Westpac New Zealand Limited
Disclosure Statement

For the six months ended 31 March 2015

Contents

General information and definitions

Certain information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**') and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 ('**Order**').

In this Disclosure Statement, reference is made to:

- Westpac New Zealand Limited (otherwise referred to as the '**Bank**'); and
- Westpac New Zealand Limited and its controlled entities (otherwise referred to as the '**Banking Group**').

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

Since 30 September 2014 there has been no material change in regulations, legislation, or other restrictions of a legally enforceable nature that may materially inhibit the legal ability of Westpac Banking Corporation ('**Ultimate Parent Bank**') to provide material financial support to the Bank. The Australian Prudential Regulation Authority ('**APRA**') has however initiated a process to reduce Australian bank non-equity exposures to their respective New Zealand banking subsidiaries and branches, so that these non-equity exposures are minimised during ordinary times. The details of this process are yet to be finalised but may impact the amount of non-equity financial support that is provided by the Ultimate Parent Bank in the future. The Ultimate Parent Bank will work with APRA and the Bank to adjust funding over time as required.

Directors

David Alexander McLean was appointed as a Director of the Bank on 2 February 2015. Peter David Wilson retired as Chair of the Board on 19 February 2015 and retired as a Director of the Bank on 28 February 2015. Janice Amelia Dawson was appointed Chair of the Board on 19 February 2015. There have been no other changes in the composition of the Board of Directors of the Bank since 30 September 2014.

Credit ratings

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

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

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

Guarantee arrangements

No material obligations of the Bank are guaranteed as at the date the Directors signed this Disclosure Statement.

Pending proceedings or arbitration

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

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

Conditions of registration

There have been no changes to the Bank's conditions of registration since 31 December 2014.

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 2015:

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:

Janice Amelia Dawson

David Alexander McLean

Malcolm Guy Bailey

Philip Matthew Coffey

Christopher John David Moller

Dated this 20th day of May 2015

Consolidated income statement for the six months ended 31 March 2015

		The Banking Group		
		Six Months Ended	Six Months Ended	Year Ended
		31-Mar-15	31-Mar-14	30-Sep-14
$ millions	Note	**Unaudited**	Unaudited	Audited
Interest income		**2,188**	1,905	3,979
Interest expense		**(1,312)**	(1,109)	(2,339)
Net interest income		**876**	796	1,640
Non-interest income	2	**198**	242	480
Net operating income		**1,074**	1,038	2,120
Operating expenses		**(416)**	(407)	(817)
Impairment charges on loans	3	**(31)**	(3)	(26)
Operating profit		**627**	628	1,277
Share of profit of associate accounted for using the equity method		**-**	-	1
Profit before income tax expense		**627**	628	1,278
Income tax expense		**(176)**	(164)	(337)
Profit after income tax expense		**451**	464	941
Profit after income tax expense attributable to:				
Owners of the Banking Group		**450**	463	938
Non-controlling interests		**1**	1	3
		451	464	941

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

Consolidated statement of comprehensive income for the six months ended 31 March 2015

	The Banking Group		
	Six Months Ended	Six Months Ended	Year Ended
	31-Mar-15	31-Mar-14	30-Sep-14
$ millions	**Unaudited**	Unaudited	Audited
Profit after income tax expense	**451**	464	941
Other comprehensive income/(expense) which may be reclassified subsequently to the income statement:			
Available-for-sale securities:			
Net unrealised gains from changes in fair value of available-for-sale securities	**3**	23	24
Transferred to the income statement (refer to Note 2)	**-**	(48)	(88)
Exchange differences	**-**	(2)	(3)
Income tax effect	**(1)**	(3)	(4)
Cash flow hedges:			
Net (losses)/gains from changes in fair value of cash flow hedges	**(72)**	16	(58)
Transferred to the income statement	**3**	(14)	32
Income tax effect	**19**	-	7
Total other comprehensive expense which may be reclassified subsequently to the income statement	**(48)**	(28)	(90)
Other comprehensive (expense)/income which will not be reclassified subsequently to the income statement:			
Remeasurement of employee defined benefit obligations	**(7)**	-	4
Income tax effect	**2**	-	(1)
Total other comprehensive (expense)/income which will not be reclassified subsequently to the income statement	**(5)**	-	3
Total other comprehensive expense, net of tax	**(53)**	(28)	(87)
Total comprehensive income	**398**	436	854
Total comprehensive income attributable to:			
Owners of the Banking Group	**397**	435	851
Non-controlling interests	**1**	1	3
	398	436	854

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

Consolidated statement of changes in equity for the six months ended 31 March 2015

$ millions	Share Capital	Retained Profits	Available-for-sale Securities Reserve	Cash Flow Hedge Reserve	Total before Non-controlling Interests	Non-controlling Interests	Total Equity
	The Banking Group						
As at 1 October 2013 (Audited)	4,600	1,831	106	36	6,573	6	6,579
Six months ended 31 March 2014 (Unaudited)							
Profit after income tax expense	-	463	-	-	463	1	464
Net gains from changes in fair value	-	-	23	16	39	-	39
Income tax effect	-	-	(3)	(4)	(7)	-	(7)
Exchange differences	-	-	(2)	-	(2)	-	(2)
Income tax effect	-	-	-	-	-	-	-
Transferred to the income statement	-	-	(48)	(14)	(62)	-	(62)
Income tax effect	-	-	-	4	4	-	4
Total comprehensive income for the six months ended 31 March 2014	-	463	(30)	2	435	1	436
Transactions with owners:							
Dividends paid on ordinary shares	-	(375)	-	-	(375)	(3)	(378)
As at 31 March 2014 (Unaudited)	4,600	1,919	76	38	6,633	4	6,637
Year ended 30 September 2014 (Audited)							
Profit after income tax expense	-	938	-	-	938	3	941
Net gains/(losses) from changes in fair value	-	-	24	(58)	(34)	-	(34)
Income tax effect	-	-	(4)	16	12	-	12
Exchange differences	-	-	(3)	-	(3)	-	(3)
Income tax effect	-	-	-	-	-	-	-
Transferred to the income statement	-	-	(88)	32	(56)	-	(56)
Income tax effect	-	-	-	(9)	(9)	-	(9)
Remeasurement of employee defined benefit obligations	-	4	-	-	4	-	4
Income tax effect	-	(1)	-	-	(1)	-	(1)
Total comprehensive income for the year ended 30 September 2014	-	941	(71)	(19)	851	3	854
Transactions with owners:							
Share capital repurchased	(450)	-	-	-	(450)	-	(450)
Dividends paid on ordinary shares	-	(375)	-	-	(375)	(3)	(378)
As at 30 September 2014 (Audited)	4,150	2,397	35	17	6,599	6	6,605
Six months ended 31 March 2015 (Unaudited)							
Profit after income tax expense	**-**	**450**	**-**	**-**	**450**	**1**	**451**
Net gains/(losses) from changes in fair value	**-**	**-**	**3**	**(72)**	**(69)**	**-**	**(69)**
Income tax effect	**-**	**-**	**(1)**	**20**	**19**	**-**	**19**
Transferred to the income statement	**-**	**-**	**-**	**3**	**3**	**-**	**3**
Income tax effect	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**(1)**
Remeasurement of employee defined benefit obligations	**-**	**(7)**	**-**	**-**	**(7)**	**-**	**(7)**
Income tax effect	**-**	**2**	**-**	**-**	**2**	**-**	**2**
Total comprehensive income for the six months ended 31 March 2015	**-**	**445**	**2**	**(50)**	**397**	**1**	**398**
Transaction with owners:							
Share capital repurchased	**(450)**	**-**	**-**	**-**	**(450)**	**-**	**(450)**
Dividends paid on ordinary shares	**-**	**-**	**-**	**-**	**-**	**(5)**	**(5)**
As at 31 March 2015 (Unaudited)	**3,700**	**2,842**	**37**	**(33)**	**6,546**	**2**	**6,548**

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

Consolidated balance sheet as at 31 March 2015

$ millions	Note	The Banking Group 31-Mar-15 Unaudited	31-Mar-14 Unaudited	30-Sep-14 Audited
Assets				
Cash and balances with central banks		**1,568**	1,644	1,903
Due from other financial institutions		**569**	252	553
Trading securities and other financial assets designated at fair value	4	**1,291**	2,193	1,216
Derivative financial instruments		**49**	7	73
Available-for-sale securities		**3,520**	2,691	3,010
Loans	5,6	**66,667**	63,160	64,582
Due from related entities		**2,245**	2,082	1,852
Investment in associate		**48**	48	48
Property, plant and equipment		**163**	164	178
Current tax assets		**-**	6	-
Deferred tax assets		**175**	150	144
Goodwill and other intangible assets		**652**	676	662
Other assets		**252**	215	228
Total assets		**77,199**	73,288	74,449
Liabilities				
Due to other financial institutions		**60**	-	201
Deposits and other borrowings	7	**52,909**	49,665	50,570
Other financial liabilities at fair value through income statement		**117**	-	90
Derivative financial instruments		**616**	224	186
Debt issues	8	**12,684**	12,257	12,592
Current tax liabilities		**36**	-	45
Due to related entities		**3,647**	3,899	3,437
Provisions		**67**	68	76
Other liabilities		**515**	538	647
Total liabilities		**70,651**	66,651	67,844
Net assets		**6,548**	6,637	6,605
Equity				
Share capital		**3,700**	4,600	4,150
Retained profits		**2,842**	1,919	2,397
Available-for-sale securities reserve		**37**	76	35
Cash flow hedge reserve		**(33)**	38	17
Total equity attributable to owners of the Banking Group		**6,546**	6,633	6,599
Non-controlling interests		**2**	4	6
Total equity		**6,548**	6,637	6,605
Interest earning and discount bearing assets		**75,826**	72,058	72,893
Interest and discount bearing liabilities		**64,956**	61,556	62,989

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

Consolidated statement of cash flows for the six months ended 31 March 2015

$ millions	The Banking Group Six Months Ended 31-Mar-15 Unaudited	Six Months Ended 31-Mar-14 Unaudited	Year Ended 30-Sep-14 Audited
Cash flows from operating activities			
Interest income received	**2,183**	1,903	3,965
Interest expense paid	**(1,314)**	(1,119)	(2,340)
Non-interest income received	**185**	184	390
Operating expenses paid	**(375)**	(366)	(729)
Income tax paid	**(196)**	(168)	(274)
Cash flows from operating activities before changes in operating assets and liabilities	**483**	434	1,012
Net (increase)/decrease in:			
Due from other financial institutions	**(406)**	(39)	11
Trading securities and other financial assets designated at fair value	**(75)**	(602)	488
Loans	**(2,116)**	(1,606)	(3,051)
Due from related entities	**(602)**	(566)	(34)
Other assets	**-**	-	(1)
Net increase/(decrease) in:			
Due to other financial institutions	**(141)**	(100)	101
Deposits and other borrowings	**2,302**	1,468	2,392
Other financial liabilities at fair value through income statement	**27**	-	90
Other liabilities	**9**	20	3
Net movement in external and related entity derivative financial instruments	**404**	(7)	(495)
Net cash (used in)/provided by operating activities	**(115)**	(998)	516
Cash flows from investing activities			
Purchase of available-for-sale securities	**(617)**	(43)	(430)
Proceeds from maturities/sale of available-for-sale securities	**65**	83	171
Purchase of capitalised computer software	**(21)**	(38)	(59)
Purchase of property, plant and equipment	**(3)**	(6)	(40)
Net cash used in investing activities	**(576)**	(4)	(358)
Cash flows from financing activities			
Share capital repurchased	**(450)**	-	(450)
Net increase in debt issues	**540**	897	736
Net (decrease)/increase in due to related entities	**(119)**	363	424
Payment of dividends	**(5)**	(378)	(378)
Net cash (used in)/provided by financing activities	**(34)**	882	332
Net (decrease)/increase in cash and cash equivalents	**(725)**	(120)	490
Cash and cash equivalents at beginning of the period/year	**2,294**	1,804	1,804
Cash and cash equivalents at end of the period/year	**1,569**	1,684	2,294
Cash and cash equivalents at end of the period/year comprise:			
Cash and balances with central banks	**1,568**	1,644	1,903
Due from other financial institutions	**1**	40	391
Cash and cash equivalents at end of the period/year	**1,569**	1,684	2,294

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these 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 Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**') and the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 ('**Order**').

These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit-oriented entities, and the New Zealand Equivalent to International Accounting Standard ('**NZ IAS**') 34 *Interim Financial Reporting* ('**NZ IAS 34**') and should be read in conjunction with the Disclosure Statement for the year ended 30 September 2014 and for the three months ended 31 December 2014. These financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

In preparing these financial statements, the application of the Banking Group's accounting policies requires the use of judgments, estimates and assumptions. During the period, the Banking Group has made a number of methodology changes to derivative valuations. These changes include introducing a Funding Valuation Adjustment ('**FVA**') to the fair value of derivatives. The initial application of FVA had no material impact on the Banking Group. Other than these changes, the areas of judgment, estimates and assumptions in the financial statements, including the key sources of estimation uncertainty, are consistent with those in the Disclosure Statement for the year ended 30 September 2014.

As outlined in the Disclosure Statement for the year ended 30 September 2014, Amendments to NZ IAS 32 *Financial Instruments: Presentation* ('**NZ IAS 32**') - *Offsetting Financial Assets and Financial Liabilities* was issued in February 2012 and is effective for the 30 September 2015 financial year. The amendment provides guidance to applying the offsetting criteria provided in NZ IAS 32, including clarifying that the meaning of 'current legal enforceable rights of set-off' is legally enforceable in all circumstances and that some gross settlement systems (such as through a clearing house) may be considered as the equivalent to net settlement. The amendment does not have a material impact on the financial statements of the Banking Group.

These financial statements were authorised for issue by the Board of Directors of the Bank (the '**Board**') on 20 May 2015. The Board has the power to amend the financial statements after they are authorised for issue.

Basis of preparation

The financial statements are based on the general principles of historical cost accounting, as modified by applying fair value accounting to 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 2014, except as amended for the changes as explained in the 'Statutory base' section.

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

Note 2 Non-interest income

	The Banking Group		
	Six Months Ended	Six Months Ended	Year Ended
	31-Mar-15	31-Mar-14	30-Sep-14
$ millions	**Unaudited**	Unaudited	Audited
Fees and commissions			
Transaction fees and commissions	**139**	142	284
Lending fees (loan and risk)	**31**	31	64
Management fees received from related entities	**3**	2	6
Other non-risk fee income	**16**	15	32
Total fees and commissions	**189**	190	386
Net ineffectiveness on qualifying hedges	**(1)**	1	-
Other non-interest income			
Net unrealised gains/(losses) on derivatives held for trading	**1**	(2)	-
Dividend income	**-**	1	2
Gain on sale of available-for-sale securities[1]	**-**	48	88
Other	**9**	4	4
Total other non-interest income	**10**	51	94
Total non-interest income	**198**	242	480

[1] During the year ended 30 September 2014, the Bank realised a gain of $88 million upon the sale of its holding of available-for-sale overseas equity securities. Of this gain, $48 million was realised in the six months ended 31 March 2014 in respect of available-for-sale overseas equity securities which were sold to third parties. The remaining gain was realised in respect of available-for-sale overseas equity securities which were sold to Westpac Banking Corporation (the '**Ultimate Parent Bank**').

Note 3 Impairment charges on loans

$ millions	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
	The Banking Group			
Six months ended 31 March 2015 (Unaudited)				
Collectively assessed provisions	**(6)**	**13**	**(6)**	**1**
Individually assessed provisions	**6**	**-**	**19**	**25**
Bad debts written-off/(recovered) directly to the income statement	**1**	**17**	**(1)**	**17**
Interest adjustments	**(2)**	**(5)**	**(5)**	**(12)**
Total impairment (recoveries)/charges on loans	**(1)**	**25**	**7**	**31**
Six months ended 31 March 2014 (Unaudited)				
Collectively assessed provisions	1	9	(5)	5
Individually assessed provisions	6	-	(10)	(4)
Bad debts written-off/(recovered) directly to the income statement	1	20	(4)	17
Interest adjustments	(2)	(5)	(8)	(15)
Total impairment charges/(recoveries) on loans	6	24	(27)	3
Year ended 30 September 2014 (Audited)				
Collectively assessed provisions	(2)	4	(27)	(25)
Individually assessed provisions	7	-	32	39
Bad debts written-off/(recovered) directly to the income statement	2	38	(1)	39
Interest adjustments	(3)	(10)	(14)	(27)
Total impairment charges/(recoveries) on loans	4	32	(10)	26

Note 4 Trading securities and other financial assets designated at fair value

$ millions	**31-Mar-15 Unaudited**	31-Mar-14 Unaudited	30-Sep-14 Audited
	The Banking Group		
Certificates of deposit	**502**	1,575	607
Corporate bonds	**245**	321	272
Local authority and NZ public securities	**544**	297	337
Total trading securities and other financial assets designated at fair value	**1,291**	2,193	1,216

As at 31 March 2015 $85 million (31 March 2014: nil, 30 September 2014: nil) and nil (31 March 2014: $5 million, 30 September 2014: nil) of trading securities and other financial assets designated at fair value were encumbered through repurchase agreements with third parties and to the New Zealand Branch of Westpac Banking Corporation, respectively.

Note 5 Loans

$ millions	**31-Mar-15 Unaudited**	31-Mar-14 Unaudited	30-Sep-14 Audited
	The Banking Group		
Overdrafts	**1,220**	1,219	1,153
Credit card outstandings	**1,445**	1,380	1,405
Money market loans	**1,156**	1,052	1,082
Term loans:			
Housing	**40,816**	38,662	39,702
Non-housing	**21,812**	20,881	21,146
Other	**679**	421	536
Total gross loans	**67,128**	63,615	65,024
Provisions for impairment charges on loans	**(461)**	(455)	(442)
Total net loans	**66,667**	63,160	64,582

As at 31 March 2015, $3,591 million of housing loans were 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 2014: $3,712 million, 30 September 2014: $4,002 million). 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 2014. As at 31 March 2015, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was $3,036 million (31 March 2014: $2,089 million, 30 September 2014: $3,360 million).

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

	The Banking Group 31-Mar-15 (Unaudited)			
$ millions	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
Neither past due nor impaired	39,547	1,872	23,670	65,089
Past due assets				
Less than 30 days past due	971	104	181	1,256
At least 30 days but less than 60 days past due	117	22	32	171
At least 60 days but less than 90 days past due	53	11	5	69
At least 90 days past due	65	16	34	115
Total past due assets	1,206	153	252	1,611
Individually impaired assets[1]				
Balance at beginning of the period	57	-	289	346
Additions	42	-	101	143
Amounts written off	(7)	-	(2)	(9)
Returned to performing or repaid	(29)	-	(23)	(52)
Balance at end of the period	63	-	365	428
Total gross loans[2]	40,816	2,025	24,287	67,128
Individually assessed provisions				
Balance at beginning of the period	19	-	125	144
Impairment charges on loans:				
New provisions	10	-	22	32
Recoveries	(1)	-	(1)	(2)
Reversal of previously recognised impairment charges on loans	(3)	-	(2)	(5)
Amounts written off	(7)	-	(2)	(9)
Interest adjustments	-	-	2	2
Balance at end of the period	18	-	144	162
Collectively assessed provisions				
Balance at beginning of the period	66	71	192	329
Impairment (recoveries)/charges on loans	(6)	13	(6)	1
Balance at end of the period	60	84	186	330
Total provisions for impairment charges on loans and credit commitments	78	84	330	492
Provision for credit commitments	-	-	(31)	(31)
Total provisions for impairment charges on loans	78	84	299	461
Total net loans	40,738	1,941	23,988	66,667

1 The Banking Group had undrawn commitments of $57 million to counterparties for whom drawn balances are classified as individually impaired assets under loans for business purposes as at 31 March 2015.

2 The Banking Group did not have other assets under administration as at 31 March 2015.

Note 7 Deposits and other borrowings

$ millions	The Banking Group 31-Mar-15 Unaudited	31-Mar-14 Unaudited	30-Sep-14 Audited
Deposits and other borrowings at fair value			
Certificates of deposit	**1,456**	1,307	1,154
Total deposits and other borrowings at fair value	**1,456**	1,307	1,154
Deposits and other borrowings at amortised cost			
Non-interest bearing, repayable at call	**3,847**	3,457	3,607
Other interest bearing:			
At call	**22,549**	20,420	20,620
Term	**25,057**	24,481	25,189
Total deposits and other borrowings at amortised cost	**51,453**	48,358	49,416
Total deposits and other borrowings	**52,909**	49,665	50,570

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-15 Unaudited	31-Mar-14 Unaudited	30-Sep-14 Audited
Short-term debt			
Commercial paper	**2,997**	2,656	3,019
Total short-term debt	**2,997**	2,656	3,019
Long-term debt			
Non-domestic medium-term notes	**3,758**	3,808	3,063
Covered Bonds	**3,036**	2,089	3,360
Domestic medium-term notes	**2,893**	3,704	3,150
Total long-term debt	**9,687**	9,601	9,573
Total debt issues	**12,684**	12,257	12,592
Debt issues at amortised cost	**9,687**	9,601	9,573
Debt issues at fair value	**2,997**	2,656	3,019
Total debt issues	**12,684**	12,257	12,592
Movement in debt issues			
Balance at beginning of the period/year	**12,592**	11,645	11,645
Issuance during the period/year	**4,110**	5,055	10,023
Repayments during the period/year	**(3,570)**	(4,158)	(9,287)
Effect of foreign exchange movements during the period/year	**(429)**	(267)	218
Effect of fair value movements and amortisation adjustments during the period/year	**(19)**	(18)	(7)
Balance at end of the period/year	**12,684**	12,257	12,592

As at 31 March 2015, the Banking Group had no New Zealand Government guaranteed debt on issue (31 March 2014: $1,824 million, 30 September 2014: nil).

Note 9 Related entities

Controlled entities of the Bank as at 30 September 2014 are set out in Note 24 to the financial statements included in the Disclosure Statement for the year ended 30 September 2014.

On 4 December 2014, the Bank repurchased 450 million ordinary shares from its immediate parent company, Westpac New Zealand Group Limited. Each share was repurchased for $1 per share. These shares were immediately cancelled on repurchase.

Note 10 Fair value of financial instruments

Fair valuation control framework

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

Quoted price in an active market

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

Valuation techniques

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

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

During the period ended 31 March 2015, consistent with emerging market practice, the Banking Group implemented a Funding Valuation Adjustment ('**FVA**'). FVA represents an estimate of the adjustment to fair value that a market participant would make to incorporate funding costs and benefits that arise in relation to uncollateralised derivative positions.

Fair value hierarchy

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

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

  Financial instruments valued using recent unadjusted quoted prices in active markets for identical assets or liabilities.
  Financial instruments included in the Level 1 category are NZ Government securities (31 March 2014: exchange traded equities and NZ Government securities, 30 September 2014: NZ Government securities).

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

  Valuation techniques utilising observable market prices applied to these assets or liabilities include the use of market standard discounting methodologies, option pricing models and other valuation techniques widely used and accepted by market participants.

  Financial instruments included in the Level 2 category are:

  - deposits and other borrowings at fair value, other financial liabilities at fair value through income statement, debt issues at fair value, securities purchased under agreement to resell with related entities, securities sold under agreement to repurchase with related entities, and trading and available-for-sale debt securities including certificates of deposit, corporate bonds, local authority and NZ public securities and securities purchased under agreement to resell; and
  - derivatives, including interest rate swaps and foreign exchange swaps, with external and related parties.

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

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

  These valuations are calculated using a high degree of management judgment.

  Financial instruments included in the Level 3 category are NZ unlisted equity securities (31 March 2014 and 30 September 2014: NZ unlisted equity securities).

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

Note 10 Fair value of financial instruments (continued)

All financial assets and financial liabilities measured at fair value are included in Level 2 of the fair value hierarchy except for available-for-sale securities. The following table summarises the attribution of available-for-sale securities measured at fair value to the fair value hierarchy based on the measurement basis after initial recognition:

	The Banking Group		
	31-Mar-15	31-Mar-14	30-Sep-14
$ millions	**Unaudited**	Unaudited	Audited
Available-for-sale securities			
Level 1	**2,012**	2,027	1,975
Level 2	**1,466**	636	993
Level 3[1]	**42**	28	42
Total available-for-sale securities	**3,520**	2,691	3,010

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

There were no material amounts of changes in fair value estimated using a valuation technique incorporating significant non-observable inputs, that were recognised in the income statement or the statement of comprehensive income of the Banking Group during the six months ended 31 March 2015 (31 March 2014: no material changes in fair value, 30 September 2014: no material changes in fair value).

There have been no significant transfers into/out of Level 1, 2 or 3 during the six months ended 31 March 2015.

Financial instruments not measured at fair value and their estimates of fair value

The following table summarises the carrying amounts and the estimated fair values of the Banking Group's financial instruments not measured at fair value:

	The Banking Group					
	31-Mar-15 (Unaudited)		31-Mar-14 (Unaudited)		30-Sep-14 (Audited)	
$ millions	**Total Carrying Amount**	**Estimated Fair Value**	Total Carrying Amount	Estimated Fair Value	Total Carrying Amount	Estimated Fair Value
Financial assets						
Loans	**66,667**	**66,628**	63,160	62,977	64,582	64,452
Total financial assets	**66,667**	**66,628**	63,160	62,977	64,582	64,452
Financial liabilities						
Deposits and other borrowings	**51,453**	**51,515**	48,358	48,412	49,416	49,459
Debt issues	**9,687**	**9,801**	9,601	9,734	9,573	9,704
Total financial liabilities	**61,140**	**61,316**	57,959	58,146	58,989	59,163

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

Note 11 Commitments and contingent liabilities

	The Banking Group		
	31-Mar-15	31-Mar-14	30-Sep-14
$ millions	**Unaudited**	Unaudited	Audited
Commitments for capital expenditure			
Due within one year	**3**	3	3
Lease commitments (all leases are classified as operating leases)			
Premises and sites	**250**	284	277
Motor vehicles	**6**	8	7
Total lease commitments	**256**	292	284
Lease commitments are due as follows:			
One year or less	**60**	60	64
Between one and five years	**150**	163	162
Over five years	**46**	69	58
Total lease commitments	**256**	292	284
Other contingent liabilities and commitments			
Direct credit substitutes	**81**	73	85
Loan commitments with certain drawdown	**233**	194	236
Transaction-related contingent items	**613**	752	602
Short-term, self-liquidating trade-related contingent liabilities	**309**	417	399
Other commitments to provide financial services	**22,350**	19,881	21,312
Total other contingent liabilities and commitments	**23,586**	21,317	22,634

As at 31 March 2015, $156 million of available-for-sale securities were pledged as collateral for the Banking Group's liabilities under repurchase agreements (31 March 2014: $375 million, 30 September 2014: $457 million). Of this amount $124 million was pledged as collateral to the NZ Branch (31 March 2014: $375 million, 30 September 2014: $367 million) which is recorded within Due to related entities and $32 million was to third parties (31 March 2014: nil, 30 September 2014: $90 million). These available-for-sale securities, together with the encumbered Trading securities and other financial assets designated at fair value of $85 million, are recorded as Other financial liabilities designated at fair value through income statement of $117 million.

In March 2013, litigation funder, Litigation Lending Services (NZ) Limited, announced potential representative actions against five New Zealand banks in relation to certain fees. The Bank is the defendant in proceedings filed on 20 August 2014 by the plaintiff group. Proceedings have also been filed against three other banks. At this stage the impact of the proceedings cannot be determined with any certainty.

Additional information relating to any provision or contingent liability has not been provided where disclosure of such information might be expected to prejudice seriously the position of the Banking Group.

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. 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 predominantly to individuals;
- Business Bank and Wealth provides financial services to small to medium sized enterprise customers and high net worth individuals, and provides funds management and insurance distribution services to a range of customers; and
- Corporate and Institutional provides a broad range of financial services to corporate, agricultural, institutional and government customers.

Reconciling items primarily represent:

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

Note 12 Segment information (continued)

$ millions	The Banking Group Retail Banking	Business Bank and Wealth	Corporate and Institutional	Reconciling Items[1]	Total
Six months ended 31 March 2015 (Unaudited)					
Net interest income	**398**	**184**	**181**	**113**	**876**
Non-interest income	**95**	**97**	**47**	**(41)**	**198**
Net operating income	**493**	**281**	**228**	**72**	**1,074**
Net operating income from external customers	**659**	**307**	**424**	**(316)**	**1,074**
Net internal operating expense	**(166)**	**(26)**	**(196)**	**388**	**-**
Net operating income	**493**	**281**	**228**	**72**	**1,074**
Operating expenses	**(78)**	**(38)**	**(25)**	**(275)**	**(416)**
Impairment (charges)/recoveries on loans	**(24)**	**(4)**	**(11)**	**8**	**(31)**
Profit before income tax expense	**391**	**239**	**192**	**(195)**	**627**
Total gross loans	**30,902**	**15,082**	**21,191**	**(47)**	**67,128**
Total deposits and other borrowings	**23,967**	**14,381**	**13,105**	**1,456**	**52,909**
Six months ended 31 March 2014 (Unaudited)					
Net interest income	359	168	183	86	796
Non-interest income	97	96	42	7	242
Net operating income	456	264	225	93	1,038
Net operating income from external customers	603	279	402	(246)	1,038
Net internal operating expense	(147)	(15)	(177)	339	-
Net operating income	456	264	225	93	1,038
Operating expenses	(78)	(38)	(24)	(267)	(407)
Impairment (charges)/recoveries on loans	(27)	(3)	13	14	(3)
Profit before income tax expense	351	223	214	(160)	628
Total gross loans	29,417	14,332	20,008	(142)	63,615
Total deposits and other borrowings	22,522	13,484	12,352	1,307	49,665
Year ended 30 September 2014 (Audited)					
Net interest income	738	348	367	187	1,640
Non-interest income	198	193	90	(1)	480
Net operating income	936	541	457	186	2,120
Net operating income from external customers	1,248	587	816	(531)	2,120
Net internal operating expense	(312)	(46)	(359)	717	-
Net operating income	936	541	457	186	2,120
Operating expenses	(156)	(76)	(48)	(537)	(817)
Impairment (charges)/recoveries on loans	(36)	(2)	-	12	(26)
Share of profit of associate accounted for using the equity method	-	-	-	1	1
Profit before income tax expense	744	463	409	(338)	1,278
Total gross loans	30,168	14,641	20,322	(107)	65,024
Total deposits and other borrowings	23,212	13,598	12,600	1,160	50,570

[1] Included in the reconciling items for total operating expenses is $296 million (31 March 2014: $282 million; 30 September 2014: $569 million) of head office operating expenses, which are not allocated to a business unit that meets the definition of an operating segment.

Note 13 Insurance business

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

Note 14 Capital adequacy

The information contained in this note has been derived in accordance with the Bank's conditions of registration which relate to capital adequacy and the document 'Capital Adequacy Framework (Internal Models Based Approach)' (BS2B) issued by the Reserve Bank.

During the six months ended 31 March 2015, 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-15 Unaudited
Tier One Capital	
Common Equity Tier One Capital	
Paid-up ordinary shares issued by the Bank plus related share premium	**3,700**
Retained earnings (net of appropriations)	**2,842**
Accumulated other comprehensive income and other disclosed reserves[1]	**4**
Less deductions from Common Equity Tier One Capital	
Goodwill	**(477)**
Other intangible assets	**(175)**
Cash flow hedge reserve	**33**
Deferred tax assets deduction	**(175)**
Expected loss excess over eligible allowance	**(152)**
Total Common Equity Tier One Capital	**5,600**
Additional Tier One Capital	
Interests arising from ordinary shares issued by fully consolidated subsidiaries and held by third parties[2]	**-**
Total Tier One Capital	**5,600**
Tier Two Capital	
Revaluation reserves	**-**
Eligible impairment allowance in excess of expected loss	**-**
Total Tier Two Capital	**-**
Total Capital	**5,600**

1 Accumulated other comprehensive income and other disclosed reserves consists of available-for-sale securities reserve of $37 million and cash flow hedge reserve of $(33) million.

2 Additional Tier One Capital is recognised as equity in the Banking Group's balance sheet.

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.

On 4 December 2014, the Bank repurchased 450 million ordinary shares from its immediate parent company, Westpac New Zealand Group Limited. Each share was repurchased for $1 per share. These shares were immediately cancelled on repurchase.

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.

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 banking accords (the '**Accords**') have been developed and strengthened over time by the Basel Committee on Banking Supervision to enhance the banking regulatory framework. The Accords are made up of the different Basel frameworks with the latest being Basel III. Basel III builds on the Basel I and Basel II frameworks, and seeks to improve the banking sector's ability to deal with financial and economic stress, improve risk management and strengthen banks' transparency. The Basel III framework is built on three mutually reinforcing pillars. Pillar 1 sets out the mechanics for minimum capital adequacy requirements for credit, 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.

Note 14 Capital adequacy (continued)

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 Banking Group 31-Mar-15 Unaudited	31-Mar-14 Unaudited
Capital adequacy ratios		
Common Equity Tier One Capital ratio	**11.6**	12.2
Tier One Capital ratio	**11.6**	12.2
Total Capital ratio	**11.6**	12.2
Reserve Bank minimum ratios		
Common Equity Tier One Capital ratio	**4.5**	4.5
Tier One Capital ratio	**6.0**	6.0
Total Capital ratio	**8.0**	8.0
Buffer ratios		
Buffer ratio	**3.6**	4.2
Buffer requirement	**2.5**	2.5

The Banking Group Pillar 1 total capital requirement

$ millions	The Banking Group 31-Mar-15 (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	**90,291**	**35,680**	**2,855**
Equity exposures	**42**	**178**	**14**
Specialised lending subject to the slotting approach	**6,317**	**6,095**	**488**
Exposures subject to the standardised approach	**2,721**	**1,068**	**85**
Total credit risk [1]	**99,371**	**43,021**	**3,442**
Operational risk	**N/A**	**4,540**	**363**
Market risk	**N/A**	**896**	**71**
Supervisory adjustment	**N/A**	**-**	**-**
Total	**99,371**	**48,457**	**3,876**

[1] As disclosed in the Bank's conditions of registration included in the Disclosure Statement for the year ended 30 September 2014, the value of the scalar used in determining the minimum capital requirement (Required Regulatory Capital) is 1.06.

Note 14 Capital adequacy (continued)

Capital for other material risk

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

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

	The Banking Group	
	31-Mar-15	31-Mar-14
$ millions	**Unaudited**	Unaudited
Internal capital allocation		
Other material risk	**670**	599

Solo capital adequacy

For the purposes of calculating the capital adequacy ratios for the Bank on a solo basis, 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 the 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 is ultimately owned by the Bank through a chain of ownership where each entity is 100% owned by its parent.

The table below represents the solo 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 Bank	
	31-Mar-15	31-Mar-14
%	**Unaudited**	Unaudited
Capital adequacy ratios		
Common Equity Tier One Capital ratio	**9.6**	10.1
Tier One Capital ratio	**9.6**	10.1
Total Capital ratio	**9.6**	10.1

Ultimate Parent Bank Group Basel III capital adequacy ratios

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

	31-Mar-15	31-Mar-14
%	**Unaudited**	Unaudited
Ultimate Parent Bank Group[1, 2]		
Common Equity Tier One Capital ratio	**8.8**	8.8
Additional Tier One Capital ratio	**1.5**	1.5
Tier One Capital ratio	**10.3**	10.3
Tier Two Capital ratio	**1.8**	1.8
Total Regulatory Capital ratio	**12.1**	12.1
Ultimate Parent Bank (Extended Licensed Entity)[1, 2]		
Common Equity Tier One Capital ratio	**8.7**	8.9
Additional Tier One Capital ratio	**1.7**	1.7
Tier One Capital ratio	**10.4**	10.6
Tier Two Capital ratio	**2.1**	2.0
Total Regulatory Capital ratio	**12.5**	12.6

1 The capital ratios represent information mandated by APRA.

2 The capital ratios of the Ultimate Parent Bank Group and 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).

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 2015. APRA specifies a minimum prudential capital ratio for the Ultimate Parent Bank Group, which is not made publicly available.

Note 15 Risk management

15.1 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 35.1 Credit risk to the financial statements included in the Disclosure Statement for the year ended 30 September 2014 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 TCE, PD, EAD, and LGD

(i) Total Committed Exposure ('TCE')

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

(ii) 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.

(iii) 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.

(iv) 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.

The Banking Group's credit risk exposures by asset class as at 31 March 2015 (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	2,382	2,032	0.18	0.22	0.09	173	14
0.25 to 1.0	24,301	23,240	0.55	21.59	19.47	4,525	362
1.0 to 2.5	17,485	16,982	1.40	21.59	37.09	6,298	504
2.5 to 10.0	4,254	4,194	4.68	21.59	76.08	3,191	255
10.0 to 99.99	-	-	-	-	-	-	-
Default	296	293	100.00	21.59	212.63	623	50
Total	48,718	46,741	1.83	21.59	31.69	14,810	1,185
Other retail (Credit cards, personal loans, personal overdrafts)							
0.00 to 0.10	-	-	-	-	-	-	-
0.10 to 0.25	727	498	0.14	40.69	13.65	68	5
0.25 to 1.0	1,956	1,170	0.36	63.40	39.91	467	37
1.0 to 2.5	1,507	1,321	2.20	67.77	93.94	1,241	100
2.5 to 10.0	376	365	5.40	83.77	132.60	484	39
10.0 to 99.99	269	265	19.78	69.84	152.45	404	32
Default	19	18	100.00	71.73	133.33	24	2
Total	4,854	3,637	3.41	64.43	73.91	2,688	215
Small business							
0.00 to 0.10	189	133	0.03	73.76	7.52	10	1
0.10 to 0.25	-	-	-	-	-	-	-
0.25 to 1.0	617	614	0.33	20.99	18.24	112	9
1.0 to 2.5	1,551	1,517	1.84	22.13	29.99	455	37
2.5 to 10.0	211	211	5.11	20.50	32.23	68	5
10.0 to 99.99	27	27	18.31	23.32	51.85	14	1
Default	37	37	100.00	23.31	275.68	102	8
Total	2,632	2,539	3.26	24.45	29.97	761	61

1 As required by the conditions of registration included in the Disclosure Statement for the year ended 30 September 2014, the value of the scalar used in determining the minimum capital requirement (Required Regulatory Capital) is 1.06.

Note 15 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	315	315	0.01	27.51	12.06	38	3
AA	1,994	1,996	0.03	39.91	12.58	251	20
A	4,460	4,444	0.08	47.90	25.27	1,123	90
BBB	6,237	6,244	0.21	45.18	48.51	3,029	242
BB	12,232	12,244	1.48	35.97	79.27	9,706	776
B	452	454	3.70	37.34	109.69	498	40
Other	713	718	22.72	48.87	241.78	1,736	139
Default	330	392	100.00	45.30	166.33	652	52
Total	26,733	26,807	2.87	40.79	63.54	17,033	1,362
Sovereign							
AAA	914	914	0.01	10.00	2.52	23	2
AA	4,781	4,791	0.02	8.53	2.07	99	8
A	753	771	0.06	20.62	9.08	70	6
BBB	-	-	-	-	-	-	-
BB	6	6	2.03	33.25	16.67	1	-
B	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-
Total	6,454	6,482	0.02	10.20	2.98	193	16
Bank							
AAA	-	-	-	-	-	-	-
AA	539	538	0.03	60.00	20.45	110	9
A	359	358	0.05	60.00	23.74	85	7
BBB	2	2	0.13	21.63	-	-	-
BB	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-
Total	900	898	0.04	59.91	21.71	195	16
Total credit risk exposures subject to the internal ratings based approach	90,291	87,104				35,680	2,855

[1] As required by the conditions of registration included in the Disclosure Statement for the year ended 30 September 2014, 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	8,019	6,042	-	-
Other retail (Credit cards, personal loans, personal overdrafts)	2,856	1,638	-	-
Small business	1,015	922	-	-
Corporate/Business lending	9,545	9,556	-	-
Sovereign	993	1,021	-	-
Bank	18	16	-	-
Total	22,446	19,195	-	-

Note 15 Risk management (continued)

The Banking Group's equity exposures as at 31 March 2015 (Unaudited)

Equity	TCE $ millions	EAD $ millions	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled)[1] $ millions	Required Regulatory Capital $ millions
Unlisted equity holdings (not deducted from capital) that are not publicly traded	42	42	-	-	423.81	178	14

The Banking Group's Specialised lending: Project and property finance credit risk exposures as at 31 March 2015 (Unaudited)

Supervisory slotting grade	TCE $ millions	EAD $ millions	Average Risk Weight %	Risk-weighted Assets (scaled)[1] $ millions	Required Regulatory Capital $ millions
Strong	1,794	1,802	74.20	1,337	107
Good	3,201	3,317	95.39	3,164	253
Satisfactory	1,021	1,022	121.92	1,246	100
Weak	131	131	265.65	348	28
Default	170	209	-	-	-
Total	6,317	6,481	94.04	6,095	488

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	1,140	1,154	87.37	1,009	81

[1] As required by the conditions of registration included in the Disclosure Statement for the year ended 30 September 2014, the value of the scalar used in determining the minimum capital requirement (Required Regulatory Capital) is 1.06.

Note 15 Risk management (continued)

The Banking Group's credit risk exposures subject to the standardised approach as at 31 March 2015 (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	275	275	100.00	275	22
Related parties	2,060	2,060	28.86	595	47
Total on-balance sheet exposures	2,335	2,335		870	69

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	10,677	323	20.00	65	5
Interest rate contracts	31,717	63	20.00	13	1
Credit value adjustment	-	-	-	60	5
Total market related contracts subject to the standardised approach	42,394	386		138	11
Standardised subtotal (on and off-balance sheet)	44,729	2,721		1,008	80
After adjustment for scalar [1]				1,068	85

[1] As disclosed in the Bank's conditions of registration included in the Disclosure Statement for the year ended 30 September 2014, the value of the scalar used in determining the minimum capital requirement (Required Regulatory Capital) is 1.06.

The Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 31 March 2015 (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-15 (Unaudited)					
LVR range ($ millions)	Does not Exceed 60%	Exceeds 60% and not 70%	Exceeds 70% and not 80%	Exceeds 80% and not 90 %	Exceeds 90%	Total
On-balance sheet exposures	15,869	7,245	10,028	5,209	2,267	40,618
Undrawn commitments and other off-balance sheet exposures	4,912	1,283	1,243	425	156	8,019
Value of exposures	20,781	8,528	11,271	5,634	2,423	48,637

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-15 Unaudited
Term loans - Housing (as disclosed in Note 5) and Residential mortgages - total gross loans (as disclosed in Note 6)	40,816
Reconciling items:	
Unamortised deferred fees and expenses	(145)
Fair value hedge adjustments	(53)
Value of undrawn commitments and other off-balance sheet amounts relating to residential mortgages	8,019
Residential mortgages by LVR	48,637
Reconciling item:	
Accrued interest receivable	81
Residential mortgages -TCE (as disclosed in Credit risk exposures by asset class)	48,718

Note 15 Risk management (continued)

15.2 Operational risk

The Banking Group's operational risk capital requirement

$ millions	The Banking Group 31-Mar-15 (Unaudited) Implied Risk-weighted Exposure	Total Operational Risk Capital Requirement
Methodology implemented		
Advanced Measurement Approach		
Operational risk	4,540	363

15.3 Market risk

Market risk 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 2015. The end-of-period aggregate market risk exposure is calculated from the period end balance sheet information.

For each category of market risk, the Banking Group's peak end-of-day aggregate capital charge is derived by determining the maximum over the six-month period ended 31 March 2015 of the aggregate capital charge for that category of market risk at the close of each business day 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 2015:

$ millions	The Banking Group 31-Mar-15 (Unaudited) Implied Risk-weighted Exposure	Aggregate Capital Charge
End-of-period		
Interest rate risk	854	68
Foreign currency risk	-	-
Equity risk	42	3
	896	71
Peak end-of-day		
Interest rate risk	1,563	125
Foreign currency risk	-	-
Equity risk	42	3

Note 15 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 2015. 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-15 (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	1,374	-	-	-	-	194	1,568
Due from other financial institutions	568	-	-	-	-	1	569
Trading securities and other financial assets designated at fair value	1,238	53	-	-	-	-	1,291
Derivative financial instruments	-	-	-	-	-	49	49
Available-for-sale securities	404	-	-	338	2,736	42	3,520
Loans	36,831	4,236	5,482	13,491	7,088	(461)	66,667
Due from related entities	1,987	-	-	-	-	258	2,245
Other assets	-	-	-	-	-	213	213
Total financial assets	42,402	4,289	5,482	13,829	9,824	296	76,122
Non-financial assets							1,077
Total assets							77,199
Financial liabilities							
Due to other financial institutions	53	-	-	-	-	7	60
Deposits and other borrowings	36,346	6,404	4,427	1,166	719	3,847	52,909
Other financial liabilities at fair value through income statement	117	-	-	-	-	-	117
Derivative financial instruments	-	-	-	-	-	616	616
Debt issues	5,532	1,403	31	2,737	2,981	-	12,684
Due to related entities	3,019	-	-	-	21	607	3,647
Other liabilities	-	-	-	-	-	410	410
Total financial liabilities	45,067	7,807	4,458	3,903	3,721	5,487	70,443
Non-financial liabilities							208
Total liabilities							70,651
On balance-sheet interest rate repricing gap	(2,665)	(3,518)	1,024	9,926	6,103		
Net derivative notional principals							
Net interest rate contracts (notional):							
Receivable/(payable)	15,988	(1,071)	(2,553)	(6,429)	(5,935)		
Net interest rate repricing gap	13,323	(4,589)	(1,529)	3,497	168		

15.4 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-15 Unaudited
Cash and balances with central banks	1,568
Due from other financial institutions	1
Due from other financial institutions (included in due from related entities)	646
Supranational securities	929
NZ Government securities	2,486
NZ public securities	1,028
NZ corporate securities	800
Residential mortgage-backed securities	3,992
Total liquid assets	11,450

Note 15 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 totals 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-15 (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	1,568	-	-	-	-	-	1,568
Due from other financial institutions	-	569	-	-	-	-	569
Trading securities and other financial assets designated at fair value	-	223	540	80	513	-	1,356
Derivative financial instruments:							
Held for trading	3	-	-	-	-	-	3
Held for hedging purposes (net settled)	-	(1)	2	-	5	-	6
Held for hedging purposes (gross settled):							
Cash outflow	-	(440)	(4)	(10)	(56)	(313)	(823)
Cash inflow	-	449	-	2	8	326	785
Available-for-sale securities	42	410	28	111	2,896	425	3,912
Loans	5,555	6,466	5,019	6,086	24,213	56,117	103,456
Due from related entities:							
Non-derivative balances	1,297	715	-	-	-	-	2,012
Derivative financial instruments:							
Held for trading	148	-	-	-	-	-	148
Held for hedging purposes (net settled)	-	8	1	15	39	1	64
Held for hedging purposes (gross settled):							
Cash outflow	-	-	(5)	(399)	-	-	(404)
Cash inflow	-	-	-	421	-	-	421
Other assets	-	54	-	-	-	-	54
Total undiscounted financial assets	8,613	8,453	5,581	6,306	27,618	56,556	113,127
Financial liabilities							
Due to other financial institutions	60	-	-	-	-	-	60
Deposits and other borrowings	26,490	4,025	9,937	11,213	2,045	-	53,710
Other financial liabilities at fair value through income statement	-	117	-	-	-	-	117
Derivative financial instruments:							
Held for hedging purposes (net settled)	-	12	6	26	99	11	154
Held for hedging purposes (gross settled):							
Cash outflow	-	10	48	168	5,146	-	5,372
Cash inflow	-	(2)	(61)	(10)	(4,397)	-	(4,470)
Debt issues	-	556	598	3,018	8,830	326	13,328
Due to related entities:							
Non-derivative balances	695	172	69	75	2,198	-	3,209
Derivative financial instruments:							
Held for trading	8	-	-	-	-	-	8
Held for hedging purposes (net settled)	-	15	16	64	163	-	258
Held for hedging purposes (gross settled):							
Cash outflow	-	-	21	82	1,538	-	1,641
Cash inflow	-	-	-	(63)	(1,125)	-	(1,188)
Other liabilities	-	79	-	-	-	-	79
Total undiscounted financial liabilities	27,253	4,984	10,634	14,573	14,497	337	72,278
Total contingent liabilities and commitments							
Loan commitments with certain drawdown	233	-	-	-	-	-	233
Other commitments to provide financial services	22,350	-	-	-	-	-	22,350
Total undiscounted contingent liabilities and commitments	22,583	-	-	-	-	-	22,583

Note 16 Concentration of funding

$ millions	The Banking Group 31-Mar-15 Unaudited
Funding consists of	
Due to other financial institutions	60
Deposits and other borrowings	52,909
Other financial liabilities at fair value through income statement	117
Debt issues[1]	12,684
Due to related entities[2]	2,916
Total funding	68,686
Analysis of funding by geographical areas[1]	
New Zealand	55,759
Australia	845
United Kingdom	6,257
United States of America	3,228
Other	2,597
Total funding	68,686
Analysis of funding by industry sector	
Accommodation, cafes and restaurants	290
Agriculture	1,254
Construction	1,347
Finance and insurance	23,589
Forestry and fishing	177
Government, administration and defence	1,488
Manufacturing	1,489
Mining	67
Property services and business services	5,011
Services	4,151
Trade	1,501
Transport and storage	318
Utilities	523
Households	21,036
Other	3,529
Subtotal	65,770
Due to related entities[2]	2,916
Total funding	68,686

1 The geographic region used for debt issues is based on the nature of the debt programmes. The nature of the debt programme 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 17 Concentration of credit exposures

$ millions	The Banking Group 31-Mar-15 Unaudited
On-balance sheet credit exposures consists of	
Cash and balances with central banks	**1,568**
Due from other financial institutions	**569**
Trading securities and other financial assets designated at fair value	**1,291**
Derivative financial instruments	**49**
Available-for-sale securities	**3,520**
Loans	**66,667**
Due from related entities	**2,245**
Other assets	**213**
Total on-balance sheet credit exposures	**76,122**
Analysis of on-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	**568**
Agriculture	**7,162**
Construction	**1,335**
Finance and insurance	**4,968**
Forestry and fishing	**359**
Government, administration and defence	**4,698**
Manufacturing	**2,724**
Mining	**502**
Property	**11,903**
Property services and business services	**2,157**
Services	**2,459**
Trade	**3,116**
Transport and storage	**1,392**
Utilities	**1,254**
Retail lending	**29,563**
Other	**124**
Subtotal	**74,284**
Provisions for impairment charges on loans	**(461)**
Due from related entities	**2,245**
Other assets	**54**
Total on-balance sheet credit exposures	**76,122**
Off-balance sheet credit exposures	
Contingent liabilities and commitments	**23,586**
Total off-balance sheet credit exposures	**23,586**
Analysis of off-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	**110**
Agriculture	**774**
Construction	**558**
Finance and insurance	**2,469**
Forestry and fishing	**53**
Government, administration and defence	**848**
Manufacturing	**1,690**
Mining	**118**
Property	**1,877**
Property services and business services	**786**
Services	**1,311**
Trade	**2,809**
Transport and storage	**649**
Utilities	**1,474**
Retail lending	**8,045**
Other	**15**
Total off-balance sheet credit exposures	**23,586**

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

Note 17 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 or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Banking Group's equity:

- as at 31 March 2015 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 March 2015 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 2015 was two counterparties with a credit rating of A- or A3 or above, or its equivalent, with one having an aggregate credit exposure between 10%-14% and the other having an aggregate credit exposure between 15%-19%; and
- for the three months ended 31 March 2015 was three counterparties with a credit rating of A- or A3 or above, or its equivalent, with two having a peak end-of-day aggregate credit exposure between 10%-14% and the other having a peak end-of-day aggregate credit exposure between 20%-24%.

The peak end-of-day aggregate credit exposures to each individual counterparty or a group of closely related counterparties has 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 18 Events after the reporting date

On 17 April 2015, the Bank sold its NZ unlisted equity instruments within Available-for-sale securities realising a gain of $19 million.

On 28 April 2015 the Bank assigned to Westpac NZ Covered Bond Limited (‘**WNZCBL**’) under the CB Programme a further $1,000 million of housing loans such that WNZCBL now has a portfolio of housing loans up to a value of $5,500 million. There has been a corresponding increase in the intercompany loan made by the Bank to WNZCBL.

Independent Auditors' Review Report

To the shareholder of Westpac New Zealand Limited

Report on the Financial Statements

We have reviewed pages 3 to 28 of the half year Disclosure Statement of Westpac New Zealand Limited (the "Bank") and the entities it controlled at 31 March 2015 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 2014 (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 2015, 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 2015, 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.

Our Responsibility

Our responsibility is to express a conclusion on the financial statements and the supplementary information, disclosed in accordance with Clause 25 and Schedules 5, 7, 11, 13, 16 and 18 of the Order, presented by Directors, based on our review.

Our responsibility is to express a conclusion on the financial statements (excluding the supplementary information) 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 New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

Our responsibility is to express a conclusion on the supplementary information (excluding the supplementary information relating to capital adequacy) 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.

Our responsibility is to express a conclusion on the supplementary information relating to capital adequacy 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.

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Independent Auditors' Review Report

Westpac New Zealand Limited

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410"). As the auditors of the Bank, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly we do not express an audit opinion on the financial statements.

We are independent of the Banking Group. 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 3 to 28 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*;

(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 Use of our Report

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

Chartered Accountants
20 May 2015

Auckland