments	**91**	**74**	**316**	**481**
Provision for credit commitments	**-**	**-**	**(38)**	**(38)**
Total provisions for impairment charges on loans	**91**	**74**	**278**	**443**
Total net loans	**39,192**	**1,862**	**22,734**	**63,788**

Note 7 Deposits

	The Banking Group		
$ millions	**30-Jun-14 Unaudited**	30-Jun-13 Unaudited	30-Sep-13 Audited
Deposits at fair value			
Certificates of deposit	**1,230**	1,070	1,534
Total deposits at fair value	**1,230**	1,070	1,534
Deposits at amortised cost			
Non-interest bearing, repayable at call	**3,492**	3,209	3,271
Other interest bearing:			
At call	**19,882**	17,437	18,488
Term	**24,906**	24,663	24,889
Total deposits at amortised cost	**48,280**	45,309	46,648
Total deposits	**49,510**	46,379	48,182

Note 8 Debt issues

	The Banking Group		
$ millions	**30-Jun-14 Unaudited**	30-Jun-13 Unaudited	30-Sep-13 Audited
Short-term debt			
Commercial paper	**2,740**	3,935	2,776
Total short-term debt	**2,740**	3,935	2,776
Long-term debt			
Non-domestic medium-term notes	**6,967**	5,325	5,128
Domestic medium-term notes	**3,730**	2,684	3,741
Total long-term debt	**10,697**	8,009	8,869
Total debt issues	**13,437**	11,944	11,645
Debt issues at amortised cost	**10,697**	8,009	8,869
Debt issues at fair value	**2,740**	3,935	2,776
Total debt issues	**13,437**	11,944	11,645
Movement in debt issues			
Balance at beginning of the period/year	**11,645**	12,914	12,914
Issuance during the period/year	**8,129**	4,942	7,641
Repayments during the period/year	**(5,854)**	(6,417)	(9,094)
Effect of foreign exchange movements during the period/year	**(441)**	572	277
Effect of fair value movements and fair value hedge adjustments during the period/year	**(42)**	(67)	(93)
Balance at end of the period/year	**13,437**	11,944	11,645

As at 30 June 2014, the Banking Group had New Zealand Government guaranteed debt of $1,810 million on issue (30 June 2013: $1,977 million, 30 September 2013: $1,881 million). On 28 July 2014, the Bank repaid all remaining debt which was subject to the New Zealand Government guarantee. Refer to Guarantee arrangements on pages 1 and 2 for further information on New Zealand Government guaranteed debt.

Note 9 Related entities

Controlled entities of the Bank as at 30 September 2013 are set out in Note 25 to the financial statements included in the Disclosure Statement for the year ended 30 September 2013.

There have been no changes to the structure or composition of the Banking Group since 30 September 2013.

As at 30 June 2014, $58 million of available-for-sale securities in the Banking Group (30 June 2013: nil, 30 September 2013: nil) were encumbered through repurchase agreements with the New Zealand Branch of Westpac Banking Corporation.

On 22 May 2014, the Bank repurchased 450 million ordinary shares from its immediate parent company, Westpac New Zealand Group Limited. Each share was repurchased for $1 per share. These shares were immediately cancelled on repurchase.

Note 10 Fair value of financial instruments

Fair valuation control framework

The Banking Group's control environment uses a well-established Fair Valuation Control Framework to ensure that fair value is either determined or validated by a function that is independent of the party that undertakes the transaction. The method of determining a fair value according to the Fair Valuation Control Framework differs depending on the information available.

Quoted price in an active market

The best evidence of fair value is a quoted price in an active market.

Valuation techniques

Where no direct quoted price in an active market is available, the Banking Group applies present value estimates or other market accepted valuation techniques. The use of a market accepted valuation technique will typically involve the use of a valuation model and appropriate inputs to the model.

The majority of models used by the Banking Group employ only observable market data as inputs. However, for certain financial instruments data may be employed which is not readily observable in current markets. Typically in these instances valuation inputs will be derived using alternative means (including extrapolation from other relevant market data) and tested against historic transactions. The use of these inputs will require a high degree of management judgment.

Fair value hierarchy

The Banking Group categorises all fair value measurements according to the following fair value hierarchy:

- Quoted market price ('**Level 1**')

  Financial instruments valued using recent unadjusted quoted prices in active markets for identical assets or liabilities.

  Financial instruments included in the Level 1 category are NZ Government securities.

- Valuation techniques using observable inputs ('**Level 2**')

  Valuation techniques using observable market prices applied to these assets or liabilities include the use of discounted cash flow analysis, option pricing models and other valuation techniques widely used and accepted by market participants. Management judgment will be used in the application of these techniques (e.g. the selection of the appropriate discount rate to value a bond).

  Financial instruments included in the Level 2 category are:

  - deposits at fair value, debt issues at fair value, reverse repurchase agreements with related parties, and trading and available-for-sale debt securities including certificates of deposit, corporate bonds, local authority securities and securities purchased under agreement to resell; and
  - derivatives including interest rate swaps and foreign exchange swaps, with external and related parties.

- Valuation techniques with significant non-observable inputs ('**Level 3**')

  Financial instruments valued using at least one input that could have a significant effect on the instrument's valuation which is not based on observable market data (unobservable input). Unobservable inputs are those not readily available in an active market due to illiquidity or complexity of the product. These inputs are generally derived and extrapolated from other relevant market data and calibrated against current market trends and historic transactions.

  Financial instruments included in the Level 3 category are NZ unlisted equity securities.

  A financial instrument's categorisation within the valuation hierarchy is based on the lowest level input that is significant to the fair value measurement.

Note 10 Fair value of financial instruments (continued)

The following table summarises the attribution of financial instruments to the fair value hierarchy based on the measurement basis after initial recognition:

$ millions	The Banking Group 30-Jun-14 (Unaudited) Level 1	Level 2	Level 3[1]	Total
Financial assets				
Derivative financial instruments	-	3	-	3
Trading securities	-	1,821	-	1,821
Available-for-sale securities	1,971	892	28	2,891
Due from related entities	-	1,040	-	1,040
Total financial assets carried at fair value	1,971	3,756	28	5,755
Financial liabilities				
Deposits at fair value	-	1,230	-	1,230
Derivative financial instruments	-	332	-	332
Debt issues at fair value	-	2,740	-	2,740
Due to related entities	-	823	-	823
Total financial liabilities carried at fair value	-	5,125	-	5,125

[1] Balances within this category of the fair value hierarchy are not considered material to the total Available-for-sale securities balance.

During the financial year to date, Westpac Banking Corporation (the '**Ultimate Parent Bank**'), being a primary dealer, has seen and participated in increased liquidity in the Government bond markets as part of its broader financial markets strategy. Therefore financial assets include $1,971 million of New Zealand Government bonds which have been transferred from Level 2 to Level 1 of the fair value hierarchy. There have been no significant transfers into/out of Level 3 during the nine months ended 30 June 2014. Transfers in and transfers out are reported using the end-of-period fair values.

Classification of financial instruments and estimates of fair value

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value disclosure does not cover those instruments that are not considered to be financial instruments from an accounting perspective, such as income tax and intangible assets.

The table below summarises financial instruments for which the carrying amount in the balance sheet is different from the estimated fair value:

$ millions	The Banking Group 30-Jun-14 (Unaudited) Total Carrying Amount	Estimated Fair Value
Financial assets		
Loans	63,788	63,621
Total financial assets	63,788	63,621
Financial liabilities		
Deposits	48,280	48,335
Debt issues	10,697	10,861
Total financial liabilities	58,977	59,196

For cash and balances with central banks, due from and due to other financial institutions, non-derivative balances due from and due to related entities which are carried at amortised cost and other types of short-term financial instruments recognised in the balance sheet under 'other assets' and 'other liabilities', the carrying amount is equivalent to fair value. These items are either short-term in nature or reprice frequently, and are of a high credit rating.

Note 11 Commitments and contingent liabilities

$ millions	The Banking Group 30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Commitments for capital expenditure			
Due within one year	**8**	7	3
Other expenditure commitments:			
One year or less	**106**	106	108
Between one and five years	**167**	228	209
Over five years	**1**	2	1
Total other expenditure commitments	**274**	336	318
Lease commitments (all leases are classified as operating leases)			
Premises and sites	**240**	269	263
Motor vehicles	**6**	8	7
Total lease commitments	**246**	277	270
Lease commitments are due as follows:			
One year or less	**53**	53	54
Between one and five years	**138**	146	145
Over five years	**55**	78	71
Total lease commitments	**246**	277	270
Other contingent liabilities and commitments			
Direct credit substitutes	**84**	74	74
Loan commitments with certain drawdown	**259**	222	205
Transaction-related contingent items	**602**	903	818
Short-term, self-liquidating trade-related contingent liabilities	**392**	418	386
Other commitments to provide financial services	**20,674**	18,650	19,369
Total other contingent liabilities and commitments	**22,011**	20,267	20,852

In March 2013, litigation funder, Litigation Lending Services (NZ) Limited, announced potential representative actions against five New Zealand banks in relation to certain fees. In 2013, proceedings were filed against two banks. On 20 August 2014, the plaintiff group filed proceedings against Westpac Banking Corporation. At this stage the impact of those proceedings cannot be determined with any certainty.

Note 12 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 have changed in the current reporting period as a result of changes in the information provided to the 'chief operating decision maker'. Comparative information has been restated to ensure consistent presentation with the current reporting period. 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 predominantly for individuals;
- Business Bank and Wealth provides financial services for small to medium sized enterprise customers and high net worth individuals, and provides funds management and insurance distribution services to a range of customers; and
- Corporate and Institutional provides a broad range of financial services to corporate, agricultural, institutional and government customers.

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.

Note 12 Segment information (continued)

$ millions	The Banking Group Retail Banking	Business Bank and Wealth	Corporate and Institutional	Reconciling Items[1]	Total
Nine months ended 30 June 2014 (Unaudited)					
Net interest income	**543**	**251**	**276**	**140**	**1,210**
Non-interest income	**151**	**135**	**72**	**25**	**383**
Net operating income	**694**	**386**	**348**	**165**	**1,593**
Net operating income from external customers	**923**	**411**	**616**	**(357)**	**1,593**
Net internal interest expense	**(229)**	**(25)**	**(268)**	**522**	**-**
Net operating income	**694**	**386**	**348**	**165**	**1,593**
Operating expenses	**(118)**	**(57)**	**(37)**	**(402)**	**(614)**
Impairment (charges)/recoveries on loans	**(33)**	**(1)**	**15**	**13**	**(6)**
Profit before income tax expense	**543**	**328**	**326**	**(224)**	**973**
Total gross loans	**29,913**	**13,941**	**20,502**	**(125)**	**64,231**
Total deposits	**22,820**	**13,563**	**11,891**	**1,236**	**49,510**
Nine months ended 30 June 2013 (Unaudited)					
Net interest income	522	235	293	102	1,152
Non-interest income	146	123	76	(69)	276
Net operating income	668	358	369	33	1,428
Net operating income from external customers	860	377	637	(446)	1,428
Net internal interest expense	(192)	(19)	(268)	479	-
Net operating income	668	358	369	33	1,428
Operating expenses	(122)	(59)	(39)	(398)	(618)
Impairment charges on loans	(49)	(1)	(35)	-	(85)
Profit before income tax expense	497	298	295	(365)	725
Total gross loans	28,107	13,238	19,856	(184)	61,017
Total deposits	21,478	13,117	10,714	1,070	46,379
Year ended 30 September 2013 (Audited)					
Net interest income	701	315	392	128	1,536
Non-interest income	196	166	101	(92)	371
Net operating income	897	481	493	36	1,907
Net operating income from external customers	1,151	502	853	(599)	1,907
Net internal interest expense	(254)	(21)	(360)	635	-
Net operating income	897	481	493	36	1,907
Operating expenses	(160)	(79)	(51)	(520)	(810)
Impairment charges on loans	(63)	(2)	(43)	1	(107)
Share of profit of associate accounted for using the equity method	-	-	-	1	1
Profit before income tax expense	674	400	399	(482)	991
Total gross loans	28,590	13,414	20,294	(161)	62,137
Total deposits	22,012	13,434	11,202	1,534	48,182

[1] Included in the reconciling items for total operating expenses is $425 million (30 June 2013: $434 million; 30 September 2013: $582 million) of head office operating expenses, which are not allocated to a business unit that meets the definition of an operating segment.

Note 13 Insurance business

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

Note 14 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.

During the nine months ended 30 June 2014, 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-14 Unaudited
Tier One Capital	
Common Equity Tier One Capital[1]	**6,392**
Less deductions from Common Equity Tier One Capital	**(1,032)**
Total Common Equity Tier One Capital	**5,360**
Additional Tier One Capital	**2**
Less deductions from Additional Tier One Capital	**-**
Total Tier One Capital	**5,362**
Tier Two Capital	**-**
Less deductions from Tier Two Capital	**-**
Total Capital	**5,362**

1 Common Equity Tier One Capital includes available-for-sale securities reserve of $33 million and cash flow hedge reserve of $32 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-14 Unaudited
Capital adequacy ratios	
Common Equity Tier One Capital ratio	**11.5%**
Tier One Capital ratio	**11.5%**
Total Capital ratio	**11.5%**
Reserve Bank minimum ratios	
Common Equity Tier One Capital ratio	**4.5%**
Tier One Capital ratio	**6.0%**
Total Capital ratio	**8.0%**
Buffer ratios	
Buffer ratio[1]	**3.5%**
Buffer ratio requirement[1]	**2.5%**

1 From 1 January 2014, a prescribed minimum regulatory buffer ratio of 2.5% became effective.

Note 14 Capital adequacy (continued)

The Banking Group Pillar 1 total capital requirement

$ millions	The Banking Group 30-Jun-14 Unaudited
Credit risk	
Exposures subject to the internal ratings based approach:	
Residential mortgages	**1,155**
Other retail (credit cards, personal loans, personal overdrafts)	**216**
Small business	**58**
Banking Group - Corporate/Business lending	**1,263**
Sovereign	**13**
Bank	**25**
Total exposures subject to the internal ratings based approach	**2,730**
Exposures not subject to the internal ratings based approach:	
Equity exposures	**10**
Specialised lending subject to the slotting approach	**425**
Exposures subject to the standardised approach	**105**
Total exposures not subject to the internal ratings based approach	**540**
Total credit risk (scaled)[1]	**3,270**
Operational risk	**368**
Market risk	**86**
Supervisory adjustment	**-**
Total	**3,724**

[1] As disclosed in the Bank's conditions of registration included in the Disclosure Statement for the year ended 30 September 2013, 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-14 Unaudited
Internal capital allocation	
Other material risk	**635**

Note 15 Risk management

15.1 Credit risk

The Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 30 June 2014 (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-14 (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	15,002	6,813	9,440	5,372	2,548	39,175
Undrawn commitments and other off-balance sheet exposures	4,591	1,166	1,159	418	171	7,505
Value of exposures	19,593	7,979	10,599	5,790	2,719	46,680

Note 15 Risk Management (continued)

15.2 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-14 Unaudited
Cash and balances with central banks	**1,724**
Due from other financial institutions (included in due from related entities)	**455**
Supranational securities	**530**
NZ Government securities	**2,728**
NZ public securities	**469**
NZ corporate securities	**1,714**
Residential mortgage-backed securities	**3,992**
Total liquid assets	**11,612**

Note 16 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 2014 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2014 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 2014 was two counterparties with a credit rating of A- or A3 or above, or its equivalent, with one having an aggregate credit exposure between 10%-14% and the other having an aggregate credit exposure between 15%-19%; and
- for the three months ended 30 June 2014 was two counterparties with a credit rating of A- or A3 or above, or its equivalent, with one having a peak end-of-day aggregate credit exposure between 10%-14% and the other 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 17 Events after the reporting date

The Bank's conditions of registration were amended on 27 June 2014 with effect from 1 July 2014. The principal changes were to refer to revised versions of the 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) and the 'Framework for Restrictions on High-LVR Residential Mortgage Lending' (BS19). The changes update various defined terms in both documents and result from stage two of the Reserve Bank's housing capital review. BS19 has also been amended to add new clauses on anti-avoidance. In addition, several Banking Supervision Handbook documents were amended to update definitions to take into account the Financial Reporting Act 2013 coming into force. The changes to the conditions of registration reflect the updated versions of those documents.

On 28 July 2014, the Bank repaid all remaining debt guaranteed under the Wholesale Guarantee on its scheduled maturity date. Accordingly, the Wholesale Guarantee will expire on 27 August 2014.

Westpac New Zealand Limited