



Westpac Banking Corporation General Short Form Disclosure Statement

For the three months ended 31 December 2010

Index	1	General information and definitions
	1	General matters
	1	Directors
	1	Credit ratings
	2	Financial statements of the Overseas Bank and the Overseas Banking Group
	2	Guarantee arrangements
	4	Ranking of local creditors in liquidation
	5	Conditions of registration
	5	Proposed transfer of additional banking operations to Westpac New Zealand
	6	Directors' and the Chief Executive Officer, NZ Branch's statement
	7	Consolidated financial statements

General information and definitions

Certain of the information contained in this General Short Form Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**') and the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2008 ('**Order**').

In this General Short Form Disclosure Statement reference is made to four main reporting groups:

- Westpac Banking Corporation Group (otherwise referred to as the '**Overseas Banking Group**') – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities;
- Westpac Banking Corporation (otherwise referred to as the '**Overseas Bank**') – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities;
- Westpac Banking Corporation New Zealand Division (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation Group including those entities whose business is required to be reported in financial statements for the Overseas Banking Group's New Zealand business; and
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

Words and phrases defined by the Order have the same meaning when used in this General Short Form Disclosure Statement. All amounts referred to in this General Short Form Disclosure Statement are in New Zealand dollars unless otherwise stated.

General matters

Registered Bank

The Overseas Bank is entered on the register maintained under the Reserve Bank Act. However, for the purposes of this General Short Form Disclosure Statement, the registered bank is the NZ Branch. The NZ Branch's head office is situated at, and the address for service is, Level 15, 188 Quay Street, Auckland, New Zealand.

Overseas Bank

The Overseas Bank was founded on 12 February 1817 and was incorporated on 23 September 1850 pursuant to the Bank of New South Wales Act 1850. In 1982 the Overseas Bank acquired The Commercial Bank of Australia Limited and the Overseas Bank changed its name to Westpac Banking Corporation. On 23 August 2002 the Overseas Bank registered as a public company limited by shares under the Australian Corporations Act 2001 and as of that date the Bank of New South Wales Act 1850 ceased to apply.

The Overseas Bank's principal office and address for service is Westpac Place, 275 Kent Street, Sydney, New South Wales 2000, Australia.

Until 1 November 2006 the Overseas Bank operated as a branch in New Zealand. Effective 1 November 2006 the Overseas Bank has operated in New Zealand through both the NZ Branch (a branch of the Overseas Bank carrying on institutional banking and financial markets operations) and Westpac New Zealand Limited ('**Westpac New Zealand**') (a locally incorporated subsidiary of the Overseas Bank carrying on the Overseas Bank's New Zealand consumer and business banking operations). Westpac New Zealand is a member of the NZ Banking Group. As a registered bank, Westpac New Zealand is required to produce its own disclosure statement. Accordingly, further information on Westpac New Zealand is available in Westpac New Zealand's General Short Form Disclosure Statement for the three months ended 31 December 2010.

Directors

The Directors of the Overseas Bank at the time this General Short Form Disclosure Statement was signed were:

Edward Alfred Evans AC, BEcon (Hons.)

Gail Patricia Kelly, HigherDipEd, BA, MBA, HonDBus

John Simon Curtis AM, BA, LLB (Hons.)

Elizabeth Blomfield Bryan, BA (Econ.), MA (Econ.)

Gordon McKellar Cairns, MA (Hons.)

Peter John Oswin Hawkins, BCA (Hons.), SF Fin, FAIM, ACA (NZ), FAICD

Carolyn Judith Hewson AO, BEc (Hons.), MA (Econ.)

Lindsay Philip Maxsted, Dip.Bus. (Gordon), FCA

Graham John Reaney, BComm, CPA

Peter David Wilson, CA

There has been no change to the composition of the Overseas Bank's Board of Directors (the '**Board**') since the date of signing the NZ Branch's General Disclosure Statement for the year ended 30 September 2010.

All the Directors named above have authorised in writing George Frazis, Chief Executive, Westpac New Zealand, to sign this General Short Form Disclosure Statement on the Directors' behalf in accordance with section 82 of the Reserve Bank Act.

Credit ratings

As at the date the Directors signed this General Short Form Disclosure Statement, the Overseas 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.

Rating Agency	Current Credit Rating	Rating Outlook
Fitch Ratings	AA	Stable
Moody's Investors Service	Aa1	Negative
Standard & Poor's	AA	Stable

Credit ratings (continued)

On 31 March 2010 the Overseas Bank's credit rating issued by Fitch Ratings was upgraded from AA- to AA with a 'stable' outlook. There have been no other changes to the Overseas Bank's credit rating or outlook issued by Fitch Ratings in the two years prior to 31 December 2010.

In the two years prior to 31 December 2010 the Overseas Bank's credit rating issued by Moody's Investors Service has not changed. However, on 2 March 2009, Moody's Investors Service revised the outlook from 'stable' to 'negative'. In maintaining a 'negative' outlook for all the major Australian banks, Moody's Investors Service highlighted the sector's structural reliance on wholesale funding. Moody's Investors Service has also indicated that it is watching the changes proposed by the Basel Committee on Banking Supervision in relation to liquidity and stable funding and that the proposed changes, if implemented, could address its concerns and have a material impact on bank ratings.

In the two years prior to 31 December 2010 the Overseas Bank's credit rating issued by Standard & Poor's has not changed. The outlook for the rating has also remained unchanged at 'stable' over this period.

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

Descriptions of credit rating scales¹

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
The following grades display investment grade characteristics:			
Capacity to meet financial commitments is extremely strong. This is the highest issuer credit rating.	AAA	Aaa	AAA
Very strong capacity to meet financial commitments.	AA	Aa	AA
Strong capacity to meet financial commitments although somewhat susceptible to adverse changes in economic, business or financial conditions.	A	A	A
Adequate capacity to meet financial commitments, but adverse business or economic conditions are more likely to impair this capacity.	BBB	Baa	BBB
The following grades have predominantly speculative characteristics:			
Significant ongoing uncertainties exist which could affect the capacity to meet financial commitments on a timely basis.	BB	Ba	BB
Greater vulnerability and therefore greater likelihood of default.	B	B	B
Likelihood of default now considered a real possibility. Capacity to meet financial commitments is dependent on favourable business, economic and financial conditions.	CCC	Caa	CCC
Highest risk of default.	CC to C	Ca	CC
Obligations currently in default.	RD to D	C	SD to D

¹ This is a general description of the rating categories based on information published by Fitch Ratings, Moody's Investors Service and Standard & Poor's.

Credit ratings by Fitch Ratings and Standard & Poor's may be modified by a plus (higher end) or minus (lower end) sign to show relative standing within the major categories. Moody's Investors Service apply numeric modifiers 1 (higher end), 2 or 3 (lower end) to ratings from Aa to Caa to show relative standing within the major categories.

Ratings stated in **bold** indicate the Overseas Bank's current position within the credit rating scales.

Financial statements of the Overseas Bank and the Overseas Banking Group

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2010 and can be accessed at the internet address www.westpac.com.au.

Copies of the NZ Branch's most recent General Short Form Disclosure Statement and Supplemental Disclosure Statement, which contain a copy of the most recent publicly available financial statements of the Overseas Bank and the Overseas Banking Group, will be provided immediately, free of charge, to any person requesting a copy where the request is made at the NZ Branch's head office, Level 15, 188 Quay Street, Auckland, New Zealand. They are also available, free of charge, at the internet address www.westpac.co.nz and within five working days of any request made, at any branch of the NZ Branch, at any staffed premises of any agency of the NZ Branch primarily engaged in the business of the NZ Branch, or at any other staffed premises of the NZ Branch to which its customers or potential customers have access in order to conduct banking business.

Guarantee arrangements

Certain material obligations of the Overseas Bank are guaranteed as at the date the Directors and the Chief Executive Officer, NZ Branch signed this General Short Form Disclosure Statement.

Guarantee of deposits by the Australian Government: Financial Claims Scheme

The Australian Government announced on 12 October 2008 that it would guarantee deposits up to A\$1 million in eligible Australian authorised deposit-taking institutions ('ADIs'), as that term is defined for the purposes of the Banking Act 1959 of Australia ('**Australian Banking Act**'), for a period of three years from 12 October 2008. As at the date of this General Short Form Disclosure Statement the Overseas Bank is an ADI.

The Australian Banking Act was amended to facilitate the deposit guarantee by establishing a Financial Claims Scheme ('**FCS**') to be administered by the Australian Prudential Regulation Authority ('**APRA**'). The FCS will operate on terms set out in the Australian Banking Act until 12 October 2011. The cap that will apply to the FCS after 12 October 2011 will be subject to review by the Australian Government.

Guarantee arrangements (continued)

An ADI will be an 'eligible ADI' for the purposes of the FCS in circumstances where APRA has applied for the winding-up of the ADI and a declaration has been made by the responsible Australian Government minister that the FCS applies to that ADI. Once declared to be an eligible ADI, there are no other material conditions applicable to the coverage of deposits up to A\$1 million under the FCS other than that eligible ADI becoming unable to meet its obligations or suspending payment. As at the date of this General Short Form Disclosure Statement, APRA has not applied for a winding-up of the Overseas Bank nor has a declaration been made by the responsible Australian Government minister that the FCS applies to the Overseas Bank.

The first A\$1 million of 'protected accounts' held with an eligible ADI (including most deposits) are guaranteed without charge under the FCS. A 'protected account' (as defined for the purposes of the Australian Banking Act) must be:

- prescribed under the regulations;
- kept under an agreement between the account holder and the ADI requiring the ADI to pay the account-holder the net credit balance on demand or at an agreed time; or
- a 'covered financial product' (that is, one specified in a ministerial declaration) that is kept under an agreement between the account-holder and the ADI requiring the ADI to pay the account-holder on demand or at an agreed time the net credit balance.

The A\$1 million threshold applies to the total amount of funds held by a depositor in (separate) deposit accounts with an eligible ADI. Eligible institutions were able to obtain coverage for deposit amounts over A\$1 million under the Guarantee Facility (described below) in return for a fee.

The Financial Claims Scheme (ADIs) Levy Act 2008 of Australia also provides for the imposition of a levy to fund the excess of certain of APRA's FCS costs connected with an ADI over the sum of specified amounts paid to APRA by that ADI in connection with the FCS or in the winding-up of that ADI. The levy is imposed on liabilities of ADIs to their depositors and cannot be more than 0.5% of the amount of those liabilities.

Further information about the FCS may be obtained from APRA's internet site www.apra.gov.au. The Australian Banking Act and the Financial Claims Scheme (ADIs) Levy Act 2008 are also available from the following internet site maintained by the Australian Attorney-General's Department www.comlaw.gov.au.

Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding: Guarantee Facility

On 20 November 2008 the Australian Government released the details and rules ('**Scheme Rules**') of the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding ('**Guarantee Facility**'), which provided a guarantee facility for deposits of amounts over A\$1 million and wholesale term funding. The obligations of the Commonwealth of Australia are contained in a deed of guarantee executed on behalf of the Commonwealth of Australia ('**Guarantor**') dated 20 November 2008 and taking effect from 28 November 2008 ('**Guarantee**'). The Scheme Rules govern access to protection under the Guarantee.

The Australian Government announced on 7 February 2010 that it would withdraw the Guarantee Facility, which ceased to have effect from 5pm on 31 March 2010. Deposit balances above A\$1 million covered by the Guarantee Facility as at 31 March 2010 will be covered until maturity (for term deposits) or until October 2015 (for at call deposits). For at call deposits, the amount covered will be capped at the closing guaranteed amount on 31 March 2010. Deposits and interest payments after this date will only be covered (up to the capped amount) if the guaranteed balance has fallen below the capped amount. For term deposits, interest due after 31 March 2010 will be guaranteed to maturity. Statutory trust accounts will be treated in the same way as other large deposits. Guaranteed wholesale liabilities as at 31 March 2010 with terms to maturity up to five years will also be guaranteed to the earlier of maturity or five years. The Scheme Rules were amended to effect the withdrawal of the Guarantee Facility. The announcement did not affect the FCS, which continues to cover deposits of up to A\$1 million until its A\$1 million cap is reviewed by the Australian Government by October 2011.

The Guarantee and the Scheme Rules are available at www.guaranteescheme.gov.au and may be amended by the Australian Government from time to time. A copy of the Guarantee is also included in the NZ Branch's most recent Supplemental Disclosure Statement, which is available, free of charge, at the internet address www.westpac.co.nz and immediately on request at the NZ Branch's head office, Level 15, 188 Quay Street, Auckland. The NZ Branch's most recent Supplemental Disclosure Statement is also available, free of charge, within five working days of any request, at any branch of the NZ Branch.

The Guarantor shall not be liable to perform its obligations under the Guarantee in respect of liabilities which have been varied, amended, waived, released, novated, supplemented, extended or restated in any material respect without the written consent of the Guarantor.

The Commonwealth of Australia may also amend the terms of the Guarantee at any time at its discretion, provided that (except insofar as such amendment is required by law) such amendment does not reduce the Commonwealth of Australia's obligations to the beneficiaries under the Guarantee in a manner which is prejudicial to the interests of the beneficiaries in respect of any subsisting guaranteed liability. In particular, see clause 6 of the Guarantee, the form of which is set out in the NZ Branch's most recent Supplemental Disclosure Statement.

The Scheme Rules set out those named institutions that are 'eligible institutions' for the purposes of the Guarantee Facility. As at the date of this General Short Form Disclosure Statement the Overseas Bank is such an eligible institution.

As described above, under the heading **Guarantee of deposits by the Australian Government: Financial Claims Scheme**, the first A\$1 million in 'protected accounts' held with an eligible ADI (including most deposits) is guaranteed for free under the FCS. The Guarantee Facility provides a guarantee of deposits over A\$1 million and wholesale term funding in return for a monthly payment. That payment, based on an eligible ADI's long-term credit rating, continues to apply throughout the period for which the guarantee applies to the relevant deposits and guaranteed wholesale liabilities. The monthly payment is calculated on the basis of the funds to be guaranteed, multiplied by a fee. The fee applicable to the Overseas Bank, based on its long-term rating by Standard & Poor's of AA, is 70 basis points (or 0.70%) per annum. The fee waiver for guaranteed amounts held in statutory trust accounts continues to apply.

Liabilities of an eligible institution only have the benefit of the Guarantee Facility where an eligibility certificate has been issued by the Commonwealth of Australia in respect of those liabilities. In the event that an eligible ADI does not pay a guaranteed liability on the date at which it becomes due and payable, there are no material conditions applicable to the Commonwealth of Australia paying the guaranteed liability to the beneficiary upon a claim by a beneficiary made in accordance with the Scheme Rules, and following the expiry of any applicable grace period. As a result of the withdrawal of the Guarantee Facility with effect from 31 March 2010, the final date on which an eligible institution could apply for an eligibility certificate was 24 March 2010.

As at the date this General Short Form Disclosure Statement was signed by the Directors and Chief Executive Officer, NZ Branch, eligibility certificates have been issued by the Commonwealth of Australia in respect of certain of the Overseas Bank's existing deposit and wholesale term funding liabilities. Details of these eligibility certificates are available on www.guaranteescheme.gov.au/liabilities/.

A beneficiary of the Guarantee may rely upon the issue of an eligibility certificate as conclusive evidence that the liability described in the eligibility certificate satisfies the eligibility criteria set out in the Scheme Rules.

Guarantee arrangements (continued)

A claim for payment under the Guarantee must be in writing and made in the form specified in, and in accordance with, the Scheme Rules.

Information about the Guarantor

The Guarantor's name and address for service is: The Commonwealth of Australia, c/o - The Treasury of the Commonwealth of Australia, Treasury Building, Langton Crescent, Parkes, ACT 2600, Australia. A copy of the most recent audited financial statements of the Guarantor is available at www.finance.gov.au/publications/commonwealth-consolidated-financial-statements/.

The Guarantor has the following credit ratings in respect of its long-term obligations payable in Australian dollars (the currency of its jurisdiction). There have been no changes in these credit ratings (including outlook) in the two years prior to 31 December 2010.

Rating Agency	The Guarantor's Current Credit Rating	Rating Outlook
Fitch Ratings	AAA	Stable
Moody's Investors Service	Aaa	Stable
Standard & Poor's	AAA	Stable

A credit rating is not a recommendation to buy, sell or hold securities. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in securities are cautioned to evaluate each rating independently of any other rating. For an explanation of the credit rating scales see the table under the sub-heading "Description of credit rating scales" on page 2 of this General Short Form Disclosure Statement.

New Zealand deposit guarantee scheme and wholesale funding guarantee facility

Westpac New Zealand had entered into the following guarantees with the New Zealand Government (**'Crown'**):

- a Crown Wholesale Funding Guarantee Facility Deed and Crown Wholesale Funding Guarantee, each dated 23 February 2009 (together the **'Wholesale Guarantee'**);
- a Crown Deed of Guarantee dated 11 November 2008, amended by a supplemental deed dated 24 November 2008, under the New Zealand deposit guarantee scheme (**'Deposit Guarantee'**); and
- a Crown Deed of Guarantee dated 16 December 2009 under the revised deposit guarantee scheme (**'Revised Deposit Guarantee'**).

Westpac New Zealand's Deposit Guarantee and Revised Deposit Guarantee expired at the end of 11 October 2010. Westpac New Zealand did not apply for a guarantee under the extension of the Deposit Guarantee that commenced on 12 October 2010 and will expire at the end of 31 December 2011. Therefore, as at the date the Directors signed this General Short Form Disclosure Statement, no obligations of Westpac New Zealand are guaranteed by the Crown under the Deposit Guarantee or the Revised Guarantee.

Details of the Wholesale Guarantee can be found in Westpac New Zealand's General Short Form Disclosure Statement for the three months ended 31 December 2010 (available free of charge at www.westpac.co.nz), and on the Treasury internet site www.treasury.govt.nz.

The NZ Branch has not entered into the New Zealand deposit guarantee scheme and did not participate in the wholesale funding guarantee facility.

Ranking of local creditors in liquidation

There are material legislative restrictions in Australia (being the Overseas Bank's country of incorporation) which subordinate the claims of certain classes of unsecured creditors of the Overseas Bank on the Australian assets of the Overseas Bank (including a claim made or proved in an insolvent winding-up or liquidation of the Overseas Bank) to those of other classes of unsecured creditors of the Overseas Bank, in the event that the Overseas Bank becomes unable to meet its obligations or suspends payment.

The legislation described below is relevant to limitations on possible claims made by unsecured creditors of the NZ Branch (together with all other senior unsecured creditors of the Overseas Bank) and New Zealand depositors on the assets of the Overseas Bank (including a claim made or proved in an insolvent winding-up or liquidation of the Overseas Bank) relative to those of certain other classes of unsecured creditors of the Overseas Bank, in the event that the Overseas Bank becomes unable to meet its obligations or suspends payment.

The Overseas Bank is an ADI for the purposes of the Australian Banking Act.

Section 13A of the Australian Banking Act provides that in the event that the ADI becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to satisfy the liabilities of the ADI in the following order:

- first, certain obligations of the ADI to APRA (if any) arising under Division 2AA of Part II of the Australian Banking Act in respect of amounts payable by APRA to holders of 'protected accounts' (as defined for the purposes of the Australian Banking Act) as part of the FCS;
- second, APRA's costs (if any) in exercising its powers and performing its functions relating to the ADI in connection with the FCS;
- third, the ADI's liabilities (if any) in Australia in relation to 'protected accounts' that account-holders keep with the ADI;
- fourth, the ADI's debts (if any) to the Reserve Bank of Australia;
- fifth, the ADI's liabilities (if any) under an emergency financial 'industry support contract' that is certified by APRA in accordance with the Australian Banking Act; and
- sixth, the ADI's other liabilities (if any) in the order of their priority apart from the above.

Section 13A of the Australian Banking Act affects all unsecured liabilities of the NZ Branch which as at 31 December 2010 amounted to \$19,311 million. As at 31 December 2009 section 13A of the Australian Banking Act affected only the unsecured deposit liabilities of the NZ Branch which amounted to \$5,968 million.

Section 13A(4) of the Australian Banking Act also provides that it is an offence for an ADI not to hold assets (other than goodwill and any assets or other amount excluded by the prudential standards) in Australia of a value that is equal to or greater than the total amount of its deposit liabilities in Australia, unless APRA has authorised the ADI to hold assets of a lesser value. During the three months ended 31 December 2010 the Overseas Bank has at all times held assets (other than goodwill and any assets or other amount excluded by the prudential standards) in Australia of not less than the value of the Overseas Bank's total deposit liabilities in Australia.

Under section 16 of the Australian Banking Act, on the winding-up of an ADI, APRA's cost of being in control of an ADI's business, or having an administrator in control of an ADI's business, is a debt due to APRA. Debts due to APRA shall have, subject to section 13A(3) of the Australian Banking Act, priority over all other unsecured debts of that ADI.

The requirements of the above provisions have the potential to impact on the management of the liquidity of the NZ Banking Group.

Conditions of registration

The conditions of registration imposed on the NZ Branch, which have applied from 26 November 2007, are as follows:

1. That the NZ Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
2. That the NZ Banking Group's insurance business is not greater than 1 percent of its total consolidated assets. For the purposes of this condition:
 - (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disappplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
 - (ii) In measuring the size of the NZ Banking Group's insurance business:
 - (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
 - the total consolidated assets of the group headed by that entity;
 - or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
 - (b) otherwise, the size of each insurance business conducted by any entity within the NZ Banking Group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
 - (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the NZ Banking Group. All amounts in parts (a) and (b) shall relate to on-balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
 - (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.
3. That the business of the NZ Branch does not constitute a predominant proportion of the business of Westpac Banking Corporation.
4. That no appointment to the position of the New Zealand Chief Executive Officer of the NZ Branch shall be made unless:
 - (i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (ii) the Reserve Bank has advised that it has no objection to that appointment.
5. That Westpac Banking Corporation complies with the requirements imposed on it by the Australian Prudential Regulation Authority.
6. That Westpac Banking Corporation complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:
 - Tier One Capital of Westpac Banking Corporation is not less than 4 percent of risk-weighted exposures;
 - Total Capital of Westpac Banking Corporation is not less than 8 percent of risk-weighted exposures.
7. That liabilities of the NZ Branch in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the NZ Branch), do not exceed NZ\$15 billion.
8. That the retail deposits of the NZ Branch in New Zealand do not exceed \$200 million. For the purposes of this condition retail deposits are defined as deposits by natural persons, excluding deposits with an outstanding balance which exceeds \$250,000.

Further information on the capital adequacy of the Overseas Bank is contained in Note 13 Capital adequacy.

Proposed transfer of additional banking operations to Westpac New Zealand

Until 1 November 2006, the Overseas Bank conducted its operations in New Zealand through a branch structure. On that date, and after extensive consultation with the Reserve Bank, the Overseas Bank adopted a dual operating model including a locally incorporated subsidiary, Westpac New Zealand, to conduct its consumer and business banking operations in New Zealand, and the NZ Branch, to conduct its institutional and financial markets operations. The conditions of registration of each of Westpac New Zealand and the NZ Branch are consistent with these operating model arrangements.

In May 2009, the Reserve Bank, Westpac New Zealand and the NZ Branch agreed to an independent review of the structure of the operating model of the Overseas Bank's business in New Zealand. This review was conducted under the well established processes and framework of section 95 of the Reserve Bank Act.

The Reserve Bank, Westpac New Zealand and the Overseas Bank have now reached high level agreement on changes to the operating model. Under that agreement, the NZ Branch will transfer the following additional business activities and associated employees to Westpac New Zealand:

- institutional customer deposits;
- institutional customer transactional banking;
- institutional customer lending;
- debt capital markets (including customer loan syndication and securitisation arrangements, but excluding the debt securities team activities, such as arrangement of commercial paper and bond programmes); and
- corporate advisory.

Details of the changes are being worked through in consultation with the Reserve Bank as part of the implementation process.

As at 31 December 2010, business activities proposed to be transferred by the NZ Branch include: customer loans of approximately \$6.8 billion (30 September 2010: \$6.7 billion) and customer deposits of approximately \$5.5 billion (30 September 2010: \$5.5 billion). It is currently anticipated that term intra-group funding of approximately \$3.0 billion will be put in place. In addition, for the three months ended 31 December 2010, it is estimated that the business activities to be transferred by the NZ Branch had aggregate revenues of approximately \$45 million (year ended 30 September 2010: \$180 million) and aggregate net profit after tax of approximately \$28 million (year ended 30 September 2010: \$115 million).

Under the proposed changes to the operating model, the NZ Branch will retain its 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 retail, business and institutional customers of Westpac New Zealand, and trading of capital markets products and foreign exchange as principal. In addition, the NZ Branch will retain its global intra-group financing functions.

Implementation of the transfer is currently expected to be completed by the end of the 2011 calendar year.

Directors' and the Chief Executive Officer, NZ Branch's statement

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, as at the date on which this General Short Form Disclosure Statement is signed, the General Short Form Disclosure Statement:

- (a) contains all information that is required by the Order; and
- (b) is not false or misleading.

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, over the three months ended 31 December 2010:

- (a) the NZ Branch has complied with the conditions of registration imposed on it pursuant to section 74 of the Reserve Bank Act; and
- (b) the NZ Branch had systems in place to monitor and control adequately the NZ 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 Directors' Statement has been signed on behalf of the Directors by George Frazis, Chief Executive, Westpac New Zealand, and David McLean, in his personal capacity as Chief Executive Officer, NZ Branch.



George Frazis



David McLean

Dated this the 23rd day of February 2011

Consolidated financial statements

Contents	8	Consolidated income statement
	9	Consolidated statement of comprehensive income
	10	Consolidated statement of changes in equity
	11	Consolidated balance sheet
	12	Consolidated statement of cash flows
	13	Notes to the consolidated financial statements

Consolidated income statement for the three months ended 31 December 2010

	NZ Banking Group		
	Three Months Ended 31 December 2010 Unaudited \$m	Three Months Ended 31 December 2009 Unaudited \$m	Year Ended 30 September 2010 Audited \$m
	Note		
Interest income	1,027	989	3,972
Interest expense	(680)	(627)	(2,562)
Net interest income	347	362	1,410
Non-interest income:			
Fees and commissions	79	80	313
Wealth management revenue	20	21	88
Trading income	10	59	96
Gain on ineffective hedges	2	2	4
Other non-interest income	10	1	31
Total non-interest income	121	163	532
Net operating income	468	525	1,942
Operating expenses	(206)	(197)	(788)
Impairment charges on loans	(58)	(118)	(332)
Operating profit	204	210	822
Share of profit of associate accounted for using equity method	-	-	1
Profit before income tax expense	204	210	823
Income tax expense on operating profit	(60)	(57)	(248)
Income tax related to New Zealand structured finance transactions	-	188	188
Profit after income tax expense	144	341	763
Profit after income tax expense attributable to:			
Head office account and owners of the NZ Banking Group	143	340	760
Non-controlling interests	1	1	3
	144	341	763

The accompanying notes (numbered 1 to 15) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of comprehensive income for the three months ended 31 December 2010

	NZ Banking Group		
	Three Months Ended 31 December 2010 Unaudited \$m	Three Months Ended 31 December 2009 Unaudited \$m	Year Ended 30 September 2010 Audited \$m
Profit after income tax expense	144	341	763
Other comprehensive income:			
Net unrealised (losses)/gains from changes in fair value of available-for-sale securities	(5)	9	7
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	39	58	66
Transferred to the income statement	-	1	3
Actuarial losses on employee defined benefit superannuation schemes	-	-	(27)
Income tax relating to components of other comprehensive income ¹	(11)	(19)	(13)
Other comprehensive income net of tax	23	49	36
Total comprehensive income	167	390	799
Total comprehensive income attributable to:			
Head office account and owners of NZ Banking Group	166	389	796
Non-controlling interests	1	1	3
	167	390	799

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

Tax effects relating to each component of other comprehensive income

	NZ Banking Group		
	Before Tax Amount \$m	Tax (Expense)/ Benefit \$m	Net of Tax Amount \$m
For the three months ended 31 December 2010 (Unaudited)			
Net unrealised losses from changes in fair value of available-for-sale securities	(5)	-	(5)
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	39	(11)	28
Other comprehensive income	34	(11)	23
For the three months ended 31 December 2009 (Unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	9	-	9
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	58	(19)	39
Transferred to the income statement	1	-	1
Other comprehensive income	68	(19)	49
For the year ended 30 September 2010 (Audited)			
Net unrealised gains from changes in fair value of available-for-sale securities	7	-	7
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	66	(20)	46
Transferred to the income statement	3	(1)	2
Actuarial losses on employee defined benefit superannuation schemes	(27)	8	(19)
Other comprehensive income	49	(13)	36

The accompanying notes (numbered 1 to 15) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity for the three months ended 31 December 2010

NZ Banking Group

	Head Office Account		Convertible Debentures \$m	NZ Banking Group Equity				Total Before Non- controlling Interests \$m	Non- controlling Interests \$m	Total \$m
	Branch Capital \$m	Retained Profits \$m		Share Capital \$m	Retained Profits \$m	Cash Flow Hedge Reserve \$m	Available- for-sale Securities Reserve \$m			
Opening balance as at 1 October 2009	1,800	(408)	1,284	142	1,227	(165)	18	3,898	7	3,905
Three months ended 31 December 2009										
Profit after income tax expense	-	278	-	-	62	-	-	340	1	341
Other comprehensive income	-	-	-	-	-	40	9	49	-	49
Total comprehensive income for the three months ended 31 December 2009	-	278	-	-	62	40	9	389	1	390
Transactions with owners:										
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(3)	(3)
As at 31 December 2009 (Unaudited)	1,800	(130)	1,284	142	1,289	(125)	27	4,287	5	4,292
Year ended 30 September 2010										
Profit after income tax expense	-	370	-	-	390	-	-	760	3	763
Other comprehensive (expense)/income	-	-	-	-	(19)	48	7	36	-	36
Total comprehensive income for the year ended 30 September 2010	-	370	-	-	371	48	7	796	3	799
Transactions with owners:										
Share capital cancellation ¹	-	-	-	(3)	1	-	-	(2)	-	(2)
Repatriation of Branch Capital to the Overseas Bank ²	(500)	-	-	-	-	-	-	(500)	-	(500)
Dividends paid on convertible debentures (net of tax)	-	(70)	-	-	-	-	-	(70)	-	(70)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)
As at 30 September 2010 (Audited)	1,300	(108)	1,284	139	1,599	(117)	25	4,122	6	4,128
Three months ended 31 December 2010										
Profit after income tax expense	-	68	-	-	75	-	-	143	1	144
Other comprehensive income/(expense)	-	-	-	-	-	28	(5)	23	-	23
Total comprehensive income/ (expense) for the three months ended 31 December 2010	-	68	-	-	75	28	(5)	166	1	167
As at 31 December 2010 (Unaudited)	1,300	(40)	1,284	139	1,674	(89)	20	4,288	7	4,295

1 During the year ended 30 September 2010 BLE Capital (NZ) Limited was liquidated resulting in the cancellation of \$3 million of ordinary share capital and the elimination of \$1 million of accumulated losses.

2 The NZ Branch repatriated \$500 million of capital to the Overseas Bank on 21 June 2010.

The accompanying notes (numbered 1 to 15) form part of, and should be read in conjunction with, these financial statements.

Consolidated balance sheet as at 31 December 2010

		NZ Banking Group		
	Note	31 December 2010 Unaudited \$m	31 December 2009 Unaudited \$m	30 September 2010 Audited \$m
Assets				
Cash and balances with central banks		2,111	1,632	1,570
Due from other financial institutions		528	422	36
Derivative financial instruments		4,646	4,834	5,685
Trading securities and other financial assets designated at fair value	3	5,105	5,520	5,630
Available-for-sale securities		40	46	44
Loans	4, 5	56,873	55,849	56,738
Life insurance assets		139	121	133
Due from related entities		2,023	2,611	1,555
Investment in associate		48	48	48
Goodwill and other intangible assets		609	623	615
Property, plant and equipment		134	99	127
Current tax assets		26	-	-
Deferred tax assets		326	392	405
Other assets		219	215	197
Total assets		72,827	72,412	72,783
Liabilities				
Due to other financial institutions		771	1,055	794
Deposits at fair value	6	2,466	2,838	2,453
Deposits at amortised cost	6	36,327	33,839	35,567
Derivative financial instruments		4,475	5,121	5,501
Trading liabilities and other financial liabilities designated at fair value	7	435	990	239
Debt issues	8	15,461	15,770	15,439
Current tax liabilities		-	25	52
Provisions		76	92	102
Other liabilities		645	731	686
Total liabilities excluding subordinated debentures and due to related entities		60,656	60,461	60,833
Subordinated debentures		753	773	819
Total liabilities excluding due to related entities		61,409	61,234	61,652
Due to related entities		7,123	6,886	7,003
Total liabilities		68,532	68,120	68,655
Net assets		4,295	4,292	4,128
Equity				
Head office account				
Branch capital		1,300	1,800	1,300
Accumulated losses		(40)	(130)	(108)
Total head office account		1,260	1,670	1,192
Convertible debentures		1,284	1,284	1,284
NZ Banking Group equity				
Ordinary share capital		139	142	139
Retained profits		1,674	1,289	1,599
Cash flow hedge reserve		(89)	(125)	(117)
Available-for-sale securities reserve		20	27	25
Total equity attributable to owners of the NZ Banking Group		1,744	1,333	1,646
Non-controlling interests		7	5	6
Total equity		4,295	4,292	4,128
Interest earning and discount bearing assets		64,871	63,238	64,650
Interest and discount bearing liabilities		58,660	57,491	57,824

The accompanying notes (numbered 1 to 15) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows for the three months ended 31 December 2010

	NZ Banking Group		
	Three Months Ended 31 December 2010 Unaudited \$m	Three Months Ended 31 December 2009 Unaudited \$m	Year Ended 30 September 2010 Audited \$m
Cash flows from operating activities			
Interest income received	1,032	992	3,958
Interest expense paid	(648)	(639)	(2,522)
Non-interest income received	136	149	497
Net decrease in trading securities and other financial assets designated at fair value	512	139	60
Net increase/(decrease) in trading liabilities and other financial liabilities designated at fair value	109	(1,782)	(2,456)
Net increase/(decrease) in derivative financial instruments	50	(296)	(757)
Operating expenses paid	(216)	(191)	(714)
Income tax paid	(61)	(314)	(465)
Net cash provided by/(used in) operating activities	914	(1,942)	(2,399)
Cash flows from investing activities			
Net loans advanced to customers	(194)	(375)	(1,488)
Net increase in life insurance assets	(6)	(8)	(20)
Net (increase)/decrease in due from related entities	(468)	148	1,204
Net (increase)/decrease in other assets	(33)	38	70
Purchase of capitalised computer software	(6)	(10)	(35)
Purchase of property, plant and equipment	(12)	(14)	(58)
Proceeds from disposal of property, plant and equipment	-	2	1
Net cash used in investing activities	(719)	(219)	(326)
Cash flows from financing activities			
Share capital cancellation	-	-	(3)
Branch capital repatriated to the Overseas Bank	-	-	(500)
Net increase in deposits	773	265	1,608
Net proceeds from debt issues	22	3,401	3,070
Net increase/(decrease) in due to related entities	119	(1,788)	(1,671)
Net (decrease)/increase in other liabilities and subordinated debentures	(53)	129	(19)
Dividends paid on convertible debentures	-	-	(100)
Dividends paid on ordinary shares	-	(3)	(4)
Net cash provided by financing activities	861	2,004	2,381
Net increase/(decrease) in cash and cash equivalents	1,056	(157)	(344)
Cash and cash equivalents at beginning of the period/year	812	1,156	1,156
Cash and cash equivalents at end of the period/year	1,868	999	812
Cash and cash equivalents comprise:			
Cash and balances with central banks	2,111	1,632	1,570
Due to other financial institutions – at call (net)	(243)	(633)	(758)
	1,868	999	812
Reconciliation of profit after income tax expense to net cash provided by/(used in) operating activities			
Profit after income tax expense	144	341	763
Adjustments:			
Software amortisation costs	12	10	43
Impairment charges on loans	58	118	332
Depreciation on property, plant and equipment	5	7	24
Share-based payments	1	1	2
Movement in accrued assets	(3)	2	(32)
Movement in accrued liabilities and provisions	1	(21)	60
Movement in current and deferred tax	(8)	(453)	(441)
Tax on convertible debentures dividends	7	8	30
Movement in trading securities and other financial assets designated at fair value	538	128	38
Movement in trading liabilities and other financial liabilities designated at fair value	109	(1,787)	(2,461)
Movement in derivative financial instruments	50	(296)	(757)
Net cash provided by/(used in) operating activities	914	(1,942)	(2,399)

The accompanying notes (numbered 1 to 15) form part of, and should be read in conjunction with, these financial statements.

Notes to the consolidated financial statements

Note 1 Statement of accounting policies

Statutory base

These 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 General Disclosure Statement for the year ended 30 September 2010.

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 2010, the following standards, interpretations and amendments have been adopted with effect from 1 October 2010 in the preparation of these financial statements:

- New Zealand equivalent to International Financial Reporting Standard ('**NZ IFRS**') 2 *Share-based Payment – Amendment: Group Cash-settled Share-based Payment Transactions* – The amendments clarify the scope of NZ IFRS 2 *Share-based Payment* by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.
- NZ IAS 1 *Presentation of Financial Statements* (revised) – The amendments clarify that the terms of a liability, which could be settled at any time by the issuance of equity instruments at the option of the counterparty, do not affect its classification.
- NZ IAS 7 *Statement of Cash Flows* – The amendments clarify that only expenditure which results in a recognised asset can be classified as cash flows from investing activities.
- NZ IAS 17 *Leases* – The amendment has removed specific guidance on classifying land as a lease.
- NZ IAS 32 *Financial Instruments: Presentation* – The amendments clarify the classification of rights issues.

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

In these financial statements reference is made to the following reporting groups:

- Westpac Banking Corporation Group (otherwise referred to as the '**Overseas Banking Group**') – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities;
- Westpac Banking Corporation (otherwise referred to as the '**Overseas Bank**') – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities;
- Westpac Banking Corporation New Zealand Division (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation including those entities whose business is required to be reported in the financial statements of the Overseas Banking Group's New Zealand business; and
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

These financial statements were authorised for issue by the Board on 23 February 2011. 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 fair value accounting for available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts. The going concern concept and the accruals 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 2010, 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 above.

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

Basis of aggregation

The NZ Banking Group as at 31 December 2010 has been aggregated by combining the sum of the capital and reserves of the NZ Branch, Hastings Forestry Investments Limited, St. George New Zealand Limited and the consolidated capital and reserves of BT Financial Group (NZ) Limited, Westpac Financial Services Group-NZ-Limited, Westpac Group Investment-NZ-Limited, Westpac New Zealand Group Limited and their controlled entities. For New Zealand entities acquired by the Overseas Banking Group, capital and reserves at acquisition are netted and recognised as capital contributed to the NZ Banking Group.

The NZ Banking Group may invest in or establish special purpose vehicles to enable it to undertake specific types of transactions. Where the NZ Banking Group controls such vehicles, they are consolidated into the NZ Banking Group's financial results.

All transactions and balances between entities within the NZ Banking Group have been eliminated.

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 NZ Banking Group. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Notes to the consolidated financial statements

Note 2 Impairment charges on loans

	NZ Banking Group			Total \$m
	Residential Mortgages \$m	Other Loans for Consumer Purposes \$m	Loans for Business Purposes \$m	
Three months ended 31 December 2010 (Unaudited)				
Collectively assessed provisions	(2)	-	-	(2)
Individually assessed provisions	23	-	34	57
Bad debt write-off direct to the income statement	1	11	3	15
Interest adjustments	(2)	(4)	(6)	(12)
Total impairment charges on loans	20	7	31	58
Three months ended 31 December 2009 (Unaudited)				
Collectively assessed provisions	32	49	(27)	54
Individually assessed provisions	23	-	34	57
Bad debt write-off direct to the income statement	2	14	3	19
Interest adjustments	(1)	(3)	(8)	(12)
Total impairment charges on loans	56	60	2	118
Year ended 30 September 2010 (Audited)				
Collectively assessed provisions	38	44	(76)	6
Individually assessed provisions	83	-	226	309
Bad debt write-off direct to the income statement	9	54	6	69
Interest adjustments	(5)	(18)	(29)	(52)
Total impairment charges on loans	125	80	127	332

Note 3 Trading securities and other financial assets designated at fair value

	NZ Banking Group		
	31 December 2010 Unaudited \$m	31 December 2009 Unaudited \$m	30 September 2010 Audited \$m
Trading securities			
Listed:			
NZ Government securities	2,737	2,541	1,955
NZ corporate securities	23	11	46
Total listed securities	2,760	2,552	2,001
Unlisted:			
NZ corporate securities:			
Certificates of deposit	1,683	2,529	3,046
Commercial paper	128	106	204
Corporate bonds	118	51	97
Mortgage-backed securities	9	-	9
Offshore securities	21	-	28
Total unlisted securities	1,959	2,686	3,384
Securities purchased under agreement to resell	386	282	245
Total trading securities	5,105	5,520	5,630
Other financial assets designated at fair value	-	-	-
Total trading securities and other financial assets designated at fair value	5,105	5,520	5,630

As at 31 December 2010 the NZ Banking Group had \$147 million (31 December 2009: \$112 million, 30 September 2010: \$20 million) of trading securities that were encumbered through repurchase agreements as part of standard terms of transactions with other banks.

Note 4 Loans

	NZ Banking Group		
	31 December 2010 Unaudited \$m	31 December 2009 Unaudited \$m	30 September 2010 Audited \$m
Overdrafts	1,181	1,248	1,237
Credit card outstandings	1,305	1,240	1,250
Money market loans	926	988	879
Term loans:			
Housing	34,223	32,970	34,143
Non-housing	19,240	19,304	18,930
Other	832	802	1,129
Total gross loans	57,707	56,552	57,568
Provisions for impairment charges on loans	(834)	(703)	(830)
Total net loans	56,873	55,849	56,738

Notes to the consolidated financial statements

Note 4 Loans (continued)

The repurchase cash amount of the NZ Banking Group's repurchase agreements with the Reserve Bank using residential mortgage-backed securities as at 31 December 2010 was nil (31 December 2009: \$601 million, 30 September 2010: nil), with no underlying securities (31 December 2009: \$716 million, 30 September 2010: nil) provided under this arrangement.

Movements in impaired assets and provisions for impairment charges on loans are outlined in Note 5.

Note 5 Credit quality, impaired assets and provisions for impairment charges on loans

	NZ Banking Group			
	Three months ended 31 December 2010 (Unaudited)			
	Residential Mortgages \$m	Other Loans for Consumer Purposes \$m	Loans for Business Purposes \$m	Total \$m
Total neither past due nor impaired	32,586	1,628	20,192	54,406
Past due assets 1 to 89 days¹				
Balance at beginning of the period	1,111	137	580	1,828
Additions	1,752	202	913	2,867
Deletions	(1,562)	(208)	(791)	(2,561)
Balance at end of the period	1,301	131	702	2,134
Past due assets 90+ days^{1, 2}				
Balance at beginning of the period	97	20	280	397
Additions	120	15	72	207
Deletions	(85)	(16)	(145)	(246)
Balance at end of the period	132	19	207	358
Total past due assets¹	1,433	150	909	2,492
Individually impaired assets²				
Balance at beginning of the period	302	-	588	890
Additions	44	-	102	146
Amounts written off	(17)	-	(41)	(58)
Returned to performing or repaid	(125)	-	(44)	(169)
Balance at end of the period	204	-	605	809
Restructured assets²				
Balance at beginning of the period	-	-	-	-
Additions	-	-	-	-
Deletions	-	-	-	-
Balance at end of the period	-	-	-	-
Total impaired assets	204	-	605	809
Total gross loans^{3, 4}	34,223	1,778	21,706	57,707
Individually assessed provisions				
Balance at beginning of the period	80	-	276	356
Impairment charges on loans:				
New provisions	29	-	37	66
Recoveries	(6)	-	(3)	(9)
Impairment charges on loan written off	(14)	-	(38)	(52)
Balance at end of the period	89	-	272	361
Collectively assessed provisions				
Balance at beginning of the period	80	104	332	516
Impairment charges on loans	(2)	-	-	(2)
Balance at end of the period	78	104	332	514
Total provisions for impairment charges on loans and credit commitments	167	104	604	875
Less: Provisions for impairment charges on credit commitments	-	-	(41)	(41)
Total provisions for impairment charges on loans	167	104	563	834
Total net loans	34,056	1,674	21,143	56,873

1 Past due assets are not impaired assets under NZ IFRS.

2 The NZ Banking Group and the NZ Branch do not have undrawn balances on past due 90+ days, individually impaired or restructured assets.

3 The NZ Banking Group's policy is to not forgo interest on individually impaired, restructured or past due assets.

4 The NZ Banking Group does not have other assets under administration or any financial, real estate or other assets acquired through security enforcement.

Notes to the consolidated financial statements

Note 5 Credit quality, impaired assets and provisions for impairment charges on loans (continued)

NZ Banking Group				
Three months ended 31 December 2009 (Unaudited)				
	Residential Mortgages \$m	Other Loans for Consumer Purposes \$m	Loans for Business Purposes \$m	Total \$m
Total neither past due nor impaired	31,545	1,485	20,564	53,594
Past due assets 1 to 89 days¹				
Balance at beginning of the period	850	131	426	1,407
Additions	1,437	210	1,052	2,699
Deletions	(1,307)	(203)	(684)	(2,194)
Balance at end of the period	980	138	794	1,912
Past due assets 90+ days^{1, 2}				
Balance at beginning of the period	88	26	232	346
Additions	72	20	59	151
Deletions	(69)	(21)	(52)	(142)
Balance at end of the period	91	25	239	355
Total past due assets¹	1,071	163	1,033	2,267
Individually impaired assets²				
Balance at beginning of the period	351	-	324	675
Additions	104	-	208	312
Amounts (written off)/recoveries	(19)	-	8	(11)
Returned to performing or repaid	(82)	-	(203)	(285)
Balance at end of the period	354	-	337	691
Restructured assets²				
Balance at beginning of the period	-	-	1	1
Additions	-	-	-	-
Deletions	-	-	(1)	(1)
Balance at end of the period	-	-	-	-
Total impaired assets	354	-	337	691
Total gross loans^{3, 4}	32,970	1,648	21,934	56,552
Individually assessed provisions				
Balance at beginning of the period	66	-	86	152
Impairment charges on loans:				
New provisions	30	-	36	66
Recoveries	(7)	-	(2)	(9)
Impairment charges on loan written off	(17)	-	(2)	(19)
Balance at end of the period	72	-	118	190
Collectively assessed provisions				
Balance at beginning of the period	42	60	408	510
Impairment charges on loans	32	49	(27)	54
Balance at end of the period	74	109	381	564
Total provisions for impairment charges on loans and credit commitments	146	109	499	754
Less: Provisions for impairment charges on credit commitments	-	-	(51)	(51)
Total provisions for impairment charges on loans	146	109	448	703
Total net loans	32,824	1,539	21,486	55,849

1 Past due assets are not impaired assets under NZ IFRS.

2 The NZ Banking Group and the NZ Branch do not have undrawn balances on past due 90+ days, individually impaired or restructured assets.

3 The NZ Banking Group's policy is to not forgo interest on individually impaired, restructured or past due assets.

4 The NZ Banking Group does not have other assets under administration or any financial, real estate or other assets acquired through security enforcement.

Notes to the consolidated financial statements

Note 5 Credit quality, impaired assets and provisions for impairment charges on loans (continued)

NZ Banking Group				
Year ended 30 September 2010 (Audited)				
	Residential Mortgages \$m	Other Loans for Consumer Purposes \$m	Loans for Business Purposes \$m	Total \$m
Total neither past due nor impaired	32,633	1,565	20,255	54,453
Past due assets 1 to 89 days¹				
Balance at beginning of the year	850	131	426	1,407
Additions	5,981	835	3,256	10,072
Deletions	(5,720)	(829)	(3,102)	(9,651)
Balance at end of the year	1,111	137	580	1,828
Past due assets 90+ days^{1, 2}				
Balance at beginning of the year	88	26	232	346
Additions	296	74	551	921
Deletions	(287)	(80)	(503)	(870)
Balance at end of the year	97	20	280	397
Total past due assets¹	1,208	157	860	2,225
Individually impaired assets²				
Balance at beginning of the year	351	-	324	675
Additions	383	-	593	976
Amounts written off	(78)	-	(54)	(132)
Returned to performing or repaid	(354)	-	(275)	(629)
Balance at end of the year	302	-	588	890
Restructured assets²				
Balance at beginning of the year	-	-	1	1
Additions	-	-	-	-
Deletions	-	-	(1)	(1)
Balance at end of the year	-	-	-	-
Total impaired assets	302	-	588	890
Total gross loans^{3, 4}	34,143	1,722	21,703	57,568
Individually assessed provisions				
Balance at beginning of the year	66	-	86	152
Impairment charges on loans:				
New provisions	105	-	255	360
Recoveries	(22)	-	(29)	(51)
Impairment charges on loan written off	(69)	-	(36)	(105)
Balance at end of the year	80	-	276	356
Collectively assessed provisions				
Balance at beginning of the year	42	60	408	510
Impairment charges on loans	38	44	(76)	6
Balance at end of the year	80	104	332	516
Total provisions for impairment charges on loans and credit commitments	160	104	608	872
Less: Provisions for impairment charges on credit commitments	-	-	(42)	(42)
Total provisions for impairment charges on loans	160	104	566	830
Total net loans	33,983	1,618	21,137	56,738

1 Past due assets are not impaired assets under NZ IFRS.

2 The NZ Banking Group and the NZ Branch do not have undrawn balances on past due 90+ days, individually impaired or restructured assets.

3 The NZ Banking Group's policy is to not forgo interest on individually impaired, restructured or past due assets.

4 The NZ Banking Group does not have other assets under administration or any financial, real estate or other assets acquired through security enforcement.

Notes to the consolidated financial statements

Note 6 Deposits

	NZ Banking Group		
	31 December 2010 Unaudited \$m	31 December 2009 Unaudited \$m	30 September 2010 Audited \$m
Deposits at fair value			
Certificates of deposit	1,939	2,440	1,902
Term deposits	527	398	551
Total deposits at fair value	2,466	2,838	2,453
Deposits at amortised cost			
Non-interest bearing deposits, repayable at call	2,767	2,596	2,515
Other interest bearing deposits:			
At call	13,388	13,892	13,221
Term	20,172	17,351	19,831
Total deposits at amortised cost	36,327	33,839	35,567
Total deposits	38,793	36,677	38,020

The NZ Branch held no retail deposits from individuals as at 31 December 2010 (31 December 2009: nil, 30 September 2010: nil).

Note 7 Trading liabilities and other financial liabilities designated at fair value

	NZ Banking Group		
	31 December 2010 Unaudited \$m	31 December 2009 Unaudited \$m	30 September 2010 Audited \$m
Held for trading			
Securities sold short	288	277	219
Securities sold under agreements to repurchase	147	713	20
Total trading liabilities	435	990	239
Other financial liabilities designated at fair value	-	-	-
Total trading liabilities and other financial liabilities designated at fair value	435	990	239

Note 8 Debt issues

	NZ Banking Group		
	31 December 2010 Unaudited \$m	31 December 2009 Unaudited \$m	30 September 2010 Audited \$m
Short-term debt			
Commercial paper	6,953	8,488	6,546
Total short-term debt	6,953	8,488	6,546
Long-term debt			
Euro medium-term notes	6,318	5,764	6,711
Domestic medium-term notes	2,190	1,518	2,182
Total long-term debt	8,508	7,282	8,893
Total debt issues	15,461	15,770	15,439
Government guaranteed debt ¹	4,041	4,113	4,141
Non-government guaranteed debt	11,420	11,657	11,298
Total debt issues	15,461	15,770	15,439
Debt issues at amortised cost	8,508	7,282	8,893
Debt issues at fair value	6,953	8,488	6,546
Total debt issues	15,461	15,770	15,439
Movement in debt issues			
Balance at beginning of the period/year	15,439	12,369	12,369
Issuance during the period/year	3,600	8,150	22,867
Repayments during the period/year	(3,578)	(4,749)	(19,797)
Balance at end of the period/year	15,461	15,770	15,439

¹ For further information on government guaranteed debt please refer to Guarantee arrangements on page 3.

Notes to the consolidated financial statements

Note 9 Related entities

Westpac NZ Covered Bond Holdings Limited ('WNZCBHL') and its wholly-owned subsidiary company, Westpac NZ Covered Bond Limited ('WNZCBL'), were incorporated on 22 November 2010. The NZ Banking Group, through two of its subsidiaries, Westpac NZ Operations Limited and Westpac Holdings-NZ-Limited, has a qualifying interest of 19% in WNZCBHL. As a consequence of the contractual arrangements in place both WNZCBHL and WNZCBL are consolidated into the financial statements of the NZ Banking Group.

There have been no other changes to the composition of the NZ Banking Group since the publication of the NZ Branch's General Disclosure Statement for the year ended 30 September 2010.

The total liabilities of the NZ Branch, net of amounts due to related entities as at 31 December 2010 amounted to \$11,293 million (31 December 2009: \$11,718 million, 30 September 2010: \$12,303 million).

Note 10 Commitments and contingent liabilities

	NZ Banking Group		
	31 December 2010 Unaudited \$m	31 December 2009 Unaudited \$m	30 September 2010 Audited \$m
Commitments for capital expenditure			
Due within one year	22	13	30
Other expenditure commitments are due as follows:			
One year or less	68	68	88
Between one and five years	71	135	109
Over five years	4	4	4
Total other expenditure commitments	143	207	201
Lease commitments (all leases are classified as operating leases)			
Premises and sites	198	197	205
Motor vehicles	6	4	6
Total lease commitments	204	201	211
Lease commitments are due as follows:			
One year or less	46	38	43
Between one and five years	88	83	94
Over five years	70	80	74
Total lease commitments	204	201	211
Other contingent liabilities and commitments			
Direct credit substitutes	330	307	319
Loan commitments with certain drawdown	142	237	105
Transaction related contingent items	681	647	665
Underwriting and sub-underwriting facilities	57	-	-
Short-term, self liquidating trade related contingent liabilities	798	762	892
Other commitments to provide financial services which have an original maturity of one year or more	9,553	9,673	9,246
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	6,883	5,797	6,722
Total other contingent liabilities and commitments	18,444	17,423	17,949

The NZ Banking Group is a party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers and in managing its own risk profile. These financial instruments include commitments to extend credit, financial guarantees, standby letters of credit and underwriting facilities.

The NZ Banking Group's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract or notional amount of those instruments. However, some commitments to extend credit and provide underwriting facilities can be cancelled or revoked at any time at the NZ Banking Group's option.

The NZ Banking Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments.

The NZ Banking Group takes collateral where it is considered necessary to support, both on and off-balance sheet, financial instruments with credit risk. The NZ Banking Group evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, on the provision of a financial facility is based on management's credit evaluation of the counterparty. The collateral taken varies, but may include cash deposits, receivables, inventory, plant and equipment, real estate and investments.

The NZ Banking Group is obliged to repurchase securitised loans:

- held by the Westpac Home Loan Trust ('HLT') where it is discovered within 120 days of sale that those loans were not eligible for sale when sold;
- held by the Westpac NZ Securitisation Limited securitisation programme where the securitised loans cease to conform to certain terms and conditions of the Westpac NZ Securitisation Limited securitisation programme;

Notes to the consolidated financial statements

Note 10 Commitments and contingent liabilities (continued)

- (c) held by WNZCBL (pursuant to the Westpac Securities NZ Limited Global Covered Bond Programme) where:
- (i) it is discovered that there has been a material breach of a sale warranty (or any such sale warranty is materially untrue);
 - (ii) the securitised loan becomes materially impaired or is enforced prior to the second monthly covered bond payment date falling after the assignment of such securitised loan; or
 - (iii) at the cut-off date relating to the securitised loan there were arrears of interest and that securitised loan subsequently becomes a delinquent loan prior to the second monthly covered bond payment date falling after the assignment of the securitised loan.

It is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from these obligations.

Westpac New Zealand guarantees commercial paper and other debt securities issued by its wholly owned subsidiary Westpac Securities NZ Limited, the proceeds of which, in accordance with Reserve Bank guidelines, are immediately on-lent to Westpac New Zealand. Guarantees outstanding as at 31 December 2010 were New Zealand dollar equivalent \$13,225 million (31 December 2009: \$13,654 million, 30 September 2010: \$13,114 million).

Other contingent liabilities

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ Banking Group's likely loss in respect of these claims has been made on a case-by-case basis and provision has been made in these financial statements, where appropriate.

On 23 December 2009 the NZ Banking Group reached a settlement with the New Zealand Commissioner of Inland Revenue ('CIR') of the previously reported proceedings relating to nine structured finance transactions undertaken between 1998 and 2002. Under the settlement, the NZ Banking Group agreed to pay the CIR 80% of the full amount of primary tax and interest and with no imposition of penalties. All proceedings have been discontinued and the other terms of the settlement are subject to confidentiality. The NZ Banking Group provided in full for the primary tax and interest claimed by the CIR as part of its 2009 result, and consequently there has been a write back through income tax expense in the year ended 30 September 2010.

Westpac (NZ) Investments Limited, a subsidiary of Westpac New Zealand, leases the majority of the properties occupied by the NZ Banking Group. As is normal practice, the lease agreements contain 'make good' provisions, which require Westpac (NZ) Investments Limited, upon termination of a lease, to return the premises to the lessor in the original condition. The maximum amount payable by Westpac (NZ) Investments Limited upon vacation of all leased premises subject to these provisions as at 31 December 2010 was estimated to be \$22 million (31 December 2009: \$22 million, 30 September 2010: \$22 million). No amount has been recognised for the \$22 million in estimated maximum vacation payments as the NZ Banking Group believes it is highly unlikely that Westpac (NZ) Investments Limited would incur a material operating loss as a result of such 'make good' provisions in the normal course of its business operations.

Other commitments

As at 31 December 2010, the NZ Banking Group had commitments in respect of forward purchases and sales of foreign currencies, interest rate and currency swap transactions, futures and options contracts, provision of credit, underwriting facilities and other arrangements entered into in the normal course of business. The NZ Banking Group has management systems and operational controls in place to manage interest rate, currency and credit risk. Accordingly, it is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from these transactions.

Note 11 Segment information

The NZ Banking Group operates predominantly in the consumer banking, business banking 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 NZ 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 an arm's length basis.

The basis used in identifying segment categories reflects the key revenue earning sectors that the NZ Banking Group operates in New Zealand and aligns with internal reporting to key management personnel.

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

The NZ Banking Group's operating segments are defined by the customers they serve and the services they provide. The NZ Banking Group has identified the following main operating segments:

- Business Banking provides financial services for small to medium size enterprise customers, corporates and agricultural businesses. Business Banking also provides domestic transactional banking to the New Zealand Government;
- Retail Banking provides financial services for private individuals;
- Wealth provides financial services for high net worth individuals, funds management and insurance distribution; and
- Institutional Banking provides a broad range of financial services to large corporate, institutional and government customers and the supply of derivatives and risk management products to the entire Westpac customer base in New Zealand.

Retail Banking and Wealth have been aggregated and disclosed as the Consumer Banking reportable segment. Business Banking and Institutional Banking are separately reportable segments.

Reconciling items primarily represent:

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

Notes to the consolidated financial statements

Note 11 Segment information (continued)

	NZ Banking Group				Total \$m
	Business Banking \$m	Consumer Banking \$m	Institutional Banking \$m	Reconciling Items \$m	
Three months ended 31 December 2010 (Unaudited)					
Revenue from external customers ¹	477	872	168	(369)	1,148
Internal revenue	1	-	(1)	-	-
Total segment revenue	478	872	167	(369)	1,148
Profit before income tax expense	82	172	53	(103)	204
Income tax expense	(25)	(50)	(16)	31	(60)
Profit after income tax expense	57	122	37	(72)	144
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	57	121	37	(72)	143
Non-controlling interests	-	1	-	-	1
	57	122	37	(72)	144
Total gross loans	21,039	29,980	6,966	(278)	57,707
Total deposits	9,509	21,715	5,103	2,466	38,793
Three months ended 31 December 2009 (Unaudited)					
Revenue from external customers ¹	344	587	192	29	1,152
Internal revenue	-	-	55	(55)	-
Total segment revenue	344	587	247	(26)	1,152
Profit before income tax expense	91	71	63	(15)	210
Income tax expense	(28)	(20)	(19)	198	131
Profit after income tax expense	63	51	44	183	341
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	63	50	44	183	340
Non-controlling interests	-	1	-	-	1
	63	51	44	183	341
Total gross loans	20,679	28,830	7,320	(277)	56,552
Total deposits	8,941	20,249	4,649	2,838	36,677
Year ended 30 September 2010 (Audited)					
Revenue from external customers ¹	1,773	3,318	638	(1,225)	4,504
Internal revenue	3	2	(4)	(1)	-
Total segment revenue	1,776	3,320	634	(1,226)	4,504
Profit before income tax expense	271	558	235	(241)	823
Income tax expense	(82)	(156)	(72)	250	(60)
Profit after income tax expense	189	402	163	9	763
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	189	399	163	9	760
Non-controlling interests	-	3	-	-	3
	189	402	163	9	763
Total gross loans	20,995	29,811	6,910	(148)	57,568
Total deposits	9,410	21,066	5,091	2,453	38,020

¹ Revenue from external customers comprises interest income and non-interest income.

Note 12 Insurance business

The NZ Banking Group conducts an insurance business through its controlled entity, Westpac Life-NZ-Limited. Its primary insurance activities are the development, underwriting and management of products under life insurance legislation which provide insurance cover against the risks of death and disability. It also manages a fire and general insurance agency arrangement and underwrites some redundancy and bankruptcy risks. The insurance business comprises less than one percent of the total assets of the NZ Banking Group.

The following table presents the aggregate amount of the NZ Banking Group's insurance business as at balance date:

	NZ Banking Group		
	31 December 2010 Unaudited \$m	31 December 2009 Unaudited \$m	30 September 2010 Audited \$m
Total assets	132	123	125
As a percentage of total assets of the NZ Banking Group	0.18%	0.17%	0.17%

The Overseas Bank does not conduct any insurance or non-financial activities in New Zealand outside of the NZ Banking Group.

Notes to the consolidated financial statements

Note 13 Capital adequacy

	31 December 2010 Unaudited %	31 December 2009 Unaudited %
Overseas Banking Group¹		
Tier One Capital ratio	9.2	8.5
Total Capital ratio	10.5	11.1
Overseas Bank (Extended Licensed Entity)¹		
Tier One Capital ratio	9.4	10.2
Total Capital ratio	11.2	12.7

¹ The capital ratios represent information mandated by APRA.

Basel II came into effect on 1 January 2008. The Overseas Banking 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 the Basel II (internal models based) approach. With this accreditation the Overseas Banking 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 Overseas Banking Group's website (www.westpac.com.au). The aim is to allow the market to better assess the Overseas Banking Group's risk and reward assessment process and hence increase the scrutiny on these processes.

The Overseas Banking Group, and the Overseas Bank (Extended Licensed Entity) as defined by APRA, exceeded the minimum capital adequacy requirements as specified by APRA as at 31 December 2010. APRA specifies a minimum prudential capital ratio for the Overseas Banking Group, which is not made publicly available.

The Overseas Banking Group's approach seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalised as an ADI. The Overseas Banking Group considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans.

The Overseas Banking Group evaluates these considerations through an Internal Capital Adequacy Assessment Process, the key features of which include:

- the development of a capital management strategy including target capital ratios, capital buffers and contingency plans which guide the development of specific capital plans;
- consideration of both economic (calibrated to the Overseas Banking Group's AA debt rating) and regulatory capital driven requirements;
- a process which challenges the capital measures, coverage and requirements which incorporate a comparison of economic and regulatory requirements and the use of the Quantitative Scenario Analysis (stress testing) framework that considers amongst others, the impact of adverse economic scenarios that threaten the achievement of planned outcomes; and
- consideration of the perspectives of external stakeholders such as regulators, rating agencies and equity investors.

Current market conditions and the uncertainty around responses to the global financial crisis require the Overseas Banking Group to maintain conservative levels of capital.

Note 14 Risk management

There have been no material changes to the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed since the signing of the NZ Branch's General Disclosure Statement for the year ended 30 September 2010.

14.1 Credit risk

Risk-weighted exposures

The following risk-weighted exposures are derived in accordance with the Reserve Bank's Capital Adequacy Framework ('Framework') as required by the Order.

On-balance sheet non-risk-weighted assets consist of market related contracts (derivatives) and intangible assets. These items have been excluded from the calculation of on-balance sheet risk-weighted exposures in accordance with the Framework. Derivatives have been included in the table of off-balance sheet exposures for the purposes of risk-weighting.

Securitised mortgages in non-consolidated entities are excluded from the balance sheet, but are included in the New Zealand risk-adjusted exposures as required by the Framework.

The current exposure method has been used to calculate the credit equivalent of all market related contracts.

The NZ Banking Group and the NZ Branch's credit risk management practices as disclosed in this note are consistent with the Overseas Banking Group's practices. The Overseas Banking Group is accredited to apply the Advanced IRB and AMA methodologies under Basel II. However, under the Order, the NZ Banking Group and the NZ Branch are required to disclose capital under the Basel I approach as outlined in the tables below.

Notes to the consolidated financial statements

Note 14 Risk management (continued)

Calculation of on-balance sheet exposures

	NZ Banking Group		
	31 December 2010 (Unaudited)		
	Principal Amount \$m	Risk Weighting	Risk-weighted Exposure \$m
Cash and short-term claims on government	4,974	0%	-
Long-term claims on government	294	10%	29
Claims on banks	2,220	20%	444
Claims on public sector entities	229	20%	46
Residential mortgages	34,179	50%	17,090
Other assets	23,514	100%	23,514
Non-risk-weighted assets	7,417		
Total on-balance sheet exposures	72,827		41,123

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	379	50%	190
Total off-balance sheet securitised mortgage exposures	379		190

Calculation of off-balance sheet and derivative exposures

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk-weighted Exposure \$m
Direct credit substitutes					
Standby letters of credit and financial guarantees	330	100%	330	84%	277
Total direct credit substitutes	330		330		277
Commitments					
Loan commitments with certain drawdown	142	100%	142	50%	71
Transaction related contingent items	681	50%	341	91%	311
Underwriting and sub-underwriting facilities	57	50%	29	100%	29
Short-term, self liquidating trade related contingent liabilities	798	20%	160	100%	160
Other commitments to provide financial services which have an original maturity of one year or more	9,553	50%	4,777	0%	-
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	6,883	0%	-	0%	-
Total commitments	18,114		5,449		571
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	52,579		1,673	32%	527
Swaps	49,440		3,275	21%	688
Interest rate contracts:					
Forwards	2,850		1	0%	-
Futures	12,230		-	0%	-
Options	1,717		11	45%	5
Swaps	223,153		4,758	29%	1,359
Total market related contracts (derivatives)	341,969		9,718		2,579
Total off-balance sheet and derivative exposures	360,413		15,497		3,427
Total risk-weighted exposures					44,740

Notes to the consolidated financial statements

Note 14 Risk management (continued)

Calculation of on-balance sheet exposures

	NZ Branch		
	31 December 2010 (Unaudited)		
	Principal Amount \$m	Risk Weighting	Risk-weighted Exposure \$m
Cash and short-term claims on government	2,597	0%	-
Long-term claims on government	294	10%	29
Claims on banks	1,031	20%	206
Claims on public sector entities	82	20%	16
Other assets	9,822	100%	9,822
Non-risk-weighted assets	8,029		
Total on-balance sheet exposures	21,855		10,073

Calculation of off-balance sheet and derivative exposures

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk-weighted Exposure \$m
Direct credit substitutes					
Standby letters of credit and financial guarantees	276	100%	276	80%	221
Total direct credit substitutes	276		276		221
Commitments					
Transaction related contingent items	424	50%	212	86%	182
Underwriting and sub-underwriting facilities	57	50%	29	100%	29
Short-term, self liquidating trade related contingent liabilities	107	20%	21	98%	21
Other commitments to provide financial services which have an original maturity of one year or more	3,476	50%	1,738	83%	1,443
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	2,350	0%	-	0%	-
Total commitments	6,414		2,000		1,675
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	52,579		1,673	32%	527
Swaps	63,175		4,851	21%	1,003
Interest rate contracts:					
Forwards	17,950		13	23%	3
Futures	12,230		-	0%	-
Options	1,717		11	45%	5
Swaps	238,360		5,104	28%	1,428
Total market related contracts (derivatives)	386,011		11,652		2,966
Total off-balance sheet and derivative exposures	392,701		13,928		4,862
Total risk-weighted exposures					14,935

Additional mortgage information

The information below relates to the residential mortgage loan-to-value ratios ('LVR') reflected in the capital calculation.

	NZ Banking Group		
	31 December 2010 (Unaudited)		
LVR range	0-80%	81-90%	Over 90%
Value of exposures (\$m)	31,649	5,139	2,959

Notes to the consolidated financial statements

Note 14 Risk management (continued)

14.2 Market risk

Market risk notional capital charges

The NZ Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank document 'Capital adequacy framework (standardised approach) (BS2A)'. The peak end-of-day exposures below have been calculated by determining the maximum end-of-day aggregate market risk exposure over the quarter, and then dividing that amount by the Overseas Banking Group's equity as at 31 December 2010 (31 December 2009 for comparatives). The end-of-period exposures below have been calculated by determining the end-of-day aggregate market risk as at 31 December 2010 (31 December 2009 for comparatives), and then dividing that amount by the Overseas Banking Group's equity as at 31 December 2010 (31 December 2009 for comparatives).

For each category of market risk, the peak end-of-day notional capital charge is the aggregate capital charge for that category of market risk derived in accordance with the Reserve Bank document 'Capital adequacy framework (standardised approach) (BS2A)'. For each category of market risk, the peak end-of-day notional capital charge as a percentage of the Overseas Banking Group's equity is the peak end-of-day notional capital charge for that category of market risk divided by the Overseas Banking Group's equity as at 31 December 2010 (31 December 2009 for comparatives).

The following table provides a summary of the NZ Banking Group's notional capital charges by risk type as at balance date and the peak end-of-day notional capital charges by risk type for the three months ended 31 December:

	NZ Banking Group					
	31 December 2010 (Unaudited)			31 December 2009 (Unaudited)		
	Implied Risk-weighted Exposure \$m	Notional Capital Charge \$m	Notional Capital Charge as a Percentage of the Overseas Banking Group's Equity %	Implied Risk-weighted Exposure \$m	Notional Capital Charge \$m	Notional Capital Charge as a Percentage of the Overseas Banking Group's Equity %
End-of-period						
Interest rate risk	1,750	140	0.27	3,438	275	0.63
Foreign currency risk	56	5	0.01	48	4	0.01
Equity risk	40	3	0.01	46	4	0.01
Peak end-of-day						
Interest rate risk	2,188	175	0.34	3,438	275	0.63
Foreign currency risk	86	7	0.01	77	6	0.01
Equity risk	45	4	0.01	46	4	0.01

Note 15 Concentration of credit exposures to individual counterparties

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

- as at 31 December 2010 was nil (31 December 2009: nil); and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 December 2010 was nil (three months ended 31 December 2009: 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 NZ Banking Group has an aggregate credit exposure that equals or exceeds 10% of the Overseas Banking Group's equity:

- as at 31 December 2010 was nil (31 December 2009: nil); and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 December 2010 was nil (three months ended 31 December 2009: nil).

The peak end-of-day 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 Overseas 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 do not include exposures to the central government of any country 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 NZ Banking Group and were calculated net of individually assessed provisions.

