Westpac New Zealand Limited

Disclosure Statement

For the nine months ended 30 June 2012

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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 2012 ('**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 2011 are set out in Note 26 to the financial statements included in the Disclosure Statement for the year ended 30 September 2011. Except as detailed in Notes 2 and 10 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 2011.

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

The following changes in the composition of the Board of Directors of the Bank (the '**Board**') have been effected since 30 September 2011:

- George Frazis resigned from the Board with effect from 13 April 2012;
- Peter Graham Clare was appointed to the Board with effect from 13 April 2012; and
- Peter David Wilson was redesignated from non-Independent Director to Independent Director (for the purposes of the Reserve Bank document entitled 'Corporate Governance' (BS14) dated March 2011) with effect from 1 April 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 31 March 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. Guarantee Liabilities existing 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.

Further information about the Wholesale Guarantee is included in the Bank's Disclosure Statement for the year ended 30 September 2011. A copy of the Bank's Disclosure Statement for the year ended 30 September 2011 is available, free of charge, at the internet address www.westpac.co.nz. A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request is made.

Guarantee arrangements (continued)

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 2011.

Conditions of registration

The Bank's conditions of registration were amended in June 2012 and the amended conditions of registration apply with effect from and including 1 July 2012. The amendments related to the deletion of superseded conditions and other minor changes to improve the internal consistency of the conditions of registration.

Other material matters

There are no matters relating to the business or affairs of the Bank or the Banking Group which are not contained elsewhere in the Disclosure Statement and which would, if disclosed, materially affect the decision of a person to subscribe for debt securities of which the Bank or any member of the Banking Group is the issuer.

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 2012:

(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

Philip Matthew Coffey

Janice Amelia Dawson

Christopher John David Moller

Ralph Graham Waters

Dated this 22nd day of August 2012

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Consolidated income statement for the nine months ended 30 June 2012

		The Banking Group		
$ millions	Note	**Nine Months Ended 30-Jun-12 Unaudited**	Nine Months Ended 30-Jun-11 Unaudited	Year Ended 30-Sep-11 Audited
Interest income		**2,882**	2,642	3,521
Interest expense		**(1,765)**	(1,691)	(2,205)
Net interest income		**1,117**	951	1,316
Non-interest income:				
Fees and commissions	3	**251**	223	299
Net ineffectiveness on qualifying hedges	3	**(1)**	3	1
Other non-interest income	3	**17**	1	8
Total non-interest income		**267**	227	308
Net operating income		**1,384**	1,178	1,624
Operating expenses		**(607)**	(573)	(771)
Impairment charges on loans	4	**(131)**	(189)	(224)
Operating profit		**646**	416	629
Share of profit of associate accounted for using the equity method		**-**	-	1
Profit before income tax expense		**646**	416	630
Income tax expense		**(181)**	(129)	(197)
Profit after income tax expense		**465**	287	433
Profit after income tax expense attributable to:				
Owners of the Banking Group		**463**	284	429
Non-controlling interests		**2**	3	4
		465	287	433

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 2012

	The Banking Group		
$ millions	**Nine Months Ended 30-Jun-12 Unaudited**	Nine Months Ended 30-Jun-11 Unaudited	Year Ended 30-Sep-11 Audited
Profit after income tax expense	**465**	287	433
Other comprehensive income:			
Net unrealised gains from changes in fair value of available-for-sale securities	**68**	25	6
Cash flow hedges:			
Net gains/(losses) from changes in fair value of cash flow hedges	**57**	(55)	18
Transferred to the income statement	**9**	4	11
Actuarial losses on employee defined benefit superannuation schemes	**-**	-	(15)
Income tax relating to components of other comprehensive income[1]	**(33)**	9	(3)
Other comprehensive income/(expense), net of tax	**101**	(17)	17
Total comprehensive income	**566**	270	450
Total comprehensive income attributable to:			
Owners of the Banking Group	**564**	267	446
Non-controlling interests	**2**	3	4
	566	270	450

1 The income tax effects relating to each component of other comprehensive income are disclosed in the following table.

Tax effects relating to each component of other comprehensive income

	The Banking Group		
$ millions	Before Tax Amount	Tax (Expense)/ Benefit	Net of Tax Amount
For the nine months ended 30 June 2012 (Unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	**68**	**(14)**	**54**
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	**57**	**(16)**	**41**
Transferred to the income statement	**9**	**(3)**	**6**
Other comprehensive income	**134**	**(33)**	**101**
For the nine months ended 30 June 2011 (Unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	25	(7)	18
Cash flow hedges:			
Net losses from changes in fair value of cash flow hedges	(55)	17	(38)
Transferred to the income statement	4	(1)	3
Other comprehensive expense	(26)	9	(17)
For the year ended 30 September 2011 (Audited)			
Net unrealised gains from changes in fair value of available-for-sale securities	6	-	6
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	18	(5)	13
Transferred to the income statement	11	(3)	8
Actuarial losses on employee defined benefit superannuation schemes	(15)	5	(10)
Other comprehensive income	20	(3)	17

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 2012

$ millions	Share Capital	Retained Profits	Available-for-sale Securities Reserve	Cash Flow Hedge Reserve	Total before Non-controlling Interests	Non-controlling Interests	Total
	The Banking Group						
As at 1 October 2010	3,470	548	25	(1)	4,042	6	4,048
Nine months ended 30 June 2011							
Profit after income tax expense	-	284	-	-	284	3	287
Other comprehensive income/(expense)	-	-	18	(35)	(17)	-	(17)
Total comprehensive income/(expense) for the nine months ended 30 June 2011	-	284	18	(35)	267	3	270
Transaction with owners:							
Dividends paid on ordinary shares	-	-	-	-	-	(2)	(2)
As at 30 June 2011 (Unaudited)	3,470	832	43	(36)	4,309	7	4,316
Year ended 30 September 2011							
Profit after income tax expense	-	429	-	-	429	4	433
Other comprehensive (expense)/income	-	(10)	6	21	17	-	17
Total comprehensive income for the year ended 30 September 2011	-	419	6	21	446	4	450
Transaction with owners:							
Dividends paid on ordinary shares	-	-	-	-	-	(2)	(2)
As at 30 September 2011 (Audited)	3,470	967	31	20	4,488	8	4,496
Nine months ended 30 June 2012							
Profit after income tax expense	**-**	**463**	**-**	**-**	**463**	**2**	**465**
Other comprehensive income	**-**	**-**	**54**	**47**	**101**	**-**	**101**
Total comprehensive income for the nine months ended 30 June 2012	**-**	**463**	**54**	**47**	**564**	**2**	**566**
Transactions with owners:							
Share capital issued	**1,130**	**-**	**-**	**-**	**1,130**	**-**	**1,130**
Dividends paid on ordinary shares	**-**	**(480)**	**-**	**-**	**(480)**	**(4)**	**(484)**
As at 30 June 2012 (Unaudited)	**4,600**	**950**	**85**	**67**	**5,702**	**6**	**5,708**

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 2012

		The Banking Group		
		30-Jun-12	30-Jun-11	30-Sep-11
$ millions	Note	**Unaudited**	Unaudited	Audited
Assets				
Cash and balances with central banks		**1,347**	434	1,215
Due from other financial institutions		**308**	34	699
Derivative financial instruments		**11**	17	85
Trading securities	5	**3,395**	2,847	3,261
Available-for-sale securities		**2,658**	1,116	1,518
Loans	6, 7	**58,725**	50,671	51,250
Due from related entities		**1,921**	537	1,517
Current tax assets		**-**	33	-
Investment in associate		**48**	48	48
Goodwill and other intangible assets		**585**	559	567
Property, plant and equipment		**156**	153	154
Deferred tax assets		**201**	241	194
Other assets		**225**	197	148
Total assets		**69,580**	56,887	60,656
Liabilities				
Due to other financial institutions		**-**	-	100
Deposits	8	**41,845**	33,581	34,886
Derivative financial instruments		**300**	75	84
Debt issues	9	**15,887**	15,138	17,630
Current tax liabilities		**-**	-	45
Provisions		**79**	66	70
Other liabilities		**515**	497	569
Total liabilities excluding related entities liabilities		**58,626**	49,357	53,384
Perpetual subordinated notes		**970**	970	970
Due to related entities		**4,276**	2,244	1,806
Total related entities liabilities		**5,246**	3,214	2,776
Total liabilities		**63,872**	52,571	56,160
Net assets		**5,708**	4,316	4,496
Equity				
Share capital		**4,600**	3,470	3,470
Retained profits		**950**	832	967
Available-for-sale securities reserve		**85**	43	31
Cash flow hedge reserve		**67**	(36)	20
Total equity attributable to owners of the Banking Group		**5,702**	4,309	4,488
Non-controlling interests		**6**	7	8
Total equity		**5,708**	4,316	4,496
Interest earning and discount bearing assets		**68,730**	55,944	59,737
Interest and discount bearing liabilities		**59,487**	47,348	52,060

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 2012

	The Banking Group		
$ millions	**Nine Months Ended 30-Jun-12 Unaudited**	Nine Months Ended 30-Jun-11 Unaudited	Year Ended 30-Sep-11 Audited
Cash flows from operating activities			
Interest income received	**2,876**	2,645	3,527
Interest expense paid	**(1,816)**	(1,730)	(2,205)
Non-interest income received	**218**	168	306
Net decrease/(increase) in trading securities	**1,823**	(260)	(674)
Net movement in derivative financial instruments	**296**	75	16
Operating expenses paid	**(574)**	(517)	(682)
Income tax paid	**(220)**	(153)	(151)
Net cash provided by operating activities	**2,603**	228	137
Cash flows from investing activities			
Net increase in available-for-sale securities	**(1,072)**	(1,047)	(1,468)
Net loans advanced to customers	**(1,270)**	(826)	(1,440)
Net (increase)/decrease in due from related entities	**(404)**	293	(687)
Purchase of capitalised computer software	**(45)**	(25)	(44)
Purchase of property, plant and equipment	**(22)**	(46)	(55)
Net cash acquired from the transfer of additional banking operations	**(154)**	-	-
Net cash used in investing activities	**(2,967)**	(1,651)	(3,694)
Cash flows from financing activities			
Issue of ordinary share capital	**1,130**	-	-
Net increase in deposits	**1,899**	1,115	2,420
Net (decrease)/increase in debt issues	**(1,743)**	(301)	2,191
Net (decrease)/increase in due to related entities	**(597)**	554	237
Payment of dividends	**(484)**	(2)	(2)
Net cash provided by financing activities	**205**	1,366	4,846
Net (decrease)/increase in cash and cash equivalents	**(159)**	(57)	1,289
Cash and cash equivalents at beginning of the period/year	**1,814**	525	525
Cash and cash equivalents at end of the period/year	**1,655**	468	1,814
Cash and cash equivalents comprise:			
Cash and balances with central banks	**1,347**	434	1,215
Due from other financial institutions (net)	**308**	34	599
	1,655	468	1,814
Reconciliation of profit after income tax expense to net cash provided by operating activities			
Profit after income tax expense	**465**	287	433
Adjustments:			
Impairment charges on loans	**131**	189	224
Computer software amortisation costs	**29**	33	42
Depreciation on property, plant and equipment	**20**	19	22
Loss/(gain) on disposal of property, plant and equipment	**-**	1	(7)
Loss on disposal of computer software	**-**	-	2
Share-based payments	**5**	12	15
Movement in other assets	**(55)**	(53)	8
Movement in other liabilities	**(72)**	(51)	15
Movement in current and deferred tax	**(52)**	(31)	94
Tax losses transferred from/(to) related entities	**46**	-	(45)
Tax on cash flow hedge reserve	**(19)**	14	(8)
Tax on available-for-sale securities reserve	**(14)**	(7)	-
Movement in trading securities	**1,823**	(260)	(674)
Movement in derivative financial instruments	**296**	75	16
Net cash provided by operating activities	**2,603**	228	137

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

These consolidated financial statements have been prepared and presented in accordance with the Order and the Reserve Bank Act.

These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('**NZ GAAP**'), 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 2011 and periods ended 31 December 2011 and 31 March 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 new and revised accounting standards which became operative for the annual reporting period commencing 1 October 2011, the following standards, interpretations and amendments have been adopted with effect from 1 October 2011:

- New Zealand Equivalent to International Financial Reporting Standard ('**NZ IFRS**') 7 *Financial Instruments: Disclosures* ('**NZ IFRS 7**'):
  - The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, certain disclosure requirements have been amended or removed.
  - *Amendments to NZ IFRS 7 Disclosures – Transfers of Financial Assets* – The amendments require additional disclosures about the transfer of financial assets, including in respect of the nature of the financial assets involved and the risks associated with them.
- NZ IAS 1 *Presentation of Financial Statements* – The amendments clarify that an analysis of other comprehensive income by item is required to be disclosed either in the statement of changes in equity or in the notes to the financial statements.
- NZ IAS 24 *Related Party Disclosures* – The main changes to the standard simplify the definition of a related party and clarify its intended meaning.
- NZ IAS 34 *Interim Financial Reporting* – The amendments add examples to the list of significant events or transactions that require disclosure under NZ IAS 34.
- New Zealand Equivalent to International Financial Reporting Interpretations Committee ('**NZ IFRIC**') 13 *Customer Loyalty Programmes* – The amendments clarify the fair value of award credits and take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.
- NZ IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – The amendments remove the unintended consequence arising from the treatment of prepayments when there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.
- *Amendments to NZ IFRS 7: Disclosure Amendments to Appendix E New Zealand-specific additional disclosure requirements applicable to financial institutions* – The amendments replace the term 'financial institutions' with the term 'deposit takers'. The amendments also remove registered banks from its scope as the disclosure requirements have been relocated to the Order.
- *Amendments to NZ IFRSs to Harmonise with IFRS and Australian Accounting Standards* – The amendments remove certain New Zealand-specific disclosures and relocate certain disclosure requirements to a new standard. The Banking Group has chosen to continue disclosing certain information no longer required as a result of this joint Trans-Tasman Convergence project.
- Financial Reporting Standard 44 *New Zealand Additional Disclosures* – This new standard is applicable only to New Zealand and is a consequence of the joint Trans-Tasman Convergence project of the Australian Accounting Standards Board and Financial Reporting Standards Board. This standard relocates certain New Zealand-specific disclosures from other NZ IFRS and also revises certain disclosures.

Adoption of these new and revised accounting standards has not resulted in any material change to the Banking Group's reported result or financial position.

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**').

Controlled entities of the Banking Group as at 30 September 2011 are set out in Note 26 to the Banking Group's financial statements included in the Disclosure Statement for the year ended 30 September 2011. Except as detailed in Notes 2 and 10 to these financial statements, there have been no other changes to the composition of the Banking Group since 30 September 2011.

These financial statements were authorised for issue by the Board on 22 August 2012. 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.

Note 1 Statement of accounting policies (continued)

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 2011, except as amended for the changes required due to the adoption of the new and revised 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.

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.

Common control transactions

The predecessor method of accounting is used to account for business combinations between entities within the Banking Group.

Assets acquired and liabilities assumed in a common control transaction are measured initially at the acquisition date at the carrying value from the Westpac Banking Corporation's ('**Ultimate Parent Bank**') perspective. The excess of the cost of acquisition over the initial carrying values of the entity's share of the net assets acquired is recorded as part of a common control reserve.

Note 2 Business combination – transfer of operations

Until 1 November 2006, the Ultimate Parent Bank conducted its operations in New Zealand through a branch structure. On that date, and after extensive consultation with the Reserve Bank of New Zealand ('**Reserve Bank**'), the Ultimate Parent Bank adopted a dual operating model including a locally incorporated subsidiary, the Bank, to conduct its consumer and business banking operations in New Zealand, and a branch of the Ultimate Parent Bank ('**NZ Branch**') to conduct its institutional and financial markets operations.

Following an independent review of the structure of the operating model of the Ultimate Parent Bank's business in New Zealand, the Reserve Bank, the Bank and the Ultimate Parent Bank reached agreement on changes to the operating model. On 1 November 2011, assets and liabilities associated with certain business activities formerly conducted by the NZ Branch were transferred to the Bank. The transfer occurred pursuant to the Westpac New Zealand Act 2011.

The following business activities were transferred to the Bank:

- institutional customer deposits;
- institutional customer transactional banking;
- institutional customer lending (other than trade financing activities);
- debt capital markets activities carried out in assisting corporate customers to obtain funding, such as loan syndication and securitisation arrangements, but excluding the debt securities team activities, such as arrangement of commercial paper and bond programmes;
- corporate advisory; and
- institutional customer foreign currency accounts.

The NZ Branch has retained:

- financial markets operations for external customers, including sales and trading of capital markets products and foreign exchange for corporate and institutional customers;
- pricing and risk management for interest rate, foreign exchange and commodity products for consumer, business and institutional customers of the Bank;
- trading of capital markets products and foreign exchange as principal;
- global intra-group financing functions;
- correspondent bank relationships;
- debt securities team activities, such as arrangement of commercial paper and bond programmes; and
- international business, including trade finance activities but excluding customer foreign currency accounts.

Note 2 Business combination – transfer of operations (continued)

The acquisition involved the transfer to the Bank of $6,446 million of assets consisting primarily of loans to corporate customers of $6,336 million and $5,303 million of liabilities consisting primarily of deposits of $5,060 million. For the financial year ended 30 September 2011, the business activities transferred from the NZ Branch to the Bank accounted for net operating income of $166 million (30 September 2010: $163 million) and profit after income tax expense of $114 million (30 September 2010: $103 million).

Funding of acquisition

To fund the purchase of the assets and liabilities relating to the business activities transferred from the NZ Branch (as well as the additional liquid assets required to be held by the Banking Group as a result of the transfer), a loan of $3.1 billion was provided to the Bank by the NZ Branch and the Bank raised $1,130 million in additional share capital.

The loan of $3.1 billion is for a period of three years and was priced at the New Zealand Bank Bill Reference Rate plus a margin that reflected market pricing on 1 November 2011.

The Bank issued a total of 1,130 million additional ordinary shares for $1 per share to the Bank's immediate parent company, Westpac New Zealand Group Limited ('**WNZGL**'), in connection with the transfer. On 28 October 2011, the Bank issued 900 million ordinary shares for $1 per share, and on 31 October 2011, the Bank issued an additional 230 million ordinary shares for $1 per share. Immediately prior to the issuance of these additional 230 million ordinary shares, the Bank paid a dividend to WNZGL of $230 million. These transactions were in accordance with the Banking Group's capital management policy.

Compliance with condition of registration 14 and BS13 requirements

As a result of the transfer of the business activities set out above, the Banking Group is required to hold additional liquid assets in order to comply with condition of registration 14, which relates to liquidity, and the Reserve Bank document *Liquidity Policy* (BS13). These liquid assets were acquired through a combination of on market purchases and a purchase of liquid assets from the NZ Branch. The Banking Group was compliant with both condition of registration 14 and BS13 immediately following the transfer on 1 November 2011.

Asset and liabilities transferred from the NZ Branch to the Bank as at 1 November 2011

$ millions	Assets and Liabilities Transferred As at 1 November 2011 Audited
Assets	
Cash and balances with central banks	**58**
Loans	**6,336**
Deferred tax assets	**28**
Other assets	**24**
Total assets	**6,446**
Liabilities	
Due to other financial institutions	**212**
Deposits	**5,060**
Provisions	**12**
Other liabilities	**19**
Total liabilities	**5,303**
Net assets acquired	**1,143**

Contingent liabilities and commitments transferred from the NZ Branch to the Bank as at 1 November 2011

$ millions	The Bank As at 1 November 2011 Audited
Contingent liabilities and commitments	
Transaction related contingent items	**421**
Short-term, self liquidating trade related contingent liabilities	**107**
Other commitments to provide financial services	**6,464**
Total contingent liabilities and commitments	**6,992**

Note 2 Business combination – transfer of operations (continued)

Consideration paid for the business transferred from the NZ Branch to the Bank on 1 November 2011

$ millions	The Bank As at 1 November 2011 Audited
Consideration transferred	
Intragroup payables	3,100
Trading securities	(1,957)
Total consideration transferred	1,143

Impact of the transferred business activities on the Banking Group

		The Banking Group		
$ millions	Note	Pre-existing Operations	Transferred Operations[1]	Total
For the period ended 30 June 2012 (Unaudited)				
Interest income		2,522	360	2,882
Interest expense		(1,505)	(260)	(1,765)
Net interest income		1,017	100	1,117
Non-interest income:				
Fees and commissions	3	225	26	251
Net ineffectiveness on qualifying hedges		(1)	-	(1)
Other non-interest income	3	17	-	17
Total non-interest income		241	26	267
Net operating income		1,258	126	1,384
Operating expenses		(594)	(13)	(607)
Impairment charges on loans	4	(128)	(3)	(131)
Profit before income tax expense		536	110	646
Income tax expense		(150)	(31)	(181)
Profit after income tax expense		386	79	465

Transferred business activities for the nine months ended 30 June 2012

	The Banking Group		
$ millions	Pre-acquisition result[2]	Transferred Operations[1]	Total
For the period ended 30 June 2012 (Unaudited)			
Interest income	46	360	406
Interest expense	(30)	(260)	(290)
Net interest income	16	100	116
Non-interest income:			
Fees and commissions	4	26	30
Total non-interest income	4	26	30
Net operating income	20	126	146
Operating expenses	(2)	(13)	(15)
Impairment charges on loans	2	(3)	(1)
Profit before income tax expense	20	110	130
Income tax expense	(5)	(31)	(36)
Profit after income tax expense	15	79	94

1 Represents the eight month result of the transferred business operations since the acquisition date on 1 November 2011, as included in the Banking Group's consolidated income statement.

2 Represents the pre-acquisition result of the transferred business operations from 1 October 2011 through 31 October 2011.

Notes to the financial statements

Note 3 Non-interest income

$ millions	The Banking Group **Nine Months Ended 30-Jun-12 Unaudited**	Nine Months Ended 30-Jun-11 Unaudited	Year Ended 30-Sep-11 Audited
Fees and commissions			
Transaction fees and commissions	**170**	157	210
Lending fees (loan and risk)	**43**	41	55
Management fees received from related entities	**2**	2	3
Insurance commissions received	**26**	22	30
Other non-risk fee income	**10**	1	1
Total fees and commissions	**251**	223	299
Net ineffectiveness on qualifying hedges	**(1)**	3	1
Other non-interest income			
Net gains/(losses) on derivatives held for trading	**4**	(2)	(4)
Dividend income	**2**	2	3
(Loss)/gain on disposal of property, plant and equipment	**-**	(1)	7
Other	**11**	2	2
Total other non-interest income	**17**	1	8
Total non-interest income	**267**	227	308

Note 4 Impairment charges on loans

$ millions	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
	The Banking Group			
Nine months ended 30 June 2012 (Unaudited)				
Collectively assessed provisions	**(1)**	**4**	**(38)**	**(35)**
Individually assessed provisions	**20**	**-**	**112**	**132**
Bad debts written-off directly to the income statement	**4**	**32**	**21**	**57**
Interest adjustments	**(2)**	**(7)**	**(14)**	**(23)**
Total impairment charges on loans	**21**	**29**	**81**	**131**
Nine months ended 30 June 2011 (Unaudited)				
Collectively assessed provisions	(3)	(22)	(33)	(58)
Individually assessed provisions	66	-	161	227
Bad debts written-off directly to the income statement	3	32	14	49
Interest adjustments	(5)	(11)	(13)	(29)
Total impairment charges on loans	61	(1)	129	189
Year ended 30 September 2011 (Audited)				
Collectively assessed provisions	(14)	(35)	(33)	(82)
Individually assessed provisions	80	-	187	267
Bad debts written-off directly to the income statement	5	44	23	72
Interest adjustments	(6)	(12)	(15)	(33)
Total impairment charges on loans	65	(3)	162	224

Note 5 Trading securities

$ millions	The Banking Group 30-Jun-12 Unaudited	 30-Jun-11 Unaudited	 30-Sep-11 Audited
Trading securities			
Listed:			
NZ Government securities	**606**	1,200	1,035
Total listed securities	**606**	1,200	1,035
Unlisted:			
NZ corporate securities:			
Certificates of deposit	**2,333**	1,464	2,007
Corporate bonds	**254**	183	209
NZ Government securities	**202**	-	10
Total unlisted securities	**2,789**	1,647	2,226
Total trading securities	**3,395**	2,847	3,261

As at 30 June 2012 no trading securities in the Banking Group (30 June 2011: nil, 30 September 2011: nil) were encumbered through repurchase agreements.

Note 6 Loans

$ millions	The Banking Group 30-Jun-12 Unaudited	 30-Jun-11 Unaudited	 30-Sep-11 Audited
Overdrafts	**1,218**	880	945
Credit card outstandings	**1,320**	1,279	1,270
Money market loans	**993**	584	571
Term loans:			
Housing	**35,901**	34,751	35,086
Non-housing	**19,543**	13,554	13,743
Other	**391**	267	208
Total gross loans	**59,366**	51,315	51,823
Provisions for impairment charges on loans	**(641)**	(644)	(573)
Total net loans	**58,725**	50,671	51,250

As at 30 June 2012, the New Zealand dollar equivalent of the aggregate amount of covered bonds issued by WSNZL was $2.0 billion (30 June 2011: $1.8 billion, 30 September 2011: $1.8 billion). Westpac NZ Covered Bond Limited ('**WNZCBL**') provides financial guarantees in respect of WSNZL's obligations under bonds issued from time to time by WSNZL under its Global Covered Bond Programme. As at 30 June 2012, the value of the assets held by WNZCBL (being the underlying collateral for those guarantees) was $3.76 billion (30 June 2011: $2.75 billion, 30 September 2011: $2.75 billion). These assets have not been 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 2011.

Note 7 Credit quality, impaired assets and provisions for impairment charges on loans

$ millions	The Banking Group Nine Months Ended 30-Jun-12 (Unaudited) Residential Mortgages	 Other Loans for Consumer Purposes	 Loans for Business Purposes	 Total
Total neither past due nor impaired	**34,518**	**1,666**	**20,439**	**56,623**
Past due assets:				
Less than 90 days past due	**1,149**	**137**	**306**	**1,592**
At least 90 days past due	**83**	**17**	**96**	**196**
Total past due assets	**1,232**	**154**	**402**	**1,788**
Individually impaired assets	**151**	**-**	**804**	**955**
Total gross loans	**35,901**	**1,820**	**21,645**	**59,366**
Individually assessed provisions	**52**	**-**	**226**	**278**
Collectively assessed provisions	**65**	**73**	**259**	**397**
Total provisions for impairment charges on loans and credit commitments	**117**	**73**	**485**	**675**
Provision for credit commitments	**-**	**-**	**(34)**	**(34)**
Total provisions for impairment charges on loans	**117**	**73**	**451**	**641**
Total net loans	**35,784**	**1,747**	**21,194**	**58,725**

Note 8 Deposits

$ millions	The Banking Group 30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Deposits at fair value			
Certificates of deposit	**973**	1,469	1,556
Total deposits at fair value	**973**	1,469	1,556
Deposits at amortised cost			
Non-interest bearing, repayable at call	**2,962**	2,650	2,699
Other interest bearing:			
At call	**16,013**	10,776	11,403
Term	**21,897**	18,686	19,228
Total deposits at amortised cost	**40,872**	32,112	33,330
Total deposits	**41,845**	33,581	34,886

Note 9 Debt issues

$ millions	The Banking Group 30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Short-term debt			
Commercial paper	**7,432**	5,310	7,229
Total short-term debt	**7,432**	5,310	7,229
Long-term debt			
Non-domestic medium-term notes	**6,384**	8,235	8,803
Domestic medium-term notes	**2,071**	1,593	1,598
Total long-term debt	**8,455**	9,828	10,401
Total debt issues	**15,887**	15,138	17,630
Debt issues at amortised cost	**8,423**	9,368	9,903
Debt issues at fair value	**7,464**	5,770	7,727
Total debt issues	**15,887**	15,138	17,630

$ millions	30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Unaudited
Movement in debt issues			
Balance at beginning of the period/year	**17,630**	15,439	15,439
Issuances during the period/year	**11,107**	13,859	17,788
Repayments during the period/year	**(12,137)**	(12,784)	(15,120)
Effect of foreign exchange movements during the period/year	**(779)**	(1,269)	(534)
Effect of fair value movements during the period/year	**66**	(107)	57
Balance at end of the period/year	**15,887**	15,138	17,630

As at 30 June 2012, the Banking Group had New Zealand Government guaranteed debt of $2,039 million on issue (30 June 2011: $3,789 million, 30 September 2011: $4,073 million). Refer to Guarantee arrangements on pages 1 and 2 for further information on New Zealand Government guaranteed debt.

On 12 July 2012, the Bank issued $620 million of domestic unsecured medium term notes.

Note 10 Related entities

On 9 May 2012, the Bank repurchased all 20,000 B voting shares from Westpac Overseas Holdings No.2 Pty Limited ('**WOHL**') (representing 12% of the voting securities of the Bank that WOHL had a direct qualifying interest in). These shares were immediately cancelled on repurchase. Following the repurchase and cancellation of the 20,000 B voting shares on 9 May 2012, WNZGL holds 100% of the voting securities of the Bank.

On 1 November 2011, the NZ Branch transferred additional business activities and associated employees to the Bank, which was accounted for as a business combination (refer to Note 2 Business combination – transfer of operations for further details). There have been no other changes to the structure or composition of the Banking Group since 30 September 2011.

Controlled entities of the Bank as at 30 September 2011 are set out in Note 26 to the financial statements included in the Disclosure Statement for the year ended 30 September 2011.

Note 11 Commitments and contingent liabilities

$ millions	The Banking Group 30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Commitments for capital expenditure			
Due within one year	**1**	12	2
Other expenditure commitments:			
One year or less	**77**	85	89
Between one and five years	**285**	38	306
Over five years	**-**	-	34
Total other expenditure commitments	**362**	123	429
Lease commitments (all leases are classified as operating leases)			
Premises and sites	**211**	257	230
Motor vehicles	**6**	8	8
Total lease commitments	**217**	265	238
Lease commitments are due as follows:			
One year or less	**42**	56	44
Between one and five years	**108**	120	104
Over five years	**67**	89	90
Total lease commitments	**217**	265	238
Other contingent liabilities and commitments			
Direct credit substitutes	**79**	59	78
Loan commitments with certain drawdown	**192**	140	164
Transaction related contingent items	**803**	253	257
Short-term, self liquidating trade related contingent liabilities	**386**	344	339
Other commitments to provide financial services	**19,138**	11,162	11,403
Total other contingent liabilities and commitments	**20,598**	11,958	12,241

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 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 private 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. Business Banking also provides domestic transactional banking to the New Zealand Government; 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 for net operating income from external customers and net internal operating income has been changed to ensure consistent presentation with the current reporting period.

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

Note 12 Segment information (continued)

$ millions	Consumer Banking	Business Banking	Institutional Banking[1]	Reconciling Items	Total
	The Banking Group				
Nine months ended 30 June 2012 (Unaudited)					
Net operating income from external customers	**1,121**	**785**	**144**	**(666)**	**1,384**
Net internal operating income	**(293)**	**(348)**	**(18)**	**659**	**-**
Net operating income	**828**	**437**	**126**	**(7)**	**1,384**
Net interest income	**609**	**373**	**100**	**35**	**1,117**
Non-interest income	**219**	**64**	**26**	**(42)**	**267**
Net operating income	**828**	**437**	**126**	**(7)**	**1,384**
Operating expenses	**(149)**	**(55)**	**(13)**	**(390)**	**(607)**
Impairment charges on loans	**(44)**	**(84)**	**(3)**	**-**	**(131)**
Profit before income tax expense	**635**	**298**	**110**	**(397)**	**646**
Total gross loans	**31,285**	**21,978**	**6,302**	**(199)**	**59,366**
Total deposits	**23,906**	**10,941**	**6,025**	**973**	**41,845**
Nine months ended 30 June 2011 (Unaudited)					
Net operating income from external customers	1,150	808	-	(780)	1,178
Net internal operating income	(391)	(405)	-	796	-
Net operating income	759	403	-	16	1,178
Net interest income	548	343	-	60	951
Non-interest income	211	60	-	(44)	227
Net operating income	759	403	-	16	1,178
Operating expenses	(155)	(56)	-	(362)	(573)
Impairment charges on loans	(49)	(128)	-	(12)	(189)
Profit before income tax expense	555	219	-	(358)	416
Total gross loans	30,368	21,173	-	(226)	51,315
Total deposits	22,283	9,744	-	1,554	33,581
Year ended 30 September 2011 (Audited)					
Net operating income from external customers	1,548	1,079	-	(1,003)	1,624
Net internal operating income	(510)	(526)	-	1,036	-
Net operating income	1,038	553	-	33	1,624
Net interest income	755	472	-	89	1,316
Non-interest income	283	81	-	(56)	308
Net operating income	1,038	553	-	33	1,624
Operating expenses	(208)	(76)	-	(487)	(771)
Impairment charges on loans	(64)	(167)	-	7	(224)
Share of profit of associate accounted for using equity method	-	-	-	1	1
Profit before income tax expense	766	310	-	(446)	630
Total gross loans	30,625	21,421	-	(223)	51,823
Total deposits	22,908	10,387	-	1,591	34,886

1 Represents the eight month result of the transferred business operations since the acquisition date on 1 November 2011, as included in the Banking Group's consolidated income statement.

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 Banking Group's conditions of registration which relate to capital adequacy and the document 'Capital adequacy framework (internal models based approach)' (BS2B) issued by the Reserve Bank.

During the nine months ended 30 June 2012, the Banking Group complied in full with all its externally imposed capital requirements.

Note 14 Capital adequacy (continued)

The Banking Group's capital summary

$ millions	The Banking Group 30-Jun-12 Unaudited
Tier One Capital	5,535
Less deductions from Tier One Capital	(701)
Total Tier One Capital	**4,834**
Tier Two Capital	1,143
Less deductions from Tier Two Capital	(49)
Total Tier Two Capital	**1,094**
Total Capital	**5,928**

Changes in capital structure

B voting shares

On 9 May 2012, the Bank repurchased the B voting shares from WOHL. Each share was repurchased for $1 per share. These shares were immediately cancelled on repurchase.

There were no B voting shares on issue as at 30 June 2012 (30 June 2011: 20,000, 30 September 2011: 20,000) with nil aggregate par value (30 June 2011: $0.02 million, 30 September 2011: $0.02 million).

Basel II

The table below is disclosed 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-12 Unaudited
Capital adequacy ratios	
Tier One Capital ratio	11.1
Total Capital ratio	13.6
Reserve Bank minimum ratios	
Tier One Capital ratio[1]	4.0
Total Capital ratio	8.0

1 Locally incorporated registered banks having the benefit of the Wholesale Funding Guarantee Facility are required to maintain an additional 2% Tier One Capital ratio buffer. 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 2011.

The Banking Group Pillar 1 total capital requirement

$ millions	The Banking Group 30-Jun-12 Total Capital Requirement
Credit risk	
Exposures subject to the internal ratings based approach:	
Residential mortgages	1,047
Other retail (credit cards, personal loans, personal overdrafts)	194
Small business	97
Banking Group – Corporate/Business lending	1,250
Sovereign	20
Bank	36
Total exposures subject to the internal ratings based approach	**2,644**
Exposures not subject to the internal ratings based approach:	
Equity exposures	16
Specialised lending subject to the slotting approach	373
Exposures subject to the standardised approach	89
Total exposures not subject to the internal ratings based approach	**478**
Total credit risk[1]	**3,122**
Operational risk	**327**
Market risk	**50**
Total	**3,499**

1 As disclosed in the Bank's conditions of registration, the value of the scalar used in determining the minimum capital requirement (Required Regulatory Capital) is 1.06.

Note 14 Capital adequacy (continued)

Pillar 2 capital for other material risk

The Banking Group's internal capital adequacy assessment process identifies and measures all 'other material risk', which is a combination of business risk, liquidity risk and other asset risk. These risks are defined as:

- Business risk – reflects the risk associated with the vulnerability of a line of business to changes in the business environment.
- Liquidity risk – is the potential inability to meet payment obligations as they come due, without incurring unacceptable losses.
- Other asset risk – reflects the strategic risk associated with the composition of the balance sheet that is not reflected in other risk categories.

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

$ millions	The Banking Group 30-Jun-12 Unaudited
Internal capital allocation	
Other material risk	321

Note 15 Risk management

15.1 Credit risk

The Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 30 June 2012 (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 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-12 (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	13,431	5,735	7,922	5,560	3,155	35,803
Undrawn commitments and other off-balance sheet exposures	3,963	953	917	387	216	6,436
Value of exposures	17,394	6,688	8,839	5,947	3,371	42,239

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-12 Unaudited
Cash and balances with central banks	1,347
Supranational securities	410
NZ Government securities	4,064
NZ public securities	234
NZ corporate securities	2,619
Residential mortgage-backed securities	3,992
Total liquid assets	12,666

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 that equals or exceeds 10% of the Banking Group's equity:

- as at 30 June 2012 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2012 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 2012 was one counterparty with a credit rating of A- or A3 or above, or its equivalent, having an aggregate credit exposure between 15%-19%; and
- for the three months ended 30 June 2012 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 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

On 12 July 2012, the Bank issued $620 million of domestic unsecured medium term notes.