Westpac New Zealand Limited

Disclosure Statement

For the six months ended 31 March 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 (the '**Board**') 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.

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.

Guarantee arrangements (continued)

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:

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

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

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

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 in October 2012. The amendment relates to an increase in the minimum one-year core funding ratio in condition of registration 14 from 70% to 75% with effect from 1 January 2013.

The Bank's conditions of registration were further amended in December 2012 to incorporate the Reserve Bank of New Zealand's ('**Reserve Bank**') Basel III capital adequacy requirements. The amendments were:

From 1 January 2013:

- the minimum Tier One Capital ratio of the Banking Group increased from 4% to 6%;
- a new condition of registration 1(c) applied which requires the Common Equity Tier One Capital ratio (calculated in accordance with the Reserve Bank document 'Capital adequacy framework (Internal Models Based Approach)' (BS2B)) of the Banking Group to be not less than 4.5%;
- a new condition of registration 1(e) applied which requires that the process in Subpart 2H of the Reserve Bank document 'Capital adequacy framework (Internal Models Based Approach)' (BS2B) dated December 2012 be followed for the recognition and repayment of capital; and
- all references to the Reserve Bank documents 'Capital adequacy framework (Internal Models Based Approach)' (BS2B) and 'Connected exposures policy' (BS8) were updated to reflect the latest Reserve Bank documents, each dated December 2012.

From 1 January 2014 a new condition of registration 1C will apply which provides that, if the buffer ratio of the Banking Group is 2.5% or less, the Bank's ability to make distributions will be restricted, and the Bank will have to prepare a capital plan to restore the buffer ratio above 2.5% and have it approved by the Reserve Bank.

The Bank's conditions of registration were further amended in March 2013 with effect from 31 March 2013 to update all references to the Reserve Bank documents 'Capital adequacy framework (Internal Models Based Approach)' (BS2B) and 'Connected exposures policy' (BS8) to reflect the latest Reserve Bank documents, each dated March 2013. The principal amendments to BS2B were to include new requirements for the calculation of regulatory capital for counterparty credit risk. The changes to BS8 were consequential amendments arising from the amendments to BS2B.

The Bank's conditions of registration were further 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 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.

Auditors

PricewaterhouseCoopers

PricewaterhouseCoopers Tower

188 Quay Street

Auckland, New Zealand

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 six months ended 31 March 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 22nd day of May 2013

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Consolidated income statement for the six months ended 31 March 2013

$ millions	Note	The Banking Group **Six Months Ended 31-Mar-13 Unaudited**	Six Months Ended 31-Mar-12 Unaudited	Year Ended 30-Sep-12 Audited
Interest income		**1,888**	1,926	3,881
Interest expense		**(1,122)**	(1,204)	(2,382)
Net interest income		**766**	722	1,499
Non-interest income	2	**182**	183	356
Net operating income		**948**	905	1,855
Operating expenses		**(415)**	(401)	(807)
Impairment charges on loans	3	**(57)**	(100)	(190)
Operating profit		**476**	404	858
Share of profit of associate accounted for using the equity method		**-**	-	1
Profit before income tax expense		**476**	404	859
Income tax expense		**(132)**	(113)	(246)
Profit after income tax expense	9	**344**	291	613
Profit after income tax expense attributable to:				
Owners of the Banking Group		**342**	290	610
Non-controlling interests		**2**	1	3
		344	291	613

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 six months ended 31 March 2013

	The Banking Group		
$ millions	**Six Months Ended 31-Mar-13 Unaudited**	Six Months Ended 31-Mar-12 Unaudited	Year Ended 30-Sep-12 Audited
Profit after income tax expense	**344**	291	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	**33**	54	66
Exchange differences	**-**	(4)	(6)
Income tax effect	**(4)**	(10)	(11)
Cash flow hedges:			
Net (losses)/gains from changes in fair value of cash flow hedges	**(43)**	33	4
Transferred to the income statement	**4**	6	10
Income tax effect	**11**	(11)	(4)
Total other comprehensive income which may be reclassified to the income statement	**1**	68	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	**5**	68	41
Total comprehensive income	**349**	359	654
Total comprehensive income attributable to:			
Owners of the Banking Group	**347**	358	651
Non-controlling interests	**2**	1	3
	349	359	654

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 six months ended 31 March 2013

$ millions	The Banking Group Share Capital	Retained Profits	Available-for-sale Securities Reserve	Cash Flow Hedge Reserve	Total before Non-controlling Interests	Non-controlling Interests	Total
As at 1 October 2011	3,470	967	31	20	4,488	8	4,496
Six months ended 31 March 2012 (Unaudited)							
Profit after income tax expense	-	290	-	-	290	1	291
Net gains from changes in fair value	-	-	54	33	87	-	87
Exchange differences	-	-	(4)	-	(4)	-	(4)
Income tax effect	-	-	(10)	(9)	(19)	-	(19)
Transferred to income statement	-	-	-	6	6	-	6
Income tax effect	-	-	-	(2)	(2)	-	(2)
Actuarial losses on defined benefit obligations	-	-	-	-	-	-	-
Income tax effect	-	-	-	-	-	-	-
Total comprehensive income for the six months ended 31 March 2012	-	290	40	28	358	1	359
Transactions with owners:							
Ordinary share capital issued	1,130	-	-	-	1,130	-	1,130
Dividends paid on ordinary shares	-	(230)	-	-	(230)	(4)	(234)
As at 31 March 2012 (Unaudited)	4,600	1,027	71	48	5,746	5	5,751
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 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
Six months ended 31 March 2013 (Unaudited)							
Profit after income tax expense	**-**	**342**	**-**	**-**	**342**	**2**	**344**
Net gains/(losses) from changes in fair value	**-**	**-**	**33**	**(43)**	**(10)**	**-**	**(10)**
Exchange differences	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Income tax effect	**-**	**-**	**(4)**	**12**	**8**	**-**	**8**
Transferred to income statement	**-**	**-**	**-**	**4**	**4**	**-**	**4**
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 six months ended 31 March 2013	**-**	**346**	**29**	**(28)**	**347**	**2**	**349**
Transaction with owners:							
Dividends paid on ordinary shares	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
As at 31 March 2013 (Unaudited)	**4,600**	**1,425**	**109**	**2**	**6,136**	**5**	**6,141**

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 31 March 2013

		The Banking Group		
$ millions	Note	**31-Mar-13 Unaudited**	31-Mar-12 Unaudited	30-Sep-12 Audited
Assets				
Cash and balances with central banks		**1,855**	1,154	1,595
Due from other financial institutions		**337**	159	322
Derivative financial instruments		**8**	11	10
Trading securities	4	**2,015**	2,985	2,040
Available-for-sale securities		**2,830**	2,583	2,694
Loans	5,6	**59,915**	58,204	59,422
Due from related entities		**1,412**	1,580	1,527
Investment in associate		**48**	48	48
Goodwill and other intangible assets		**617**	578	598
Property, plant and equipment		**165**	154	162
Deferred tax assets		**218**	219	209
Other assets		**240**	210	195
Total assets		**69,660**	67,885	68,822
Liabilities				
Due to other financial institutions		**-**	3	3
Deposits	7	**46,068**	40,836	43,390
Derivative financial instruments		**353**	167	360
Debt issues	8	**11,651**	14,382	12,914
Current tax liabilities		**14**	35	48
Provisions		**78**	75	83
Other liabilities		**600**	545	579
Total liabilities excluding related entities liabilities		**58,764**	56,043	57,377
Perpetual subordinated notes	9	**500**	970	970
Due to related entities		**4,255**	5,121	4,679
Total related entities liabilities		**4,755**	6,091	5,649
Total liabilities		**63,519**	62,134	63,026
Net assets		**6,141**	5,751	5,796
Equity				
Share capital		**4,600**	4,600	4,600
Retained profits		**1,425**	1,027	1,079
Available-for-sale securities reserve		**109**	71	80
Cash flow hedge reserve		**2**	48	30
Total equity attributable to owners of the Banking Group		**6,136**	5,746	5,789
Non-controlling interests		**5**	5	7
Total equity		**6,141**	5,751	5,796
Interest earning and discount bearing assets		**68,628**	67,080	67,935
Interest and discount bearing liabilities		**58,516**	56,965	57,999

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 six months ended 31 March 2013

$ millions	The Banking Group		
	Six Months Ended 31-Mar-13 Unaudited	Six Months Ended 31-Mar-12 Unaudited	Year Ended 30-Sep-12 Audited
Cash flows from operating activities			
Interest income received	**1,876**	1,914	3,866
Interest expense paid	**(1,135)**	(1,239)	(2,388)
Non-interest income received	**147**	155	347
Net decrease in trading securities	**25**	2,233	3,178
Net movement in derivative financial instruments	**6**	169	339
Operating expenses paid	**(341)**	(380)	(761)
Income tax paid	**(171)**	(141)	(220)
Net cash provided by operating activities	**407**	2,711	4,361
Cash flows from investing activities			
Purchase of available-for-sale securities	**(103)**	(1,015)	(1,179)
Proceeds from maturities of available-for-sale securities	**-**	-	63
Net loans advanced to customers	**(550)**	(718)	(2,026)
Net decrease/(increase) in due from related entities	**115**	(63)	(10)
Purchase of capitalised computer software	**(37)**	(27)	(67)
Purchase of property, plant and equipment	**(15)**	(13)	(35)
Net cash acquired from the transfer of additional banking operations	**-**	(154)	(154)
Net cash used in investing activities	**(590)**	(1,990)	(3,408)
Cash flows from financing activities			
Issue of ordinary share capital	**-**	1,130	1,130
Net increase in deposits	**2,678**	890	3,444
Net decrease in debt issues	**(1,263)**	(3,248)	(4,716)
Net (decrease)/increase in due to related entities	**(480)**	237	(227)
Net decrease in perpetual subordinated notes	**(470)**	-	-
Payment of dividends	**(4)**	(234)	(484)
Net cash provided by/(used in) financing activities	**461**	(1,225)	(853)
Net increase/(decrease) in cash and cash equivalents	**278**	(504)	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	**2,192**	1,310	1,914
Cash and cash equivalents at end of the period/year comprise:			
Cash and balances with central banks	**1,855**	1,154	1,595
Due from other financial institutions (net)	**337**	156	319
	2,192	1,310	1,914
Reconciliation of profit after income tax expense to net cash provided by operating activities			
Profit after income tax expense	**344**	291	613
Adjustments:			
Impairment charges on loans	**57**	100	190
Computer software amortisation costs	**18**	18	38
Depreciation on property, plant and equipment	**12**	13	27
Share-based payments	**4**	3	5
Movement in other assets	**(45)**	(40)	(25)
Movement in other liabilities	**24**	(48)	(30)
Movement in current and deferred tax	**(45)**	(35)	(5)
Tax losses transferred from related entities	**-**	28	46
Tax on cash flow hedge reserve	**11**	(11)	(4)
Tax on available-for-sale securities reserve	**(4)**	(10)	(11)
Movement in trading securities	**25**	2,233	3,178
Movement in derivative financial instruments	**6**	169	339
Net cash provided by operating activities	**407**	2,711	4,361

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 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 three months ended 31 December 2012.

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 has not resulted in any material change 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 22 May 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

$ millions	The Banking Group Six Months Ended 31-Mar-13 Unaudited	Six Months Ended 31-Mar-12 Unaudited	Year Ended 30-Sep-12 Audited
Fees and commissions			
Transaction fees and commissions	**119**	114	230
Lending fees (loan and risk)	**30**	29	56
Management fees received from related entities	**1**	1	3
Insurance commissions received	**17**	17	35
Other non-risk fee income	**3**	7	12
Total fees and commissions	**170**	168	336
Net ineffectiveness on qualifying hedges	**2**	-	1
Other non-interest income			
Net unrealised gains on derivatives held for trading	**-**	4	3
Dividend income	**1**	-	2
Other	**9**	11	14
Total other non-interest income	**10**	15	19
Total non-interest income	**182**	183	356

Note 3 Impairment charges on loans

$ millions	The Banking Group Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
Six months ended 31 March 2013 (Unaudited)				
Collectively assessed provisions	**-**	**6**	**6**	**12**
Individually assessed provisions	**15**	**-**	**8**	**23**
Bad debts written-off directly to the income statement	**1**	**19**	**15**	**35**
Interest adjustments	**(1)**	**(4)**	**(8)**	**(13)**
Total impairment charges on loans	**15**	**21**	**21**	**57**
Six months ended 31 March 2012 (Unaudited)				
Collectively assessed provisions	1	3	-	4
Individually assessed provisions	19	-	56	75
Bad debts written-off directly to the income statement	3	20	15	38
Interest adjustments	(2)	(4)	(11)	(17)
Total impairment charges on loans	21	19	60	100
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 31-Mar-13 Unaudited	31-Mar-12 Unaudited	30-Sep-12 Audited
Certificates of deposit	**1,430**	2,167	1,549
Corporate bonds	**285**	255	255
NZ Government securities	**2**	371	61
Local authority securities	**298**	192	175
Total trading securities	**2,015**	2,985	2,040

As at 31 March 2013, no trading securities in the Banking Group (31 March 2012: nil, 30 September 2012: nil) were encumbered through repurchase agreements.

Note 5 Loans

$ millions	The Banking Group 31-Mar-13 Unaudited	31-Mar-12 Unaudited	30-Sep-12 Audited
Overdrafts	**1,194**	1,296	1,460
Credit card outstandings	**1,337**	1,320	1,311
Money market loans	**1,144**	939	1,165
Term loans:			
Housing	**36,542**	35,570	35,986
Non-housing	**19,954**	19,307	19,769
Other	**353**	452	336
Total gross loans	**60,524**	58,884	60,027
Provisions for impairment charges on loans	**(609)**	(680)	(605)
Total net loans	**59,915**	58,204	59,422

As at 31 March 2013, $2.8 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**') (31 March 2012: $3.6 billion, 30 September 2012: $3.1 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 2012. As at 31 March 2013, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was $1.9 billion (31 March 2012: $1.6 billion, 30 September 2012: $2.0 billion).

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

	The Banking Group 31-Mar-13 (Unaudited)			
$ millions	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
Neither past due nor impaired	35,366	1,683	21,140	58,189
Past due assets				
Less than 30 days past due	823	111	217	1,151
At least 30 days but less than 60 days past due	116	24	26	166
At least 60 days but less than 90 days past due	53	11	5	69
At least 90 days past due	66	18	70	154
Total past due assets	1,058	164	318	1,540
Individually impaired assets[1]				
Balance at beginning of the period	124	-	743	867
Additions	83	-	84	167
Amounts written off	(18)	-	(6)	(24)
Returned to performing or repaid	(71)	-	(144)	(215)
Balance at end of the period	118	-	677	795
Total gross loans[2]	36,542	1,847	22,135	60,524
Individually assessed provisions				
Balance at beginning of the period	38	-	238	276
Impairment charges on loans:				
New provisions	26	-	38	64
Recoveries	(3)	-	(2)	(5)
Reversal of previously recognised impairment charges on loans	(8)	-	(28)	(36)
Amounts written off	(18)	-	(6)	(24)
Interest adjustments	-	-	3	3
Balance at end of the period	35	-	243	278
Collectively assessed provisions				
Balance at beginning of the period	61	63	240	364
Impairment charges on loans	-	6	6	12
Balance at end of the period	61	69	246	376
Total provisions for impairment charges on loans and credit commitments	96	69	489	654
Provision for credit commitments	-	-	(45)	(45)
Total provisions for impairment charges on loans	96	69	444	609
Total net loans	36,446	1,778	21,691	59,915

1 The Banking Group had undrawn commitments of $10 million on individually impaired assets under loans for business purposes as at 31 March 2013.
2 The Banking Group did not have other assets under administration as at 31 March 2013.

Note 7 Deposits

$ millions	The Banking Group 31-Mar-13 Unaudited	31-Mar-12 Unaudited	30-Sep-12 Audited
Deposits at fair value			
Certificates of deposit	**1,036**	1,412	1,423
Total deposits at fair value	**1,036**	1,412	1,423
Deposits at amortised cost			
Non-interest bearing, repayable at call	**3,257**	2,937	2,969
Other interest bearing:			
At call	**17,440**	15,543	15,931
Term	**24,335**	20,944	23,067
Total deposits at amortised cost	**45,032**	39,424	41,967
Total deposits	**46,068**	40,836	43,390

Priority of financial liabilities in the event of liquidation

In the unlikely event that the Bank was put into liquidation or ceased to trade, claims of secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Deposits from customers are unsecured and rank equally with other unsecured liabilities of the Bank, and such liabilities rank ahead of any subordinated instruments issued by the Bank.

Note 8 Debt issues

$ millions	The Banking Group 31-Mar-13 Unaudited	31-Mar-12 Unaudited	30-Sep-12 Audited
Short-term debt			
Commercial paper	**4,027**	4,211	4,033
Total short-term debt	**4,027**	4,211	4,033
Long-term debt			
Non-domestic medium-term notes	**4,940**	8,111	6,207
Domestic medium-term notes	**2,684**	2,060	2,674
Total long-term debt	**7,624**	10,171	8,881
Total debt issues	**11,651**	14,382	12,914
Debt issues at amortised cost	**7,624**	9,828	8,851
Debt issues at fair value	**4,027**	4,554	4,063
Total debt issues	**11,651**	14,382	12,914
Movement in debt issues			
Balance at beginning of the period/year	**12,914**	17,630	17,630
Issuance during the period/year	**3,213**	6,370	12,589
Repayments during the period/year	**(4,402)**	(8,842)	(16,196)
Effect of foreign exchange movements during the period/year	**(35)**	(820)	(1,188)
Effect of fair value movements during the period/year	**(39)**	44	79
Balance at end of the period/year	**11,651**	14,382	12,914

As at 31 March 2013, the Banking Group had New Zealand Government guaranteed debt of $1,897 million on issue (31 March 2012: $3,836 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 30 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 22 May 2013, the directors of the Bank resolved to repay 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 six months ended 31 March 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	**31-Mar-13 Unaudited**	31-Mar-12 Unaudited	30-Sep-12 Audited
Commitments for capital expenditure			
Due within one year	**5**	1	4
Other expenditure commitments:			
One year or less	**115**	82	95
Between one and five years	**245**	304	293
Over five years	**2**	-	-
Total other expenditure commitments	**362**	386	388
Lease commitments (all leases are classified as operating leases)			
Premises and sites	**251**	222	219
Motor vehicles	**9**	6	8
Total lease commitments	**260**	228	227
Lease commitments are due as follows:			
One year or less	**50**	44	44
Between one and five years	**132**	112	117
Over five years	**78**	72	66
Total lease commitments	**260**	228	227
Other contingent liabilities and commitments			
Direct credit substitutes	**77**	79	80
Loan commitments with certain drawdown	**163**	160	177
Transaction-related contingent items	**899**	661	796
Short-term, self-liquidating trade-related contingent liabilities	**397**	442	397
Other commitments to provide financial services	**18,669**	18,135	19,030
Total other contingent liabilities and commitments	**20,205**	19,477	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 six months ended 31 March 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)

$ millions	Consumer Banking	Business Banking	Institutional Banking	Reconciling Items[1]	Total
	The Banking Group				
Six months ended 31 March 2013 (Unaudited)					
Net interest income	**393**	**235**	**87**	**51**	**766**
Non-interest income	**151**	**46**	**20**	**(35)**	**182**
Net operating income	**544**	**281**	**107**	**16**	**948**
Net operating income from external customers	**680**	**498**	**84**	**(314)**	**948**
Net internal operating (expense)/income	**(136)**	**(217)**	**23**	**330**	**-**
Net operating income	**544**	**281**	**107**	**16**	**948**
Operating expenses	**(100)**	**(36)**	**(10)**	**(269)**	**(415)**
Impairment charges on loans	**(33)**	**(6)**	**(18)**	**-**	**(57)**
Profit before income tax expense	**411**	**239**	**79**	**(253)**	**476**
Total gross loans	**31,959**	**22,316**	**6,440**	**(191)**	**60,524**
Total deposits	**25,668**	**11,776**	**7,588**	**1,036**	**46,068**
Six months ended 31 March 2012 (Unaudited)					
Net interest income	393	242	71	16	722
Non-interest income	138	46	18	(19)	183
Net operating income	531	288	89	(3)	905
Net operating income from external customers	746	536	95	(472)	905
Net internal operating (expense)/income	(215)	(248)	(6)	469	-
Net operating income	531	288	89	(3)	905
Operating expenses	(99)	(35)	(8)	(259)	(401)
Impairment charges on loans	(32)	(67)	(2)	1	(100)
Profit before income tax expense	400	186	79	(261)	404
Total gross loans	31,078	21,700	6,325	(219)	58,884
Total deposits	23,523	9,907	5,994	1,412	40,836
Year ended 30 September 2012 (Unaudited)					
Net interest income	793	488	155	63	1,499
Non-interest income	292	94	39	(69)	356
Net operating income	1,085	582	194	(6)	1,855
Net operating income from external customers	1,468	1,063	178	(854)	1,855
Net internal operating (expense)/income	(383)	(481)	16	848	-
Net operating income	1,085	582	194	(6)	1,855
Operating expenses	(198)	(73)	(20)	(516)	(807)
Impairment charges on loans	(38)	(144)	(12)	4	(190)
Share of profit of associate accounted for using the equity method	-	-	-	1	1
Profit before income tax expense	849	365	162	(517)	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 $285 million (31 March 2012: $274 million; 30 September 2012: $548 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 six months ended 31 March 2013, the Banking Group complied in full with all its externally imposed capital requirements.

The Banking Group's capital summary

$ millions	The Banking Group 31-Mar-13 Unaudited
Tier One Capital	
Common Equity Tier One Capital	
Paid-up ordinary shares issued by the Bank plus related share premium	4,600
Retained earnings (net of appropriations)	1,425
Accumulated other comprehensive income and other disclosed reserves[1]	111
Less deductions from Common Equity Tier One Capital	
Goodwill	(477)
Other intangible assets	(140)
Cash flow hedge reserve	(2)
Deferred tax assets deduction	(218)
Expected loss excess over eligible allowance	(164)
Total Common Equity Tier One Capital	5,135
Additional Tier One Capital	
Interests arising from ordinary shares issued by fully consolidated subsidiaries and held by third parties	2
Total Tier One Capital	5,137
Tier Two Capital	
Instruments subject to phase-out from Tier Two Capital:	
Perpetual subordinated notes	500
Revaluation reserves	-
Eligible impairment allowance in excess of expected loss	-
Total Tier Two Capital	500
Total Capital	5,637

1 Accumulated other comprehensive income and other disclosed reserves consists of available-for-sale securities reserve of $109 million and cash flow hedge reserve of $2 million.

Capital structure

Ordinary shares

In accordance with the Reserve Bank document 'Capital adequacy framework (Internal Models Based Approach)' (BS2B) ordinary share capital is classified as Common Equity Tier One Capital.

The ordinary shares have no par value. Subject to the constitution of the Bank, each ordinary share of the Bank carries the right to one vote on a poll at meetings of shareholders, the right to an equal share in dividends authorised by the Board and the right to an equal share in the distribution of the surplus assets of the Bank in the event of liquidation.

Perpetual subordinated notes

Perpetual subordinated notes have been issued by the Bank to WNZGL and constitute Tier Two Capital of the Banking Group. The notes were issued by the Bank on 31 August 2006 and have no final maturity date, but may be redeemed at par only at the option of the Bank. The notes pay quarterly distributions provided that the Bank will be solvent immediately after the time payment is made. As at 31 March 2013, there are no interest payments in arrears. The notes are direct and unsecured obligations of the Bank and are subordinated to the claims of all creditors (including depositors) of the Bank other than those creditors whose claims against the Bank are expressed to rank equally with or after the claims of the note holder. The notes are subject to phase-out from eligibility as capital under the Reserve Bank's Basel III transitional arrangements. On 22 May 2013, the directors of the Bank resolved to repay the remaining $500 million of perpetual subordinated notes.

Reserves

Available-for-sale securities reserve

The available-for-sale securities reserve comprises the changes in the fair value of available-for-sale securities, net of tax. These changes are recognised in the income statement as other income when the asset is either derecognised or impaired.

Note 13 Capital adequacy (continued)

Cash flow hedge reserve

The cash flow hedge reserve comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

Capital ratios

The Basel III framework is part of the continuous effort made by the Basel Committee on Banking Supervision to enhance the banking regulatory framework. It builds on the previous Basel frameworks and seeks to improve the banking sector's ability to deal with financial and economic stress, improve risk management and strengthen the bank's transparency. The new framework adds to the Basel II framework which is built on three mutually reinforcing pillars. Pillar 1 sets out the mechanics for minimum capital adequacy requirements for credit, traded market and operational risks. Pillar 2 relates to the internal assessment of capital adequacy and the supervisory review process. Pillar 3 deals with market disclosure and market discipline.

The table below is disclosed under the Reserve Bank's Basel III framework in accordance with Clause 15 of Schedule 11 to the Order and represents the capital adequacy calculation based on the Reserve Bank document 'Capital adequacy framework (Internal Models Based Approach)' (BS2B). The information for the comparative period is calculated based on the Reserve Bank's Basel II framework.

%	The Banking Group 31-Mar-13 Unaudited	 31-Mar-12 Unaudited
Capital adequacy ratios		
Common Equity Tier One Capital ratio	**11.9**	N/A
Tier One Capital ratio	**11.9**	11.7
Total Capital ratio	**13.0**	13.7
Reserve Bank minimum ratios		
Common Equity Tier One Capital ratio	**4.5**	N/A
Tier One Capital ratio[1]	**6.0**	4.0
Total Capital ratio	**8.0**	8.0
Buffer ratios		
Buffer ratio	**7.4**	N/A
Buffer requirement	**2.5**	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. For further information about the changes to the Conditions of registration, refer to the Conditions of registration on page 2.

The Banking Group Pillar 1 total capital requirement

$ millions	The Banking Group 31-Mar-13 (Unaudited) Total Exposure After Credit Risk Mitigation	Risk-weighted Exposure or Implied Risk-weighted Exposure (scaled)	Total Capital Requirement
Credit risk			
Exposures subject to the internal ratings based approach	**82,138**	**32,573**	**2,604**
Equity exposures	**88**	**280**	**22**
Specialised lending subject to the slotting approach	**4,989**	**4,791**	**383**
Exposures subject to the standardised approach	**2,167**	**865**	**70**
Total credit risk[1]	**89,382**	**38,509**	**3,079**
Operational risk	**N/A**	**3,881**	**311**
Market risk	**N/A**	**862**	**69**
Supervisory adjustment	**N/A**	**-**	**-**
Total	**89,382**	**43,252**	**3,459**

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.

Note 13 Capital adequacy (continued)

Capital for other material risk

The Banking Group's internal capital adequacy assessment process ('**ICAAP**') 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 31-Mar-13 Unaudited	31-Mar-12 Unaudited
Internal capital allocation		
Other material risk	**535**	480

Solo capital adequacy

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

The table below represents the capital adequacy calculation based on the Reserve Bank's Basel III framework as contained in the Reserve Bank document 'Capital adequacy framework (Internal Models Based Approach)' (BS2B). The information for the comparative period is calculated based on the Reserve Bank's Basel I capital adequacy framework.

%	The Bank 31-Mar-13 Unaudited	31-Mar-12 Unaudited
Capital adequacy ratios		
Common Equity Tier One Capital ratio	**11.4**	N/A
Tier One Capital ratio	**11.4**	8.8
Total Capital ratio	**12.5**	10.5

Ultimate Parent Bank Group Basel III capital adequacy ratio

The table below represents the capital adequacy calculation for the Ultimate Parent Bank and the Ultimate Parent Bank together with its controlled entities ('**Ultimate Parent Bank Group**') based on the Australian Prudential Regulation Authority's ('**APRA**') application of the Basel III capital adequacy framework. The information for the comparative period is calculated based on APRA's application of the Basel II capital adequacy framework.

%	31-Mar-13 Unaudited	31-Mar-12 Unaudited
Ultimate Parent Bank Group[1]		
Common Equity Tier One Capital ratio	**8.7**	N/A
Tier One Capital ratio	**10.8**	9.8
Total Capital ratio	**12.5**	10.8
Ultimate Parent Bank (Extended Licensed Entity)[1, 2]		
Common Equity Tier One Capital ratio	**8.8**	N/A
Tier One Capital ratio	**11.0**	9.8
Total Capital ratio	**12.7**	11.1

1 The capital ratios represent information mandated by APRA.

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

APRA's new capital standards came into effect on 1 January 2013. The Ultimate Parent Bank Group is accredited by APRA to apply the Advanced Internal Ratings Based ('**Advanced IRB**') approach for credit risk, the Advanced Measurement Approach ('**AMA**') for operational risk and the internal model approach for interest rate risk in the banking book for calculating regulatory capital (known as 'Advanced Accreditation') and is required by APRA to hold minimum capital at least equal to that specified under the Advanced IRB and AMA methodologies. Under New Zealand regulations this methodology is referred to as Basel III (internal models based approach). With this accreditation the Ultimate Parent Bank Group is required to disclose additional detailed information on its risk management practices and capital adequacy on a quarterly and a semi-annual basis. This information is made available to users via the Ultimate Parent Bank's website (www.westpac.com.au). The aim is to allow the market to better assess the Ultimate Parent Bank Group's risk and reward assessment process and hence increase the scrutiny of this process.

The Ultimate Parent Bank Group, and the Ultimate Parent Bank (Extended Licensed Entity as defined by APRA), exceeded the minimum capital adequacy requirements as specified by APRA as at 31 March 2013. APRA specifies a minimum prudential capital ratio for the Ultimate Parent Bank Group, which is not made publicly available.

Note 14 Risk management

14.1 Operational risk

The Banking Group's operational risk capital requirement

	The Banking Group	
	31-Mar-13 (Unaudited)	
$ millions	Implied Risk-weighted Exposure	Total Operational Risk Capital Requirement
Methodology implemented		
Advanced Measurement Approach		
Operational risk	**3,881**	**311**

14.2 Credit risk

Credit risk mitigation

The Banking Group uses a variety of techniques to reduce the credit risk arising from its lending activities (refer to Note 35.3 Credit risk to the financial statements included in the Disclosure Statement for the year ended 30 September 2012 for further details). Enforceable legal documentation establishes the Banking Group's direct, irrevocable and unconditional recourse to any collateral, security or other credit enhancements provided.

The Banking Group includes the effect of credit risk mitigation through eligible guarantees within the risk estimates applied. The value of the guarantee is not always separately recorded, and therefore is not available for disclosure.

Definitions of PD, LGD, EAD and TCE

(i) Probability of Default ('PD')

PD is a through the cycle assessment of the likelihood of a customer defaulting on its financial obligations within one year.

(ii) Loss Given Default ('LGD')

LGD represents an estimate of the expected severity of a loss to the Banking Group should a customer default occur during an economic downturn.

(iii) Exposure at Default ('EAD')

EAD represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default.

(iv) Total Committed Exposure ('TCE')

TCE represents the sum of on-balance sheet and off-balance sheet exposures.

Note 14 Risk management (continued)

The Banking Group's credit risk exposures by asset class as at 31 March 2013 (Unaudited)

PD Band (%)	TCE $ millions	EAD $ millions	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled)[1] $ millions	Required Regulatory Capital $ millions
Residential mortgages							
0.00 to 0.10	-	-	-	-	-	-	-
0.10 to 0.25	2,246	1,925	-	22	8	163	13
0.25 to 1.0	21,496	20,596	1	22	19	3,957	317
1.0 to 2.5	15,204	14,808	1	22	36	5,266	421
2.5 to 10.0	3,960	3,908	5	22	68	2,663	213
10.0 to 99.99	-	-	-	-	-	-	-
Default	437	434	100	22	211	914	73
Total	43,343	41,671	2	22	31	12,963	1,037
Other retail (Credit cards, personal loans, personal overdrafts)							
0.00 to 0.10	-	-	-	-	-	-	-
0.10 to 0.25	686	465	-	41	14	64	5
0.25 to 1.0	1,885	1,119	-	63	40	445	36
1.0 to 2.5	1,346	1,183	2	67	94	1,108	89
2.5 to 10.0	365	352	5	83	130	459	37
10.0 to 99.99	260	258	20	69	152	392	31
Default	21	24	100	71	117	28	2
Total	4,563	3,401	4	64	73	2,496	200
Small business							
0.00 to 0.10	-	-	-	-	-	-	-
0.10 to 0.25	281	202	-	74	26	53	4
0.25 to 1.0	781	777	1	22	21	167	13
1.0 to 2.5	-	-	-	-	-	-	-
2.5 to 10.0	2,222	2,190	3	17	29	636	51
10.0 to 99.99	42	43	20	24	56	24	2
Default	109	138	94	19	197	272	22
Total	3,435	3,350	6	22	34	1,152	92

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.

Note 14 Risk management (continued)

PD Grade	TCE $ millions	EAD $ millions	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled)[1] $ millions	Required Regulatory Capital $ millions
Banking Group - Corporate/Business lending							
AAA	221	221	-	29	9	20	2
AA	1,598	1,595	-	33	13	206	16
A	3,458	3,382	-	52	26	879	70
BBB	6,312	6,197	-	46	46	2,841	227
BB	9,276	9,258	2	37	82	7,546	604
B	375	373	4	38	112	418	33
Other	1,258	1,257	24	44	231	2,908	233
Default	347	513	100	49	96	492	39
Total	22,845	22,796	4	42	67	15,310	1,224
Sovereign							
AAA	608	608	-	10	4	23	2
AA	4,481	4,403	-	7	3	119	10
A	925	922	-	21	11	106	8
BBB	56	56	-	20	11	6	-
BB	7	7	2	34	29	2	-
B	-	-	4	60	-	-	-
Other	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-
Total	6,077	5,996	-	9	4	256	20
Bank							
AAA	-	-	-	-	-	-	-
AA	1,816	1,812	-	60	21	389	31
A	45	44	-	60	11	5	-
BBB	13	13	-	24	15	2	-
BB	-	-	-	-	-	-	-
B	1	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-
Total	1,875	1,869	-	60	21	396	31

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.

The following table summarises the Banking Group's credit risk exposure by asset class arising from undrawn commitments and other off-balance sheet exposures. These unaudited amounts are included in the previous tables.

$ millions	Undrawn Commitments and Other Off-balance Sheet Amounts Value	Undrawn Commitments and Other Off-balance Sheet Amounts EAD	Market Related Contracts Value	Market Related Contracts EAD
Residential mortgages	6,792	5,120	-	-
Other retail (Credit cards, personal loans, personal overdrafts)	2,753	1,585	-	-
Small business	1,158	1,045	-	-
Corporate/Business lending	7,719	7,512	-	-
Sovereign	1,181	1,101	-	-
Bank	63	62	-	-
Total	19,666	16,425	-	-

Note 14 Risk management (continued)

The Banking Group's equity as at 31 March 2013 (Unaudited)

Equity	TCE $ millions	EAD $ millions	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled)[1] $ millions	Required Regulatory Capital $ millions
Equity holdings (not deducted from capital) that are publicly traded	88	88	-	-	318	280	22

The Banking Group's Specialised lending: Project and property finance credit risk exposures as at 31 March 2013 (Unaudited)

Supervisory slotting grade	TCE $ millions	EAD $ millions	Average Risk Weight %	Risk-weighted Assets (scaled)[1] $ millions	Required Regulatory Capital $ millions
Strong	972	972	74	721	58
Good	2,344	2,344	95	2,235	179
Satisfactory	1,101	1,101	122	1,343	107
Weak	184	185	266	492	39
Default	388	471	-	-	-
Total	4,989	5,073	94	4,791	383

The following table summarises the Banking Group's Specialised lending: Project and property finance credit risk exposures arising from undrawn commitments and other off-balance sheet exposures. These amounts are included in the above table.

	TCE $ millions	EAD $ millions	Average Risk Weight %	Risk-weighted Assets (scaled)[1] $ millions	Required Regulatory Capital $ millions
Undrawn commitments and other off-balance sheet exposures	539	539	88	474	38

The Banking Group's credit risk exposures subject to the standardised approach as at 31 March 2013 (Unaudited)

Calculation of on-balance sheet exposures

	TCE $ millions	EAD $ millions	Average Risk Weight %	Risk-weighted Exposure $ millions	Required Regulatory Capital $ millions
Property, plant and equipment and other assets	258	258	100	258	21
Related parties	1,460	1,460	29	426	34
Total on-balance sheet exposures	1,718	1,718		684	55

Calculation of off-balance sheet exposures

	Total Principal Amount $ millions	Credit Equivalent Amount $ millions	Average Risk Weight %	Risk-weighted Exposure $ millions	Required Regulatory Capital $ millions
Market related contracts subject to the standardised approach					
Foreign exchange contracts	9,517	287	20	57	5
Interest rate contracts	38,278	162	20	32	3
Credit value adjustment				43	3
Total market related contracts subject to the standardised approach	47,795	449		132	11
Total on-balance sheet and off-balance sheet credit exposures subject to the standardised approach	49,513	2,167		816	66
After adjustment for scalar[1]				865	70

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

Note 14 Risk management (continued)

The Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 31 March 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 4 of Schedule 11 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 31-Mar-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	13,757	5,931	8,181	5,676	2,917	36,462
Undrawn commitments and other off-balance sheet exposures	4,166	1,015	982	403	226	6,792
Value of exposures	**17,923**	**6,946**	**9,163**	**6,079**	**3,143**	**43,254**

The Banking Group's reconciliation of residential mortgage-related amounts

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

$ millions	**The Banking Group 31-Mar-13 Unaudited**
Term loans – Housing (as disclosed in Note 5) and Residential mortgages – total gross loans (as disclosed in Note 6)	36,542
Reconciling items:	
Unamortised deferred fees and expenses	(75)
Fair value hedge adjustments	(5)
Value of undrawn commitments and other off-balance sheet amounts relating to residential mortgages	6,792
Residential mortgages by LVR	43,254
Reconciling item:	
Accrued interest receivable	89
Residential mortgages –TCE (as disclosed in credit risk exposures by asset class)	43,343

14.3 Market risk

Market risk notional capital charges

The Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank document 'Capital adequacy framework (Internal Models Based Approach)' (BS2B) and is determined for the six-month period ended 31 March 2013. The end-of-period aggregate market risk exposure is calculated from the period end balance sheet information. The peak end-of-day exposure is derived by taking the largest daily internal risk measure (Value-at-Risk ('**VaR**')) during the six-month period, comparing this to the current and previous period end VaRs and calculating the peak risk by using the ratio of the peak to the period ends. This method is approximate only as the two methods differ in the assumed repricing characteristics of the balance sheet. For each category of market risk, the Banking Group's peak end-of-day capital charge is the aggregate capital charge for that category of market risk derived in accordance with the Reserve Bank document 'Capital adequacy framework (Internal Models Based Approach)' (BS2B).

The following table provides a summary of the Banking Group's capital charges by risk type as at the reporting date and the peak end-of-day capital charges by risk type for the six-month period ended 31 March 2013:

	The Banking Group 31-Mar-13 (Unaudited)	
$ millions	**Implied Risk-weighted Exposure**	**Aggregate Capital Charge**
End-of-period		
Interest rate risk	686	55
Foreign currency risk	88	7
Equity risk	88	7
Peak end-of-day		
Interest rate risk	1,211	97
Foreign currency risk	88	7
Equity risk	88	7

Note 14 Risk management (continued)

Interest rate sensitivity

The following table presents a breakdown of the earlier of the contractual repricing or maturity dates of the Banking Group's net asset position as at 31 March 2013. The Banking Group uses this contractual repricing information as a base which is then altered to take account of consumer behaviour to manage its interest rate risk.

	The Banking Group 31-Mar-13 (Unaudited)						
$ millions	Up to 3 Months	Over 3 Months and up to 6 Months	Over 6 Months and up to 1 Year	Over 1 Year and up to 2 Years	Over 2 Years	Non-interest Bearing	Total
Financial assets							
Cash and balances with central banks	1,660	-	-	-	-	195	1,855
Due from other financial institutions	336	-	-	-	-	1	337
Derivative financial instruments	-	-	-	-	-	8	8
Trading securities	2,014	-	1	-	-	-	2,015
Available-for-sale securities	26	-	26	87	2,603	88	2,830
Loans	38,698	3,546	6,712	8,242	3,326	(609)	59,915
Due from related entities	1,351	-	-	-	-	61	1,412
Other assets	-	-	-	-	-	223	223
Total financial assets	44,085	3,546	6,739	8,329	5,929	(33)	68,595
Non-financial assets							1,065
Total assets							69,660
Financial liabilities							
Deposits	30,689	5,890	4,392	1,187	653	3,257	46,068
Derivative financial instruments	-	-	-	-	-	353	353
Debt issues	5,168	312	418	2,146	3,607	-	11,651
Other liabilities	-	-	-	-	-	447	447
Perpetual subordinated notes	500	-	-	-	-	-	500
Due to related entities	3,554	-	-	-	-	701	4,255
Total financial liabilities	39,911	6,202	4,810	3,333	4,260	4,758	63,274
Non-financial liabilities							245
Total liabilities							63,519
Off-balance sheet financial instruments							
Net interest rate contracts (notional):							
(Payable)/receivable	6,994	(330)	(1,499)	(4,220)	(945)	-	-

14.4 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 31-Mar-13 Unaudited
Cash and balances with central banks	1,855
Due from other financial institutions (included in due from related entities)	763
Supranational securities	420
NZ Government securities	2,287
NZ public securities	439
NZ corporate securities	1,798
Residential mortgage-backed securities	3,992
Total liquid assets	11,554

Note 14 Risk management (continued)

Liquidity analysis

The following liquidity analysis for financial assets and financial liabilities presents the contractual undiscounted cash flows receivable and payable, and is based on the remaining period as at the reporting date to the contractual maturity. The total balances in the table below may not agree to the balance sheet as this table incorporates all cash flows on an undiscounted basis, which include both principal and associated future interest income/expense accruals.

	The Banking Group 31-Mar-13 (Unaudited)						
$ millions	On Demand	Less Than 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial assets							
Cash and balances with central banks	1,855	-	-	-	-	-	1,855
Due from other financial institutions	337	-	-	-	-	-	337
Derivative financial instruments:							
Held for trading	8	-	-	-	-	-	8
Trading securities	-	415	1,176	65	327	51	2,034
Available-for-sale securities	-	102	23	147	1,680	1,271	3,223
Loans	6,381	5,830	5,168	4,808	20,477	44,880	87,544
Due from related entities:							
Non-derivative balances	1,412	-	-	-	-	-	1,412
Other assets	-	223	-	-	-	-	223
Total undiscounted financial assets	9,993	6,570	6,367	5,020	22,484	46,202	96,636
Financial liabilities							
Deposits	20,697	5,356	8,122	10,623	1,987	-	46,785
Derivative financial instruments:							
Held for hedging purposes (net settled)	-	10	8	42	141	17	218
Held for hedging purposes (gross settled):							
Cash outflow	-	5	19	71	2,427	-	2,522
Cash inflow	-	(1)	(54)	(2)	(2,102)	-	(2,159)
Debt issues	-	883	1,230	2,709	7,244	251	12,317
Other liabilities	-	447	-	-	-	-	447
Perpetual subordinated notes	-	-	-	-	-	500	500
Due to related entities:							
Non-derivative balances	438	81	-	104	3,208	-	3,831
Derivative financial instruments:							
Held for trading	117	-	-	-	-	-	117
Held for hedging purposes (net settled)	-	22	(13)	(15)	-	-	(6)
Held for hedging purposes (gross settled):							
Cash outflow	-	14	22	109	3,755	-	3,900
Cash inflow	-	-	-	(95)	(2,963)	-	(3,058)
Total undiscounted financial liabilities	21,252	6,817	9,334	13,546	13,697	768	65,414
Total contingent liabilities and commitments							
Loan commitments with certain drawdown	163	-	-	-	-	-	163
Other commitments to provide financial services	18,669	-	-	-	-	-	18,669
Total undiscounted contingent liabilities and commitments	18,832	-	-	-	-	-	18,832

Note 15 Concentration of funding

$ millions	The Banking Group 31-Mar-13 Unaudited
Funding consists of	
Deposits	**46,068**
Debt issues[1]	**11,651**
Perpetual subordinated notes	**500**
Due to related entities[2]	**3,554**
Total funding	**61,773**
Analysis of funding by product	
Certificates of deposit	**1,036**
Savings accounts	**10,483**
Demand deposits	**8,262**
Other deposits	**1,952**
Term deposits	**24,335**
Debt issues	**11,651**
Perpetual subordinated notes	**500**
Subtotal	**58,219**
Due to related entities[2]	**3,554**
Total funding	**61,773**
Analysis of funding by geographical areas[1]	
New Zealand	**50,296**
Australia	**501**
United Kingdom	**4,678**
United States of America	**4,233**
Other	**2,065**
Total funding	**61,773**
Analysis of funding by industry sector	
Accommodation, cafes and restaurants	**219**
Agriculture	**1,009**
Construction	**1,114**
Finance and insurance	**22,623**
Forestry and fishing	**135**
Government, administration and defence	**1,296**
Manufacturing	**1,370**
Mining	**79**
Property services and business services	**3,406**
Services	**4,485**
Trade	**1,237**
Transport and storage	**275**
Utilities	**391**
Households	**17,889**
Other	**2,691**
Subtotal	**58,219**
Due to related entities[2]	**3,554**
Total funding	**61,773**

1 The geographic region used for debt issues is based on the nature of the debt programmes. The nature of the debt programmes is used as a proxy for the location of the original purchaser. Where the nature of the debt programme does not necessarily represent an appropriate proxy, the debt issues are classified as 'Other.' These instruments may have subsequently been on-sold.

2 Amounts due to related entities, as presented above, are in respect of intra group deposits and borrowings and exclude amounts which relate to intra group derivatives and other liabilities.

Australian and New Zealand Standard Industrial Classifications ('**ANZSIC**') have been used as the basis for disclosing industry sectors.

Note 16 Concentration of credit exposures

$ millions	The Banking Group 31-Mar-13 Unaudited
On-balance sheet credit exposures consists of	
Cash and balances with central banks	1,855
Due from financial institutions	337
Derivative financial instruments	8
Trading securities	2,015
Available-for-sale securities	2,830
Loans	59,915
Due from related entities	1,412
Other assets	240
Total on-balance sheet credit exposures	68,612
Analysis of on-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	534
Agriculture	6,447
Construction	1,394
Finance and insurance	4,824
Forestry and fishing	276
Government, administration and defence	4,746
Manufacturing	2,125
Mining	467
Property	9,978
Property services and business services	1,970
Services	2,704
Trade	3,000
Transport and storage	1,301
Utilities	1,220
Retail lending	26,706
Other	39
Subtotal	67,731
Provisions for impairment charges on loans	(609)
Due from related entities	1,412
Other assets	78
Total on-balance sheet credit exposures	68,612
Off-balance sheet credit exposures	
Contingent liabilities and commitments	20,205
Total off-balance sheet credit exposures	20,205
Analysis of off-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	92
Agriculture	683
Construction	427
Finance and insurance	2,118
Forestry and fishing	45
Government, administration and defence	963
Manufacturing	1,436
Mining	238
Property services and business services	3,281
Trade	1,828
Transport and storage	573
Utilities	1,336
Retail lending	7,170
Other	15
Total off-balance sheet credit exposures	20,205

ANZSIC have been used as the basis for disclosing industry sectors.

Note 16 Concentration of credit exposures (continued)

Analysis of credit exposures to individual counterparties

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

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

- as at 31 March 2013 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 March 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 31 March 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 31 March 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 17 Events after the reporting date

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 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.

On 22 May 2013, the directors of the Bank resolved to repay the remaining $500 million of perpetual subordinated notes.

Independent Auditors' Review Report

To the shareholder of Westpac New Zealand Limited

Report on the Financial Statements

We have reviewed pages 5 to 30 of the half year Disclosure Statement of Westpac New Zealand Limited (the "Bank") and the entities it controlled at 31 March 2013 or from time to time during the period (the "Banking Group"), which consists of the financial statements required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2013 (the "Order") and the supplementary information required by Schedules 5, 7, 11, 13, 16 and 18 of the Order. The financial statements comprise the balance sheet as at 31 March 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and the notes to the financial statements that include a statement of accounting policies and other explanatory information for the Banking Group.

Directors' Responsibility for the Financial Statements

The Directors of Westpac New Zealand Limited (the "Directors") are responsible for the preparation and presentation of the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order and that present fairly the financial position of the Banking Group as at 31 March 2013, and its financial performance and cash flows for the period ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible for the preparation and fair presentation of supplementary information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order.

Reviewers' Responsibility

We are responsible for reviewing the financial statements and the supplementary information, disclosed in accordance with Clause 25, Schedules 5, 7, 11, 13, 16 and 18 of the Order, presented by the Directors.

We are responsible for reviewing the financial statements (excluding the supplementary information) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting.

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to capital adequacy) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

We are responsible for reviewing the supplementary information relating to capital adequacy in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not in all material respects:

(a) prepared in accordance with the Bank's Conditions of Registration;

(b) prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and

(c) disclosed in accordance with Schedule 11 of the Order.

Independent auditors' review report (continued)

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A review is limited primarily to enquiries of the Banking Group's personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Banking Group for the six months ended 31 March 2013 in accordance with the Review Engagement Standards issued in New Zealand.

We carry out other assignments on behalf of the Banking Group in the areas of other assurance and advisory services. In addition, certain partners and employees of our firm may deal with the Banking Group and Westpac Banking Corporation Group on normal terms within the ordinary course of trading activities of the Banking Group and Westpac Banking Corporation Group. These matters have not impaired our independence as auditors of the Banking Group. We have no other interests in the Banking Group or Westpac Banking Corporation Group.

Opinion

Based on our review nothing has come to our attention that causes us to believe that:

(a) the financial statements on pages 5 to 30 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and do not present fairly the financial position of the Banking Group as at 31 March 2013 and its financial performance and cash flows for the six months ended on that date;

(b) the supplementary information prescribed by Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and

(c) the supplementary information relating to capital adequacy prescribed by Schedule 11 of the Order, is not, in all material respects:

   (i) prepared in accordance with the Bank's Conditions of Registration;

   (ii) prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and

   (iii) disclosed in accordance with Schedule 11 of the Order.

Restriction on Distribution or Use

This report is made solely to the Bank's shareholder. Our review work has been undertaken so that we might state to the Bank's shareholder those matters which we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder, for our review procedures, for this report or for the opinions we have formed.

PricewaterhouseCoopers

22 May 2013

Chartered Accountants — Auckland

Westpac New Zealand Limited