



Westpac Banking Corporation General Short Form Disclosure Statement

For the nine months ended 30 June 2009

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General information and definitions

The information contained in this General Short Form Disclosure Statement is as required by section 81 of the Reserve Bank of New Zealand Act 1989 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. As at 30 June 2009, the NZ Banking Group included the following subsidiary entities:
 - Westpac New Zealand Group Limited and its subsidiary companies - Holding company
 - Westpac Group Investment - NZ - Limited - Holding company
 - Westpac Holdings - NZ - Limited - Holding company
 - Augusta (1962) Limited - Non-trading company
 - BT Financial Group (NZ) Limited and its subsidiary companies - Holding company
 - Westpac Equity Investments NZ Limited - Finance company
 - TBNZ Limited and its subsidiary companies - Holding company
 - Westpac Capital - NZ - Limited and its subsidiary companies - Finance and holding company
 - Westpac Finance Limited - Finance company
 - Westpac Financial Services Group - NZ - Limited and its subsidiary companies - Holding company
 - WestpacTrust Securities NZ Limited - Funding company
 - BLE Capital (NZ) Limited - Finance company
 - Hastings Forestry Investments Limited - Non-trading company
 - Tasman Funding No. 1 Limited and its jointly owned subsidiary company - Funding entity
 - Tasman Funding No. 2 Limited and its jointly owned subsidiary company - Funding entity
 - Westpac NZ Funding Limited - Funding entity
 - Westpac NZ Securitisation Holdings Limited and its subsidiary company - Holding entity
 - St.George New Zealand Limited - Funding entity
 - St.George Financial Investments New Zealand Limited - Non-trading company
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the **'NZ Branch'**) – refers to the New Zealand operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2008 and for the six months ended 31 March 2009 respectively.

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 of New Zealand Act 1989. 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 is located at 275 Kent Street, Sydney, New South Wales 2000, Australia.

Credit ratings

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 | Outlook |
|---------------------------|-----------------------|----------|
| Fitch Ratings | AA- | Stable |
| Moody's Investors Service | Aa1 | Negative |
| Standard & Poor's | AA | Stable |

In the two years prior to 30 June 2009, the credit rating issued by Fitch Ratings has not changed. The rating was put on rating watch positive on 12 May 2008 and affirmed at AA- with a stable outlook on 3 December 2008.

In the two years prior to 30 June 2009, the credit rating issued by Moody's Investors Service changed from Aa1 outlook stable to Aa1 outlook negative, this change took place on 2 March 2009. In changing the Overseas Bank's outlook to negative, Moody's Investors Service cited the potential for the deepening global economic downturn to have a protracted impact on all the major Australian banks.

In the two years prior to 30 June 2009, the Standard & Poor's credit rating and qualification for the Overseas Bank remained at AA and outlook stable.

Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time.

Descriptions of credit rating scales

| | Fitch Ratings | Moody's Investors Service | Standard & Poor's |
|--|---------------|---------------------------|-------------------|
| The following grades display investment grade characteristics: | | | |
| Ability to repay principal and interest is extremely strong. This is the highest investment category. | AAA | Aaa | AAA |
| Very strong ability to repay principal and interest. | AA | Aa | AA |
| Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions. | A | A | A |
| Adequate ability to repay principal and interest. More vulnerable to adverse changes. | BBB | Baa | BBB |

| | | | |
|--|-----|---------|---------|
| The following grades have predominantly speculative characteristics: | | | |
| Significant uncertainties exist which could affect the payment of principal and interest on a timely basis. | BB | Ba | BB |
| Greater vulnerability and therefore greater likelihood of default. | B | B | B |
| Likelihood of default now considered high. Timely repayment of principal and interest is dependent on favourable financial conditions. | CCC | Caa | CCC |
| Highest risk of default. | CC | Ca to C | CC to C |
| Obligations currently in default. | C | - | D |

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

Ratings stated in **bold** indicate the Overseas Bank's current approximate position within the Credit Rating Scales.

Westpac in New Zealand

Until 1 November 2006, the Overseas Bank operated as a branch in New Zealand. On and from 1 November 2006 the Overseas Bank has operated in New Zealand through both the NZ Branch (a branch of the Overseas Bank carrying on wholesale banking and financial markets business) 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 nine months ended 30 June 2009.

The Reserve Bank of New Zealand (**'Reserve Bank'**), Westpac New Zealand and the NZ Branch have agreed that an independent review of the structure of the operating model of the Overseas Banking Group's business in New Zealand would take place, with the terms of reference for the review established through consultation between the Reserve Bank, Westpac New Zealand and the NZ Branch. This review is being conducted under the well established processes and framework contemplated by section 95 of the Reserve Bank of New Zealand Act 1989. Westpac New Zealand and the NZ Branch anticipate that any consequent operating model and governance changes will be outlined in Westpac New Zealand's and NZ Branch's General Disclosure Statements following the completion of the review.

Financial statements of the Overseas Bank and the Overseas Banking Group

Copies of the NZ Branch's most recent General Short Form Disclosure Statement and Supplemental Disclosure Statement, which contains 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. They are also available, free of charge, at the internet address www.westpac.co.nz and within five working days of any request, at any branch of the NZ Branch and at any staffed premises of any agency of the NZ Branch, primarily engaged in the business of the NZ Branch to which its customers or potential customers have access in order to conduct banking business.

The most recent publicly available financial statements for the Overseas Bank and the Overseas Banking Group (which are contained in the NZ Branch's Supplemental Disclosure Statement) can also be accessed at the internet address www.westpac.com.au.

Guarantee arrangements

Certain material obligations of the Overseas Bank are guaranteed as at the date the Directors and the Chief Executive Officer of the 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 the deposits 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 has been 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 as set out in the Australian Banking Act until 12 October 2011, thereafter its continued operation will be subject to review by the Australian Government.

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 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 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.

From 28 November 2008, the first A\$1 million of 'protected accounts' held with an eligible ADI (including most deposits) will be guaranteed without charge under the FCS. The A\$1 million threshold applies to the total amount of funds held by a depositor in (separate) deposit accounts with an eligible ADI. An eligible institution will be able to obtain coverage for deposit amounts over A\$1 million under the Guarantee Facility (as described more fully below) in return for a fee.

Under the FCS, if APRA has applied for the winding-up of an ADI and a declaration has been made by the responsible Australian Government minister that the FCS applies to that ADI:

- holders of protected accounts (as defined below) with net credit balances are entitled to payment from APRA of the balance plus accrued interest (subject to certain adjustments); and
- APRA is assigned the relevant account holder's right to claim this amount from the ADI.

For the purposes of the FCS, a 'protected account' is:

- an account where the ADI is required to pay the account holder, on demand or at an agreed time, the net credit balance of the account; and
- another account or financial product prescribed by regulation.

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 financial claims scheme 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 is available from the Australian Government's internet site, www.guaranteescheme.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.

The Australian Government also announced on 12 October 2008 that it would guarantee wholesale funding of an eligible institution in return for a fee payable by that institution.

Guarantee arrangements (continued)

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 provides 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 Guarantee and the Scheme Rules are available at www.guaranteescheme.gov.au. 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 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, from 28 November 2008, the first A\$1 million in 'protected accounts' (as defined above) held with an eligible ADI (including most deposits) will be guaranteed for free under the FCS. However, an eligible institution will be able to obtain coverage for deposits of amounts over A\$1 million and wholesale term funding under the Guarantee Facility in return for payment of a fee. Liabilities of an eligible institution will 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.

The Overseas Bank is entitled to apply for the issue of an eligibility certificate for certain liabilities (including certain securities to be issued under its established debt issuance programmes) to have the benefit of the Guarantee. The Guarantee Facility will be restricted to senior unsecured liabilities which are not complex and issued domestically in Australia or off-shore of Australia by eligible institutions and which must meet certain eligibility criteria, with the Guarantee to apply for the full term of the relevant liabilities including in the period following the closure of the facility to new issuances. The facility will be available for debt issuance in all major currencies (including New Zealand dollars). Guidance on the meaning of 'not complex' is available at www.guaranteescheme.gov.au/rules/. Details of eligibility certificates issued in respect of the liabilities of the Overseas Bank are available at 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.

The Australian Government has also announced that it will withdraw the Guarantee Facility by declaration once market conditions have normalised. However, withdrawal of the Guarantee will not affect the obligations of the Commonwealth with respect to any liabilities which have the benefit of the Guarantee at the time of the withdrawal.

Enforcement of the Guarantee

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.

If the Guarantor does not perform its obligations under the Guarantee, a beneficiary of the Guarantee could commence proceedings against the Commonwealth of Australia under the Judiciary Act 1903 of Australia ('**Judiciary Act**'). In such proceedings, the rights of parties are, as nearly as possible, the same as in proceedings between subjects of the Commonwealth of Australia. Jurisdiction to hear claims against the Commonwealth of Australia in contract is vested in certain Australian courts under the Judiciary Act. In proceedings under the Judiciary Act, the Guarantor would not be entitled to any defence based on crown or sovereign immunity.

However, if a judgment is obtained against the Guarantor in proceedings under the Judiciary Act, no execution or attachment can be issued against the property or revenues of the Commonwealth of Australia. Nevertheless, if any judgment is given against the Guarantor in such proceedings, the Minister for Finance of the Commonwealth of Australia is obliged to satisfy the judgment out of money legally available, on receipt of a certificate of the judgment issued by an officer of a court in which such judgment has been obtained.

In order to render money legally available, specific appropriation by legislation passed by the Parliament of the Commonwealth of Australia would be necessary before any payment is made, unless the amount involved is such that it could be paid out of funds available under an existing standing appropriation. The Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008 of Australia provides, among other things, that the Consolidated Revenue Fund of the Commonwealth of Australia is appropriated for the purpose of paying claims under the Guarantee in accordance with the Scheme Rules.

The Guarantee does not contain any submission to the courts of a foreign jurisdiction or any waiver of any crown or sovereign immunity which might be available to the Commonwealth of Australia under the law of any foreign jurisdiction.

Fees in relation to the Australian Government's large deposit and wholesale term funding guarantees

Fees apply to the wholesale term funding guarantee and the guarantee for deposits above the A\$1 million threshold. A different fee applies to eligible institutions based on their long-term credit rating. The fee which applies to the Overseas Bank, based on its current long-term rating by Standard & Poor's of AA, is 70 basis points (or 0.70%). The fee is levied on a monthly basis.

Other material conditions of the Guarantee

The following are material conditions to the application of the Guarantee that are separate from the non-performance of an eligible institution in respect of the relevant obligations covered by the Guarantee.

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.

Guarantee arrangements (continued)

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).

A material condition to the issue of an eligibility certificate in relation to a liability to be guaranteed under the Guarantee is the issuance of a Counter-Indemnity by the applicant eligible institution in favour of the Guarantor. The Counter-Indemnity must be in the form prescribed by the Scheme Rules or such other form as is approved by the Guarantor.

Obligations of the Overseas Bank covered by the Guarantee

As at the date this General Short Form Disclosure Statement was signed by the Directors and Chief Executive Officer of the NZ Branch, eligibility certificates have been issued by the Commonwealth of Australia in respect of certain of the Overseas Bank's deposit and wholesale term funding liabilities. Applications have also been made to the Commonwealth of Australia by the Overseas Bank for eligibility certificates to be issued in respect of certain other wholesale term funding liabilities that may be issued by the Overseas Bank in the future pursuant to its established debt issuance programmes and the Commonwealth has indicated that it anticipates being able to issue such eligibility certificates upon receipt of specific details of those liabilities. Details of eligibility certificates issued in respect of the liabilities of the Overseas Bank are available on www.guaranteescheme.gov.au/liabilities/.

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 credit ratings assigned to the Guarantor's long-term obligations payable in Australian dollars (the currency of its jurisdiction) are AAA by Standard & Poor's, Aaa by Moody's Investors Service Inc. and AAA by Fitch Ratings. The outlook for each of these ratings is 'stable'. There have been no changes in these credit ratings (including outlook) in the two years prior to 30 June 2009.

New Zealand deposit guarantee scheme

On 12 October 2008 the New Zealand Government announced an opt-in deposit guarantee scheme under which it will guarantee deposits with participating New Zealand registered banks and non-bank deposit taking entities, with effect from 12 October 2008. The guarantee will be for a period of two years from the announcement date.

Westpac New Zealand has opted into the scheme, and entered into a Crown Deed of Guarantee with the New Zealand Government on 11 November 2008, which was amended by a Supplemental Deed dated 24 November 2008 (together '**Guarantee**'). Further details of the Guarantee are available in Westpac New Zealand's General Short Form Disclosure Statement for the nine months ended 30 June 2009 and from the Treasury internet site www.treasury.govt.nz.

The NZ Branch has not opted into the scheme.

The Guarantee extends to all debt securities issued by Westpac New Zealand in any currency (which includes deposits and other amounts lent to Westpac New Zealand), other than debt securities issued to related parties or to financial institutions. It does not extend to subordinated debt obligations. Financial institutions include persons who carry on the business of borrowing and lending money, or providing financial services (and extends to registered banks). There is a limit on the amount of the debt securities covered by the Guarantee of NZ\$1 million per creditor.

Under the Guarantee, Westpac New Zealand was required to pay a fee of 10 basis points (or 0.1%) on the amounts owing to creditors covered by the Guarantee to the extent that the amount owing exceeded \$5 billion as at 12 October 2008. An additional 10 basis point fee is payable in respect of the position as at 12 October 2009.

New Zealand wholesale funding guarantee facility

On 1 November 2008 the New Zealand Government announced details of a wholesale funding guarantee facility to investment-grade financial institutions that have substantial New Zealand borrowing and lending operations ('**Facility**'). The Facility operates on an opt-in basis, by institution and by instrument.

A qualifying institution may apply to be considered for the Facility and, if accepted, the New Zealand Government may enter into a Crown Wholesale Funding Guarantee Facility Deed with the institution. The New Zealand Government may also provide a Crown Wholesale Funding Guarantee (by deed) in respect of the institution, under which guarantees may be issued. The institution may then apply for a guarantee of new senior unsecured negotiable or transferable debt securities it proposes to issue, on an issue by issue basis (not all new issues need be covered). If the new security is accepted for coverage, then the guarantee is effected by the issue of a Guarantee Eligibility Certificate in respect of that security under the Crown Wholesale Funding Guarantee in respect of the institution.

A guarantee fee is charged for each guarantee issued under the Facility, differentiated by the credit rating of the issuer and the term of the security being guaranteed. The maximum term of securities guaranteed is five years. Further information about the Facility may be obtained from the Treasury internet site www.treasury.govt.nz.

As at the date this General Short Form Disclosure Statement is signed, the NZ Branch has taken no action in relation to the Facility. Westpac New Zealand has applied to be considered for the Facility, and its application has been accepted. The New Zealand Government has entered into a Crown Wholesale Funding Guarantee Facility Deed with Westpac New Zealand dated 23 February 2009 and has provided a Crown Wholesale Funding Guarantee in respect of Westpac New Zealand by deed dated 23 February 2009 ('**NZ Wholesale Guarantee**'). Copies of any Guarantee Eligibility Certificates issued in respect of obligations of Westpac New Zealand, which provide details of the obligations of Westpac New Zealand covered by the NZ Wholesale Guarantee, are available on the New Zealand Treasury internet site www.treasury.govt.nz.

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(3) of the Australian Banking Act provides that, in the event that an ADI becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to satisfy, in priority to all other liabilities of the ADI:

- 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;
- secondly, APRA's costs (if any) in exercising its powers and performing its functions relating to the ADI in connection with the FCS; and
- thirdly, the ADI's deposit liabilities in Australia (other than any liabilities under the first priority listed above).

Section 13A of the Australian Banking Act affects all of the unsecured deposit liabilities of the NZ Branch which as at 30 June 2009 amounted to \$4,298 million (30 June 2008: \$4,203 million, 30 September 2008: \$4,421 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) 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 nine months ended 30 June 2009, the Overseas Bank has at all times held assets (other than goodwill) 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, in a winding-up of an ADI, 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. Further, under section 86 of the Reserve Bank Act 1959 (Australia), debts due by a bank to the Reserve Bank of Australia shall, in a winding-up of that bank, have, subject to section 13A(3) of the Australian Banking Act, priority over all other debts, other than debts due to the Commonwealth of Australia.

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 applied from 26 November 2007, are as follows:

1. That the 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 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 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 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 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 registered bank 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 registered bank 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.

Conditions of registration (continued)

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 registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ\$15 billion.
8. That the retail deposits of the registered bank 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.

For the purposes of these conditions of registration, the term 'banking group' means the New Zealand operations of Westpac Banking Corporation and all those subsidiaries of Westpac Banking Corporation whose business is required to be reported in financial statements for the group's New Zealand business, prepared in accordance with section 9(2) of the Financial Reporting Act 1993.

Further information on the capital adequacy of the Overseas Bank is contained in Note 16 to the financial statements.

Non-compliance with condition of registration relating to New Zealand liabilities

The NZ Branch has not complied with condition 7 above during the nine months ended 30 June 2009. Total liabilities of the NZ Branch, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), have exceeded the \$15 billion limit in that condition for part of the period. As at the close of 30 June 2009 the figure stood at \$13.1 billion.

The non-compliance was caused by falling New Zealand dollar exchange rates and interest rates, which increased the NZ Branch's liability under derivative financial instruments as positions were revalued. Affected derivative liabilities included liabilities under interest rate swaps and liabilities under cross currency swaps.

The NZ Branch notified the Reserve Bank upon becoming aware of this non-compliance and is working, in consultation with the Reserve Bank, on steps which will remedy the non-compliance.

Registered bank: directorate

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.)

John Simon Curtis, BA, LLB (Hons.)

Gail Patricia Kelly, Dip. Ed, BA, MBA, Doctor of Bus (Charles Sturt University)

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

Gordon McKellar Cairns, MA (Hons.)

Peter John Oswin Hawkins, BCA (Hons.), SSFin, FAIM ACA (NZ)

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

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

Graham John Reaney, BComm, CPA

Peter David Wilson, CA

Since the signing of the NZ Branch's last General Disclosure Statement, there have been no changes to the composition of the Overseas Bank's Board of Directors.

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 of New Zealand Act 1989.

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:

- a. the General Short Form Disclosure Statement contains all the information that is required by the Order; and
- b. the General Short Form Disclosure Statement 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 nine months ended 30 June 2009:

- a. the NZ Branch has complied with the conditions of registration imposed on it pursuant to section 74 of the Reserve Bank of New Zealand Act 1989 except as stated in (b) below;
- b. the NZ Branch has not complied with condition 7 of its conditions of registration, relating to the liabilities of the NZ Branch in New Zealand;
- c. except as stated in (d) below, 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 those systems were being properly applied; and
- d. the NZ Branch did not have systems in place to monitor and control adequately the NZ Branch's liabilities in New Zealand to ensure compliance with condition 7 of its conditions of registration.

This Directors' Statement has been signed on behalf of the Directors by George Frazis, Chief Executive, Westpac New Zealand and David McLean has signed in his personal capacity as Chief Executive Officer, NZ Branch.



George Frazis



David McLean

Dated this the 5th day of August 2009

Consolidated short form financial statements

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Consolidated income statement for the nine months ended 30 June 2009

| | NZ Banking Group | | | |
|---|-------------------------|---|---|---|
| | Note | Nine Months Ended 30 June 2009 Unaudited \$m | Nine Months Ended 30 June 2008 Unaudited \$m | Year Ended 30 September 2008 Audited \$m |
| Interest income | | 3,619 | 3,989 | 5,387 |
| Interest expense | | (2,475) | (3,006) | (4,049) |
| Net interest income | | 1,144 | 983 | 1,338 |
| Non-interest income: | | | | |
| Fees and commissions | | 265 | 279 | 361 |
| Wealth management revenue | | 56 | 54 | 74 |
| Trading income | | 166 | 64 | 112 |
| Gain/(loss) on ineffective hedges | | 1 | 4 | (5) |
| Share of net profit of associate | | - | 48 | 48 |
| Other non-interest income | | 24 | 1 | 30 |
| Total non-interest income | | 512 | 450 | 620 |
| Net operating income | | 1,656 | 1,433 | 1,958 |
| Operating expenses | | (580) | (570) | (814) |
| Impairment charges on loans | 2 | (565) | (98) | (181) |
| Profit before income tax expense | | 511 | 765 | 963 |
| Income tax expense | | (204) | (228) | (281) |
| Profit after income tax expense | | 307 | 537 | 682 |
| Profit after income tax expense attributable to minority interests | | (2) | (2) | (3) |
| Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group | | 305 | 535 | 679 |

The accompanying notes (numbered 1 to 20) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity for the nine months ended 30 June 2009

| | NZ Banking Group | | | | | | | | | |
|---|---------------------|------------------|-------------------------|------------------|-------------------------|--------------------|------------------------|--------------------|---------|-----|
| | Head Office Account | | NZ Banking Group Equity | | | | | Minority Interests | Total | |
| | Branch Capital | Retained Profits | Share Capital | Retained Profits | Cash Flow Hedge Reserve | Available-for-sale | Convertible Debentures | | | \$m |
| \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | |
| Opening balance as at 1 October 2007 (audited) | 698 | 663 | 133 | 1,010 | 62 | - | 1,284 | 10 | 3,860 | |
| Effect of change in accounting policy | | | | | | | | | | |
| Adjustment on recognition of actuarial gains on employee defined benefit superannuation plans (Note 1.2) | - | - | - | 19 | - | - | - | - | 19 | |
| Income tax effect | - | - | - | (6) | - | - | - | - | (6) | |
| Total effect of change in accounting policy | - | - | - | 13 | - | - | - | - | 13 | |
| Restated total equity as at 1 October 2007 (unaudited) | 698 | 663 | 133 | 1,023 | 62 | - | 1,284 | 10 | 3,873 | |
| Nine months ended 30 June 2008 | | | | | | | | | | |
| Net gains from changes in available-for-sale investments (net of tax) | - | - | - | - | - | 22 | - | - | 22 | |
| Net losses from changes in fair value of cash flow hedges | - | - | - | - | (109) | - | - | - | (109) | |
| Income tax effect | - | - | - | - | 36 | - | - | - | 36 | |
| Transferred to income statement | - | - | - | - | 6 | - | - | - | 6 | |
| Income tax effect | - | - | - | - | (2) | - | - | - | (2) | |
| Profit after income tax expense | - | 123 | - | 412 | - | - | - | 2 | 537 | |
| Total recognised income and expenses for the nine months ended 30 June 2008 | - | 123 | - | 412 | (69) | 22 | - | 2 | 490 | |
| Share capital issued | - | - | 1,300 | - | - | - | - | - | 1,300 | |
| Dividends: | | | | | | | | | | |
| Dividends paid or provided for on convertible debentures (net of tax) | - | (29) | - | - | - | - | - | - | (29) | |
| Dividends paid or provided for on ordinary shares | - | - | - | (172) | - | - | - | - | (172) | |
| Dividends paid or provided for on preference shares | - | - | - | (15) | - | - | - | - | (15) | |
| Remittance to the Overseas Bank ¹ | (698) | (602) | - | - | - | - | - | - | (1,300) | |
| Other minority interests | - | - | - | - | - | - | - | (5) | (5) | |
| As at 30 June 2008 | - | 155 | 1,433 | 1,248 | (7) | 22 | 1,284 | 7 | 4,142 | |
| Effect of change in accounting policy | | | | | | | | | | |
| Adjustment on recognition of actuarial losses on employee defined benefit superannuation plans (Note 1.2) | - | - | - | (17) | - | - | - | - | (17) | |
| Income tax effect | - | - | - | 5 | - | - | - | - | 5 | |
| Total effect of change in accounting policy | - | - | - | (12) | - | - | - | - | (12) | |
| Restated total equity as at 30 June 2008 (unaudited) | - | 155 | 1,433 | 1,236 | (7) | 22 | 1,284 | 7 | 4,130 | |

¹ During the year ended 30 September 2008, the NZ Branch repatriated \$1.3 billion to the Overseas Bank from NZ Branch capital (\$698 million) and retained profits (\$602 million). The amount repatriated was replaced by the issuance of \$1.3 billion of redeemable preference shares which were redeemable in 100 years, with distributions at the discretion of the Board. The \$1.3 billion redeemable preference shares were subsequently redeemed on 18 February 2009 and, at the same time, the Overseas Bank advanced capital of \$1.3 billion to the NZ Branch.

The accompanying notes (numbered 1 to 20) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity (continued) for the nine months ended 30 June 2009

| | NZ Banking Group | | | | | | | | | | |
|---|---------------------|----------------------|-------------------------|----------------------|-----------------------------|------------------------|----------------------------|-----|---------|------------------------|-----------|
| | Head Office Account | | NZ Banking Group Equity | | | | | | | Minority Interests \$m | Total \$m |
| | Branch Capital \$m | Retained Profits \$m | Share Capital \$m | Retained Profits \$m | Cash Flow Hedge Reserve \$m | Available-for-sale \$m | Convertible Debentures \$m | | | | |
| Opening balance as at 1 October 2007 (audited) | 698 | 663 | 133 | 1,010 | 62 | - | 1,284 | 10 | 3,860 | | |
| Effect of change in accounting policy | | | | | | | | | | | |
| Adjustment on recognition of actuarial gains on employee defined benefit superannuation plans (Note 1.2) | - | - | - | 19 | - | - | - | - | 19 | | |
| Income tax effect | - | - | - | (6) | - | - | - | - | (6) | | |
| Total effect of change in accounting policy | - | - | - | 13 | - | - | - | - | 13 | | |
| Restated total equity as at 1 October 2007 (unaudited) | 698 | 663 | 133 | 1,023 | 62 | - | 1,284 | 10 | 3,873 | | |
| Year ended 30 September 2008 | | | | | | | | | | | |
| Net gains from changes in available-for-sale investments (net of tax) | - | - | - | - | - | 16 | - | - | 16 | | |
| Net losses from changes in fair value of cash flow hedges | - | - | - | - | (209) | - | - | - | (209) | | |
| Income tax effect | - | - | - | - | 64 | - | - | - | 64 | | |
| Transferred to income statement | - | - | - | - | (8) | - | - | - | (8) | | |
| Income tax effect | - | - | - | - | 3 | - | - | - | 3 | | |
| Profit after income tax expense | - | 179 | - | 500 | - | - | - | 3 | 682 | | |
| Total recognised income and expenses for the year ended 30 September 2008 | - | 179 | - | 500 | (150) | 16 | - | 3 | 548 | | |
| Share capital issued | - | - | 1,300 | - | - | - | - | - | 1,300 | | |
| Dividends: | | | | | | | | | | | |
| Dividends paid or provided for on convertible debentures (net of tax) | - | (66) | - | - | - | - | - | - | (66) | | |
| Dividends paid or provided for on ordinary shares | - | - | - | (170) | - | - | - | - | (170) | | |
| Dividends paid or provided for on preference shares | - | - | - | (15) | - | - | - | - | (15) | | |
| Remittance to the Overseas Bank ¹ | (698) | (602) | - | - | - | - | - | - | (1,300) | | |
| Other minority interests | - | - | - | - | - | - | - | (5) | (5) | | |
| As at 30 September 2008 (audited) | - | 174 | 1,433 | 1,338 | (88) | 16 | 1,284 | 8 | 4,165 | | |
| Effect of change in accounting policy | | | | | | | | | | | |
| Adjustment on recognition of actuarial losses on employee defined benefit superannuation plans (Note 1.2) | - | - | - | (49) | - | - | - | - | (49) | | |
| Income tax effect | - | - | - | 16 | - | - | - | - | 16 | | |
| Total effect of change in accounting policy | - | - | - | (33) | - | - | - | - | (33) | | |
| Restated total equity as at 30 September 2008 (unaudited) | - | 174 | 1,433 | 1,305 | (88) | 16 | 1,284 | 8 | 4,132 | | |

¹ During the year ended 30 September 2008, the NZ Branch repatriated \$1.3 billion to the Overseas Bank from NZ Branch capital (\$698 million) and retained profits (\$602 million). The amount repatriated was replaced by the issuance of \$1.3 billion of redeemable preference shares which were redeemable in 100 years, with distributions at the discretion of the Board. The \$1.3 billion redeemable preference shares were subsequently redeemed on 18 February 2009 and, at the same time, the Overseas Bank advanced capital of \$1.3 billion to the NZ Branch.

The accompanying notes (numbered 1 to 20) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity (continued) for the nine months ended 30 June 2009

| | NZ Banking Group | | | | | | | | |
|---|-----------------------|-------------------------|-------------------------|-------------------------|--------------------------------|---------------------------|-------------------------------|---------------------------|--------------|
| | Head Office Account | | NZ Banking Group Equity | | | | | Minority Interests \$m | Total \$m |
| | Branch Capital \$m | Retained Profits \$m | Share Capital \$m | Retained Profits \$m | Cash Flow Hedge Reserve \$m | Available-for-sale \$m | Convertible Debentures \$m | | |
| Opening balance as at 1 October 2008 (audited) | - | 174 | 1,433 | 1,338 | (88) | 16 | 1,284 | 8 | 4,165 |
| Effect of change in accounting policy | | | | | | | | | |
| Adjustment on recognition of actuarial losses on employee defined benefit superannuation plans (Note 1.2) | - | - | - | (49) | - | - | - | - | (49) |
| Income tax effect | - | - | - | 16 | - | - | - | - | 16 |
| Total effect of change in accounting policy | - | - | - | (33) | - | - | - | - | (33) |
| Restated total equity as at 1 October 2008 (unaudited) | - | 174 | 1,433 | 1,305 | (88) | 16 | 1,284 | 8 | 4,132 |
| Nine months ended 30 June 2009 | | | | | | | | | |
| Net gains from changes in available-for-sale investments (net of tax) | - | - | - | - | - | 1 | - | - | 1 |
| Net losses from changes in fair value of cash flow hedges | - | - | - | - | (178) | - | - | - | (178) |
| Income tax effect | - | - | - | - | 54 | - | - | - | 54 |
| Transferred to income statement | - | - | - | - | (6) | - | - | - | (6) |
| Income tax effect | - | - | - | - | 2 | - | - | - | 2 |
| Profit after income tax expense | - | 165 | - | 140 | - | - | - | 2 | 307 |
| Total recognised income and expenses for the nine months ended 30 June 2009 | - | 165 | - | 140 | (128) | 1 | - | 2 | 180 |
| Share capital issued | - | - | 9 | - | - | - | - | - | 9 |
| Allocation of Branch Capital from the Overseas Bank ¹ | 1,300 | - | - | - | - | - | - | - | 1,300 |
| Share capital redeemed ¹ | - | - | (1,300) | - | - | - | - | - | (1,300) |
| Dividends: | | | | | | | | | |
| Dividends paid or provided for on convertible debentures (net of tax) | - | (34) | - | - | - | - | - | - | (34) |
| Dividends paid or provided for on ordinary shares | - | - | - | (9) | - | - | - | - | (9) |
| Dividends paid or provided for on preference shares | - | - | - | (104) | - | - | - | - | (104) |
| Aggregation of new entities ² | - | - | 301 | - | - | - | - | - | 301 |
| Share capital buy-back ³ | - | - | (301) | - | - | - | - | - | (301) |
| Other minority interests | - | - | - | - | - | - | - | (3) | (3) |
| As at 30 June 2009 (unaudited) | 1,300 | 305 | 142 | 1,332 | (216) | 17 | 1,284 | 7 | 4,171 |

1 During the year ended 30 September 2008, the NZ Branch repatriated \$1.3 billion to the Overseas Bank from NZ Branch capital (\$698 million) and retained profits (\$602 million). The amount repatriated was replaced by the issuance of \$1.3 billion of redeemable preference shares which were redeemable in 100 years, with distributions at the discretion of the Board. The \$1.3 billion redeemable preference shares were subsequently redeemed on 18 February 2009 and, at the same time, the Overseas Bank advanced capital of \$1.3 billion to the NZ Branch.

2 This represents the net pre-acquisition capital contributed by the aggregation of St.George New Zealand Limited and St.George Financial Investments New Zealand Limited into the NZ Banking Group effective as at 17 November 2008.

3 This represents the buy back of share capital by St.George New Zealand Limited from St.George Bank Limited during the period 17 November 2008 to 31 December 2008.

The accompanying notes (numbered 1 to 20) form part of, and should be read in conjunction with, these financial statements.

Consolidated balance sheet as at 30 June 2009

| | | NZ Banking Group | | |
|--|------|-------------------------------------|-------------------------------------|--|
| | | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| | Note | | | |
| Assets | | | | |
| Cash and balances with central banks | | 916 | 1,302 | 1,286 |
| Due from other financial institutions | | 109 | 743 | 1,222 |
| Derivative financial instruments | | 7,034 | 2,571 | 5,137 |
| Other trading securities | 3 | 6,459 | 3,160 | 3,527 |
| Available-for-sale securities | 4 | 36 | 55 | 35 |
| Loans | 5,6 | 55,109 | 54,560 | 55,569 |
| Life insurance assets | | 105 | 104 | 89 |
| Due from related entities ¹ | | 2,402 | 2,049 | 2,170 |
| Investment in associate | | 48 | 48 | 48 |
| Goodwill and other intangible assets | | 621 | 644 | 627 |
| Property, plant and equipment | | 92 | 80 | 78 |
| Income tax receivable | | - | 31 | 28 |
| Deferred tax assets | | 361 | 101 | 164 |
| Other assets | | 971 | 894 | 902 |
| Total assets | | 74,263 | 66,342 | 70,882 |
| Liabilities | | | | |
| Due to other financial institutions | | 368 | 669 | 297 |
| Deposits at fair value | 7 | 4,417 | 4,507 | 4,163 |
| Deposits at amortised cost | 7 | 32,720 | 31,477 | 32,188 |
| Derivative financial instruments | | 8,118 | 2,618 | 4,602 |
| Other trading liabilities at fair value | 8 | 2,457 | 464 | 1,101 |
| Debt issues | 9 | 10,376 | 11,469 | 11,102 |
| Current tax liabilities | | 51 | - | - |
| Deferred tax liabilities | | - | - | - |
| Provisions | | 91 | 65 | 81 |
| Other liabilities | | 944 | 649 | 1,111 |
| Total liabilities excluding subordinated debentures and due to related entities | | 59,542 | 51,918 | 54,645 |
| Subordinated debentures | 10 | 858 | 685 | 798 |
| Total liabilities excluding due to related entities | | 60,400 | 52,603 | 55,443 |
| Due to related entities ¹ | | 9,692 | 9,609 | 11,307 |
| Total liabilities | | 70,092 | 62,212 | 66,750 |
| Net assets | | 4,171 | 4,130 | 4,132 |
| <i>Represented by:</i> | | | | |
| Head office account | | | | |
| Branch capital | | 1,300 | - | - |
| Retained profits | | 305 | 155 | 174 |
| Total head office account | | 1,605 | 155 | 174 |
| NZ Banking Group equity | | | | |
| Ordinary share capital | | 142 | 133 | 133 |
| Preference share capital | | - | 1,300 | 1,300 |
| Retained profits | | 1,332 | 1,236 | 1,305 |
| Available-for-sale securities reserve | | 17 | 22 | 16 |
| Cash flow hedge reserve | | (216) | (7) | (88) |
| Convertible debentures | 11 | 1,284 | 1,284 | 1,284 |
| Total NZ Banking Group equity | | 2,559 | 3,968 | 3,950 |
| Minority interests | | 7 | 7 | 8 |
| Total head office account and equity | | 4,171 | 4,130 | 4,132 |

¹ The 30 June 2008 comparative balances for amounts due from and due to related entities in the NZ Banking Group have been reduced by \$506 million to reflect the elimination of inter-company balances, consistent with the current reporting period's treatment.

The accompanying notes (numbered 1 to 20) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows for the nine months ended 30 June 2009

| | NZ Banking Group | | |
|--|---|---|---|
| | Nine Months Ended 30 June 2009 Unaudited \$m | Nine Months Ended 30 June 2008 Unaudited \$m | Year Ended 30 September 2008 Audited \$m |
| Cash flows from operating activities | | | |
| Interest income received | 3,691 | 3,972 | 5,381 |
| Interest paid | (2,712) | (3,035) | (4,020) |
| Other non-interest income received | 520 | 398 | 563 |
| Net (acquisition)/disposal of other trading securities | (3,026) | 794 | 318 |
| Net acquisition of other trading liabilities at fair value | 1,540 | 335 | 1,078 |
| Net disposal/(acquisition) of derivative financial instruments | 1,426 | (434) | (1,092) |
| Operating expenses paid | (516) | (476) | (677) |
| Income tax paid | (229) | (145) | (203) |
| Net cash flows from operating activities | 694 | 1,409 | 1,348 |
| Cash flows from investing activities | | | |
| Net decrease/(increase) in due from other financial institutions – term | 1,024 | (210) | (495) |
| Net disposal of available-for-sale securities | - | 15 | 29 |
| Net loans advanced to customers | (105) | (4,301) | (5,393) |
| Net acquisition of life insurance assets | (16) | (23) | (8) |
| Net (increase)/decrease in due from related entities | (220) | 1,618 | 89 |
| Net increase in other assets | (54) | (105) | (13) |
| Purchase of capitalised computer software | (28) | (26) | (38) |
| Purchase of property, plant and equipment | (30) | (8) | (21) |
| Net cash provided by/(used in) investing activities | 571 | (3,040) | (5,850) |
| Cash flows from financing activities | | | |
| Redemption of Fixed Interest Resettable Trust Securities | - | (730) | (730) |
| Issue of preference share capital | - | 1,300 | 1,300 |
| Net decrease in due to other financial institutions – term | - | (7) | (7) |
| Net increase in deposits | 786 | 2,419 | 2,786 |
| Net redemptions from debt issues | (726) | (959) | (1,326) |
| Net (decrease)/increase in due to related entities | (1,618) | 1,238 | 4,308 |
| Net (decrease)/increase in other liabilities and subordinated debentures | (74) | (41) | 361 |
| Payment of dividends on convertible debentures | (56) | (46) | (99) |
| Payment of dividends on ordinary shares | (3) | (177) | (175) |
| Payment of dividends on preference shares | (104) | (15) | (15) |
| Remittance to the Overseas Bank | - | (1,300) | (1,300) |
| Net cash (used in)/provided by financing activities | (1,795) | 1,682 | 5,103 |

The accompanying notes (numbered 1 to 20) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows (continued) for the nine months ended 30 June 2009

| | NZ Banking Group | | |
|--|---|---|---|
| | Nine Months Ended 30 June 2009 Unaudited \$m | Nine Months Ended 30 June 2008 Unaudited \$m | Year Ended 30 September 2008 Audited \$m |
| Net (decrease)/increase in cash and cash equivalents | (530) | 51 | 601 |
| Cash and cash equivalents at beginning of the period/year | 1,183 | 582 | 582 |
| Cash and cash equivalents at end of the period/year | 653 | 633 | 1,183 |
| Cash and cash equivalents comprise | | | |
| Cash and balances with central banks | 916 | 1,302 | 1,286 |
| Due to other financial institutions – at call | (263) | (669) | (103) |
| Cash and cash equivalents at end of the period/year | 653 | 633 | 1,183 |
| Reconciliation of profit after income tax expense to net cash flows from operating activities | | | |
| Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group | 305 | 535 | 679 |
| Adjustments: | | | |
| Software amortisation costs | 34 | 35 | 49 |
| Impairment charges on goodwill | - | 20 | 22 |
| Impairment charges on intangible assets | - | - | 13 |
| Impairment charges on property, plant and equipment | - | - | 8 |
| Impairment charges on loans | 565 | 98 | 181 |
| Depreciation/amortisation | 16 | 17 | 24 |
| Share of net profit of associate | - | (48) | (48) |
| Share-based payments | 3 | 2 | 5 |
| Minority interests in subsidiary companies | 2 | 2 | 3 |
| Movement in accrued assets | 89 | (23) | (11) |
| Movement in accrued liabilities and provisions | (220) | 25 | 73 |
| Movement in income tax provisions and deferred tax | (118) | (5) | (54) |
| Tax on convertible debentures dividends | 22 | 24 | 33 |
| Net (acquisition)/disposal of other trading securities | (3,026) | 794 | 318 |
| Net acquisition of other trading liabilities at fair value | 1,540 | 335 | 1,078 |
| Net acquisition/(disposal) of derivative financial instruments | 1,426 | (434) | (1,092) |
| Tax effect of change in cash flow hedge reserve | 56 | 32 | 67 |
| Net cash flows from operating activities | 694 | 1,409 | 1,348 |

The accompanying notes (numbered 1 to 20) form part of, and should be read in conjunction with, these financial statements.

Notes to the consolidated short form financial statements

Note 1 Statement of accounting policies

General accounting policies

Statutory base

These consolidated short form financial statements are prepared and presented in accordance with the Financial Reporting Act 1993 (New Zealand), the Order, the Reserve Bank of New Zealand Act 1989, New Zealand equivalent to International Financial Reporting Standard 34 *Interim Financial Reporting* ('**NZ IFRS 34**') and other authoritative pronouncements of the Accounting Standards Review Board, as appropriate for profit-oriented entities. These financial statements comply with NZ IFRS 34. The financial report comprising the financial statements and accompanying notes of the NZ Banking Group comply with International Financial Reporting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

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 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 operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

These financial statements were authorised for issue by the Board of Directors on 5 August 2009.

Basis of preparation

The financial statements are based on the general principles of historical cost accounting, as modified by the 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 accrual basis of accounting have been adopted. All amounts are expressed in New Zealand dollars unless otherwise stated.

The same accounting policies have been followed in preparing these financial statements that were used in preparing the General Disclosure Statements for the year ended 30 September 2008 and for the six months ended 31 March 2009 except as disclosed in Note 1.2 below.

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 has been aggregated by combining the sum of the capital and reserves of the NZ Branch, BLE Capital (NZ) Limited, Hastings Forestry Investments Limited, St. George New Zealand Limited, St. George Financial Investments New Zealand Limited and the consolidated capital and reserves of Westpac New Zealand Group Limited, Westpac Group Investment - NZ - Limited, BT Financial Group (NZ) Limited, Tasman Funding No. 1 Limited, Tasman Funding No. 2 Limited, Westpac NZ Funding Limited and Westpac Financial Services Group - NZ - Limited and their subsidiary companies. 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.

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

As a result of the merger between the Overseas Bank and St. George Bank Limited, St. George New Zealand Limited and St. George Financial Investments New Zealand Limited were consolidated as part of the NZ Banking Group from 17 November 2008 onwards.

Westpac NZ Securitisation Holdings Limited ('**WNZSHL**') and its wholly-owned subsidiary company, Westpac NZ Securitisation Limited ('**WNZSL**'), were incorporated on 14 October 2008. The NZ Banking Group, through two of its subsidiaries, has a qualifying interest of 19% in WNZSHL. Through contractual arrangements put in place, the NZ Banking Group is deemed to control both WNZSHL and WNZSL.

1.2 Change in accounting policies

With effect from 1 October 2007, the NZ Banking Group changed its accounting treatment for actuarial gains and losses on its employee defined benefit superannuation plans. The revised policy brings to account all unrecognised actuarial gains/losses outside of the profit and loss directly in the statement of changes in equity. Previously the NZ Banking Group applied the corridor approach. As at 1 October 2007, the cumulative change resulted in an increase in retained earnings of \$12.7 million and a decrease in the retirement benefit deficit balance by \$19.1 million (30 September 2008 decrease in retained earnings of \$20.2 million and an increase in the retirement benefit deficit balance by \$30.3 million; 30 June 2008 increase in retained earnings by \$1.1 million and a decrease in the retirement benefit deficit balance by \$1.6 million). As at 30 June 2009, the cumulative change resulted in a decrease in retained earnings of \$19.5 million and an increase in the retirement benefit deficit balance by \$27.9 million. Deferred tax entries account for the difference between the change to retained earnings and the retirement benefit deficit balance.

1.3 Past due assets for prior periods

As a result of continuing analysis of the NZ Banking Group's credit data, it has been determined that past due assets 1 to 89 days and 90+ days were overstated in prior periods. The comparative periods' disclosures for the nine months ended 30 June 2008 and the year ended 30 September 2008 have been restated and disclosed in Note 6 of this General Short Form Disclosure Statement.

Notes to the consolidated short form financial statements

Note 2 Impairment on loans

| | NZ Banking Group | | |
|--|--|--|--|
| | Nine Months Ended 30 June 2009 Unaudited \$m | Nine Months Ended 30 June 2008 Unaudited \$m | Year Ended 30 September 2008 Audited \$m |
| Collectively assessed provision | 178 | 32 | 74 |
| Collective write-off | 47 | 40 | 55 |
| Individually assessed provisions | 358 | 32 | 65 |
| Individually assessed write-off | 7 | 7 | 8 |
| Interest adjustments | (25) | (13) | (21) |
| Total impairment charges on loans | 565 | 98 | 181 |

| | NZ Banking Group | | | |
|--|--|--|------------------------------------|------------|
| | Nine Months Ended 30 June 2009 – Unaudited | | | Total |
| | Residential Mortgages \$m | Other Loans for Consumer Purposes \$m | Loans for Business Purposes \$m | \$m |
| Collectively assessed provision | 10 | 3 | 165 | 178 |
| Collective write-off | - | 47 | - | 47 |
| Individually assessed provisions | 60 | - | 298 | 358 |
| Individually assessed write-off | 2 | - | 5 | 7 |
| Interest adjustments | (2) | (8) | (15) | (25) |
| Total impairment charges on loans | 70 | 42 | 453 | 565 |

| | NZ Banking Group | | | |
|--|--|--|------------------------------------|-----------|
| | Nine Months Ended 30 June 2008 – Unaudited | | | Total |
| | Residential Mortgages \$m | Other Loans for Consumer Purposes \$m | Loans for Business Purposes \$m | \$m |
| Collectively assessed provision | 9 | 8 | 15 | 32 |
| Collective write-off | - | 40 | - | 40 |
| Individually assessed provisions | 17 | - | 15 | 32 |
| Individually assessed write-off | 1 | - | 6 | 7 |
| Interest adjustments | (1) | (6) | (6) | (13) |
| Total impairment charges on loans | 26 | 42 | 30 | 98 |

| | NZ Banking Group | | | |
|--|--|--|------------------------------------|------------|
| | Year Ended 30 September 2008 – Audited | | | Total |
| | Residential Mortgages \$m | Other Loans for Consumer Purposes \$m | Loans for Business Purposes \$m | \$m |
| Collectively assessed provision | 10 | 12 | 52 | 74 |
| Collective write-off | - | 55 | - | 55 |
| Individually assessed provisions | 23 | - | 42 | 65 |
| Individually assessed write-off | 2 | - | 6 | 8 |
| Interest adjustments | (2) | (8) | (11) | (21) |
| Total impairment charges on loans | 33 | 59 | 89 | 181 |

Notes to the consolidated short form financial statements

Note 3 Other trading securities and other financial assets designated at fair value

| | NZ Banking Group | | |
|---|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Other trading securities | | | |
| Trading securities | 6,099 | 2,787 | 3,146 |
| Securities purchased under agreement to resell | 360 | 373 | 381 |
| Total other trading securities | 6,459 | 3,160 | 3,527 |
| Other financial assets designated at fair value | - | - | - |
| Total other trading securities and other financial assets designated at fair value | 6,459 | 3,160 | 3,527 |
| Trading securities | | | |
| Listed | | | |
| NZ Government securities | 2,677 | 184 | 155 |
| NZ corporate securities | 5 | 27 | 53 |
| Other | - | 47 | 58 |
| Total listed trading securities | 2,682 | 258 | 266 |
| Unlisted | | | |
| NZ corporate securities: | | | |
| Certificates of deposit | 3,333 | 2,481 | 2,851 |
| Commercial paper | 25 | 48 | 29 |
| Corporate Bonds | 59 | - | - |
| Total unlisted trading securities | 3,417 | 2,529 | 2,880 |
| Total trading securities | 6,099 | 2,787 | 3,146 |

As at 30 June 2009, included in trading securities of the NZ Banking Group were \$294 million encumbered through repurchase agreements.

Note 4 Available-for-sale securities

| | NZ Banking Group | | |
|--|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Listed securities | | | |
| Overseas public securities | 36 | 42 | 35 |
| NZ corporate securities | - | 13 | - |
| Total available-for-sale securities | 36 | 55 | 35 |

Note 5 Loans

| | NZ Banking Group | | |
|--|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Overdrafts | 1,399 | 1,414 | 1,496 |
| Credit card outstandings | 1,168 | 1,117 | 1,149 |
| Money market loans | 1,206 | 2,125 | 1,601 |
| Term loans: | | | |
| Housing | 32,008 | 30,929 | 31,230 |
| Non-housing | 19,218 | 17,996 | 19,597 |
| Other | 906 | 1,239 | 821 |
| Total gross loans | 55,905 | 54,820 | 55,894 |
| Provisions for impairment charges on loans | (796) | (260) | (325) |
| Total net loans | 55,109 | 54,560 | 55,569 |

During the current reporting period, the NZ Banking Group has undertaken repurchase agreements with the Reserve Bank using residential mortgage backed securities. The repurchase cash amount as at 30 June 2009 is \$1,814 million with underlying securities to the value of \$2,253 million provided under this arrangement.

Movements in impaired assets and provisions for impairment on loans are outlined in Note 6.

Notes to the consolidated short form financial statements

Note 6 Impaired assets

| | NZ Banking Group | | |
|---|---|---|---|
| | Nine Months Ended 30 June 2009 Unaudited \$m | Nine Months Ended 30 June 2008 Unaudited \$m | Year Ended 30 September 2008 Audited \$m |
| Individually impaired assets | | | |
| Balance at beginning of the period/year | 278 | 112 | 112 |
| Movement for the period/year | 558 | 85 | 166 |
| Balance at end of the period/year | 836 | 197 | 278 |
| Undrawn balance | - | - | - |
| Restructured assets | | | |
| Balance at beginning of the period/year | - | 2 | 2 |
| Movement for the period/year | - | (1) | (2) |
| Balance at end of the period/year | - | 1 | - |
| Undrawn balance | - | - | - |
| Past due assets 1 to 89 days¹ | | | |
| Balance at beginning of the period/year | 2,395 | 3,275 | 3,275 |
| Movement for the period/year | (520) | (803) | (880) |
| Balance at end of the period/year | 1,875 | 2,472 | 2,395 |
| Past due assets 90+ days¹ | | | |
| Balance at beginning of the period/year | 222 | 126 | 126 |
| Movement for the period/year | 141 | 88 | 96 |
| Balance at end of the period/year | 363 | 214 | 222 |
| Undrawn balance | - | - | - |
| Other assets under administration¹ | | | |
| Balance at beginning of the period/year | - | - | - |
| Movement for the period/year | - | - | - |
| Balance at end of the period/year | - | - | - |
| Undrawn balance | - | - | - |
| Individually assessed provisions | | | |
| Balance at beginning of the period/year | 66 | 26 | 26 |
| Movement for the period/year | 312 | 13 | 40 |
| Balance at end of the period/year | 378 | 39 | 66 |
| Collectively assessed provision | | | |
| Balance at beginning of the period/year | 287 | 213 | 213 |
| Movement for the period/year | 178 | 32 | 74 |
| Balance at end of the period/year | 465 | 245 | 287 |
| Total impairment provisions | 843 | 284 | 353 |
| Provisions for impairment on loans | 796 | 260 | 325 |
| Provisions for impairment on off-balance sheet credit exposures | 47 | 24 | 28 |
| Total impairment provisions | 843 | 284 | 353 |

¹ Past due assets and other assets under administration are not impaired assets.

The NZ Banking Group does not have any financial, real estate or other assets acquired through security enforcement. The above table is further analysed by class in the following tables.

Comparative numbers for past due assets 1-89 days and 90+ days have been restated. Refer to Note 1.3 for further information.

Notes to the consolidated short form financial statements

Note 6 Impaired assets (continued)

Residential mortgages

| | NZ Banking Group | | |
|---|--|--|--|
| | Nine Months Ended 30 June 2009 Unaudited \$m | Nine Months Ended 30 June 2008 Unaudited \$m | Year Ended 30 September 2008 Audited \$m |
| Individually impaired assets | | | |
| Balance at beginning of the period/year | 190 | 74 | 74 |
| Additions | 347 | 172 | 258 |
| Amounts written off | (14) | (5) | (12) |
| Returned to performing or repaid | (178) | (87) | (130) |
| Balance at end of the period/year | 345 | 154 | 190 |
| Undrawn balance | - | - | - |
| Past due assets 1 to 89 days¹ | | | |
| Balance at beginning of the period/year | 1,394 | 2,559 | 2,559 |
| Additions | 5,460 | 6,089 | 7,971 |
| Deletions | (5,741) | (7,106) | (9,136) |
| Balance at end of the period/year | 1,113 | 1,542 | 1,394 |
| Past due assets 90+ days¹ | | | |
| Balance at beginning of the period/year | 75 | 37 | 37 |
| Additions | 296 | 173 | 248 |
| Deletions | (245) | (150) | (210) |
| Balance at end of the period/year | 126 | 60 | 75 |
| Undrawn balance | - | - | - |
| Individually assessed provisions | | | |
| Balance at beginning of the period/year | 24 | 15 | 15 |
| Impairment charges on loans: | | | |
| New provisions | 70 | 30 | 34 |
| Recoveries | (10) | (13) | (11) |
| Impairment charges on loans written off | (14) | (7) | (14) |
| Balance at end of the period/year | 70 | 25 | 24 |
| Collectively assessed provision | | | |
| Balance at beginning of the period/year | 30 | 20 | 20 |
| Impairment charges on loans | 10 | 9 | 10 |
| Balance at end of the period/year | 40 | 29 | 30 |
| Total impairment provisions | 110 | 54 | 54 |
| Provisions for impairment on loans | 110 | 54 | 54 |
| Provisions for impairment on off-balance sheet credit exposures | - | - | - |
| Total impairment provisions | 110 | 54 | 54 |

¹ Past due assets are not impaired assets.

Comparative numbers for past due assets 1-89 days and 90+ days have been restated. Refer to Note 1.3 for further information.

Notes to the consolidated short form financial statements

Note 6 Impaired assets (continued)

Other loans for consumer purposes

| | NZ Banking Group | | |
|---|--|--|--|
| | Nine Months Ended 30 June 2009 Unaudited \$m | Nine Months Ended 30 June 2008 Unaudited \$m | Year Ended 30 September 2008 Audited \$m |
| Past due assets 1 to 89 days¹ | | | |
| Balance at beginning of the period/year | 156 | 160 | 160 |
| Additions | 670 | 764 | 993 |
| Deletions | (685) | (742) | (997) |
| Balance at end of the period/year | 141 | 182 | 156 |
| Past due assets 90+ days¹ | | | |
| Balance at beginning of the period/year | 25 | 16 | 16 |
| Additions | 73 | 54 | 76 |
| Deletions | (67) | (49) | (67) |
| Balance at end of the period/year | 31 | 21 | 25 |
| Undrawn balance | - | - | - |
| Collectively assessed provision | | | |
| Balance at beginning of the period/year | 61 | 49 | 49 |
| Impairment charges on loans | 3 | 8 | 12 |
| Balance at end of the period/year | 64 | 57 | 61 |
| Total impairment provisions | 64 | 57 | 61 |
| Provisions for impairment on loans | 64 | 57 | 61 |
| Provisions for impairment on off-balance sheet credit exposures | - | - | - |
| Total impairment provisions | 64 | 57 | 61 |

¹ Past due assets are not impaired assets.

Comparative numbers for past due assets 1-89 days and 90+ days have been restated. Refer to Note 1.3 for further information.

Notes to the consolidated short form financial statements

Note 6 Impaired assets (continued)

Loans for business purposes

| | NZ Banking Group | | |
|---|--|--|--|
| | Nine Months Ended 30 June 2009 Unaudited \$m | Nine Months Ended 30 June 2008 Unaudited \$m | Year Ended 30 September 2008 Audited \$m |
| Individually impaired assets | | | |
| Balance at beginning of the period/year | 88 | 38 | 38 |
| Additions | 461 | 44 | 90 |
| Amounts written off | (32) | (3) | (28) |
| Returned to performing or repaid | (26) | (36) | (12) |
| Balance at end of the period/year | 491 | 43 | 88 |
| Undrawn balance | - | - | - |
| Restructured assets | | | |
| Balance at beginning of the period/year | - | 2 | 2 |
| Additions | - | 1 | - |
| Deletions | - | (2) | (2) |
| Balance at end of the period/year | - | 1 | - |
| Undrawn balance | - | - | - |
| Past due assets 1 to 89 days¹ | | | |
| Balance at beginning of the period/year | 845 | 556 | 556 |
| Additions | 3,016 | 2,931 | 4,113 |
| Deletions | (3,240) | (2,739) | (3,824) |
| Balance at end of the period/year | 621 | 748 | 845 |
| Past due assets 90+ days¹ | | | |
| Balance at beginning of the period/year | 122 | 73 | 73 |
| Additions | 387 | 248 | 303 |
| Deletions | (303) | (188) | (254) |
| Balance at end of the period/year | 206 | 133 | 122 |
| Undrawn balance | - | - | - |
| Individually assessed provisions | | | |
| Balance at beginning of the period/year | 42 | 11 | 11 |
| Impairment charges on loans: | | | |
| New provisions | 300 | 19 | 52 |
| Recoveries | (2) | (4) | (10) |
| Impairment charges on loans written off | (32) | (12) | (11) |
| Balance at end of the period/year | 308 | 14 | 42 |
| Collectively assessed provision | | | |
| Balance at beginning of the period/year | 196 | 144 | 144 |
| Impairment charges on loans | 165 | 15 | 52 |
| Balance at end of the period/year | 361 | 159 | 196 |
| Total impairment provisions | 669 | 173 | 238 |
| Provisions for impairment on loans | 622 | 149 | 210 |
| Provisions for impairment on off-balance sheet credit exposures | 47 | 24 | 28 |
| Total impairment provisions | 669 | 173 | 238 |

¹ Past due assets are not impaired assets.

Comparative numbers for past due assets 1-89 days and 90+ days have been restated. Refer to Note 1.3 for further information.

Notes to the consolidated short form financial statements

Note 7 Deposits

| | NZ Banking Group | | |
|---|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Deposits at fair value | | | |
| Certificates of deposit | 4,417 | 4,507 | 4,163 |
| Total deposits at fair value | 4,417 | 4,507 | 4,163 |
| Deposits at amortised cost | | | |
| Non-interest bearing, repayable at call | 2,303 | 2,258 | 2,144 |
| Other interest bearing: | | | |
| At call | 13,376 | 13,787 | 14,745 |
| Term | 17,041 | 15,432 | 15,299 |
| Total deposits at amortised cost | 32,720 | 31,477 | 32,188 |
| Total deposits | 37,137 | 35,984 | 36,351 |

The NZ Branch held no retail deposits as at 30 June 2009 (30 June 2008: nil, 30 September 2008: nil).

Note 8 Other trading liabilities at fair value

| | NZ Banking Group | | |
|--|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Held for trading | | | |
| Securities sold short | 290 | 335 | 207 |
| Securities sold under agreements to repurchase | 2,167 | 129 | 894 |
| Total other trading liabilities at fair value | 2,457 | 464 | 1,101 |

Note 9 Debt issues

| | NZ Banking Group | | |
|------------------------------|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Short-term debt | | | |
| Commercial paper | 4,532 | 7,130 | 6,517 |
| Total short-term debt | 4,532 | 7,130 | 6,517 |
| Long-term debt | | | |
| Euro medium-term notes | 4,171 | 4,290 | 4,585 |
| Domestic medium-term notes | 1,673 | 49 | - |
| Total long-term debt | 5,844 | 4,339 | 4,585 |
| Total debt issues | 10,376 | 11,469 | 11,102 |

Movement in debt issues during the following reporting periods

| | NZ Banking Group | | |
|--|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Unaudited \$m |
| Balance at beginning of the period/year | 11,102 | 12,428 | 12,428 |
| Issuance | 22,170 | 25,529 | 28,543 |
| Repayments | (22,896) | (26,488) | (29,869) |
| Balance at end of the period/year | 10,376 | 11,469 | 11,102 |

Notes to the consolidated short form financial statements

Note 10 Subordinated debentures

| | NZ Banking Group | | |
|--------------------------------------|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Junior subordinated debentures | 858 | 685 | 798 |
| Total subordinated debentures | 858 | 685 | 798 |

Junior subordinated debentures

On 5 April 2004, the NZ Branch issued US\$525 million of Junior Subordinated Convertible Debentures to JP Morgan Chase Bank as trustee of the Tavarua Funding Trust IV, being a member of the Overseas Banking Group.

The convertible debentures are unsecured obligations of the NZ Branch and will rank subordinate and junior in the right of payment of principal and distributions to certain of the NZ Branch's obligations to its depositors and creditors, including other subordinated creditors, other than subordinated creditors holding subordinated indebtedness that ranks equally with, or junior to, the convertible debentures.

The convertible debentures will pay semi-annual distributions (31 March and 30 September) in arrears at the annual rate of 5.256% up to but excluding 31 March 2016. From, and including 31 March 2016, the convertible debentures will pay quarterly distributions (31 December, 31 March, 30 June and 30 September) in arrears at a floating rate equal to LIBOR plus 1.7675% per annum. The convertible debentures will only pay distributions to the extent they are declared by the Board, or an authorised committee of the Board. Any distribution is subject to the Overseas Bank having sufficient distributable profits unless approved by APRA. If certain other conditions exist a distribution is not permitted to be declared.

The convertible debentures have no stated maturity, but will automatically convert into American Depositary Receipts ('ADRs') each representing 40 Overseas Bank preference shares (non-cumulative preference shares with a liquidation amount of US\$25) on 31 March 2053, or earlier in the event that a distribution is not made or certain other events occur.

With the prior written consent of APRA, if required, the Overseas Bank may elect to redeem the convertible debentures for cash before 31 March 2016 in whole upon the occurrence of certain specific events, and in whole or in part on any distribution date on or after 31 March 2016.

Note 11 Convertible debentures

| | NZ Banking Group | | |
|----------------------------|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Trust preferred securities | 1,284 | 1,284 | 1,284 |

Trust preferred securities

During the year ended 30 September 2003, the NZ Branch issued Junior Subordinated Convertible Debentures to JP Morgan Chase Bank as trustee of the Tavarua Funding Trust III ('Funding Trust III'). They represent the proceeds (net of issue costs) of approximately US\$750 million of Trust Preferred Securities ('2003 TPS') issued by the Overseas Banking Group in the United States of America.

The convertible debentures are unsecured obligations of the NZ Branch and will rank subordinate and junior in the right of payment of principal and distributions to certain of the NZ Branch's obligations to its depositors and creditors.

The convertible debentures will pay semi-annual distributions (31 March and 30 September) in arrears at the annual rate of 7.57% up to, but excluding 30 September 2013. From, and including, 30 September 2013 the convertible debentures will pay quarterly distributions (31 December, 31 March, 30 June and 30 September) in arrears at a floating rate equal to the New Zealand Bank Bill Rate plus 2.20% per annum. The convertible debentures will only pay distributions to the extent they are declared by the Board of Directors, or an authorised committee of the Board. Any distribution is subject to the Overseas Bank having sufficient distributable profits unless approved by APRA. If certain other conditions exist a distribution is not permitted to be declared.

The convertible debentures have no stated maturity, but will automatically convert into ADRs each representing 40 Overseas Bank preference shares (non-cumulative preference shares with a liquidation amount of US\$25) on 30 September 2053, or earlier in the event that a distribution is not made or certain other events occur. The 2003 TPS will then be redeemed for ADRs. The dividend payment dates on the Overseas Bank preference shares will be the same as those otherwise applicable to 2003 TPS. The dividend payment rate on the Overseas Bank preference shares will also be the same as that applicable to the 2003 TPS until 30 September 2013, after which the rate will be a floating rate equal to LIBOR plus a fixed margin.

Under the terms of the convertible debentures, the NZ Branch will make distributions in New Zealand dollars to Funding Trust III. Funding Trust III has entered into a currency swap with the Overseas Bank under which Funding Trust III has agreed to pay the Overseas Bank the New Zealand dollar distributions it receives on the convertible debentures in exchange for US dollars. The NZ Branch has also entered into a netting agreement under which it has agreed to pay any New Zealand dollar distributions on the convertible debentures direct to the Overseas Bank.

With the prior written consent of APRA, if required, the NZ Branch may elect to redeem the convertible debentures for cash before 30 September 2013 in whole upon the occurrence of certain specific events, and in whole or in part on any distribution date on or after 30 September 2013. The proceeds received by Funding Trust III from the redemption of the convertible debentures must be used to redeem the 2003 TPS. The holders of the convertible debentures do not have an option to require redemption of these instruments.

Notes to the consolidated short form financial statements

Note 12 Interest earning assets and interest bearing liabilities

| | NZ Banking Group | | |
|--|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Interest earning and discount bearing assets | 63,652 | 60,411 | 62,179 |
| Interest and discount bearing liabilities | 55,524 | 55,145 | 56,406 |

Note 13 Commitments and contingent liabilities

The NZ Banking Group is 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 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 Westpac Home Loan Trust ('HLT') where there is a breach of warranty within 120 days of sale, or where the securitised loans cease to conform with the terms and conditions of the Westpac Securitisation Trust programme. It is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from this obligation.

Off-balance sheet credit risk related financial instruments were as follows:

| | NZ Banking Group | | |
|---|-------------------------------------|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| Contingent liabilities | | | |
| Direct credit substitutes | 330 | 376 | 310 |
| Underwriting and sub-underwriting facilities | 25 | 260 | - |
| Transaction related contingent items | 763 | 731 | 740 |
| Short-term, self liquidating trade related contingent liabilities | 765 | 782 | 889 |
| Total contingent liabilities | 1,883 | 2,149 | 1,939 |

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.

The New Zealand Inland Revenue Department ('NZIRD') has reviewed a number of structured finance transactions undertaken in New Zealand. Following the review, the NZIRD issued amended assessments for the 1999 to 2005 tax years in relation to nine transactions undertaken between 1998 and 2002. The overall primary tax in dispute is approximately \$586 million. With interest (net of tax) this increases to approximately \$911 million (interest calculated to 30 June 2009).

Proceedings disputing all amended assessments have been commenced. The NZ Banking Group is confident that the tax treatment applied in all cases is correct. A ruling was sought from the NZIRD on an early transaction in 1999. Following extensive review by the NZIRD, the ruling was issued in 2001. The principles underlying that ruling are applicable to, and have been followed in, all other transactions.

There are no further transactions or tax years subject to the review. No further information is disclosed due to the sensitive nature of this litigation.

The New Zealand Commerce Commission's proceedings against Westpac New Zealand and The Warehouse Financial Services Limited (members of the NZ Banking Group) are ongoing. Visa International, Cards NZ Limited, MasterCard International and all New Zealand issuers of Visa and MasterCard credit cards are also defendants. The proceedings allege that the setting of interchange fees and rules (relating to honour all cards, no surcharge, access and no discrimination) amount to price fixing or alternatively have the effect of substantially lessening competition in the New Zealand market in breach of the Commerce Act 1986. The proceedings seek to declare the conduct illegal and impose unspecified monetary penalties. In addition, similar proceedings issued by a number of New Zealand retailers against the same defendants are also ongoing. These proceedings also seek to declare the conduct illegal and an enquiry into damages. Damages awarded, if any, would be in addition to any penalties imposed under the Commerce Act 1986 in the event the Commerce Commission is successful in the proceedings described above. Both proceedings are being defended. The extent of any possible liability can not be reliably calculated at this stage and accordingly no provision has been made. The proceedings are scheduled for hearing in October 2009.

Notes to the consolidated short form financial statements

Note 13 Commitments and contingent liabilities (continued)

Westpac New Zealand leases the majority of the properties it occupies. As is normal practice, the lease agreements contain 'make good' provisions, which require Westpac New Zealand, upon termination of the lease, to return the premises to the lessor in the original condition. The maximum amount payable by Westpac New Zealand upon vacation of all leased premises subject to these provisions as at 30 June 2009 was estimated to be \$22 million (30 June 2008: \$21 million, 30 September 2008: \$21 million). Westpac New Zealand believes it is highly unlikely that it would incur a material operating loss as a result of this in the normal course of its business operations.

Other commitments

As at 30 June 2009, 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 engagements entered into in the normal course of business. The NZ Banking Group has management systems and operational controls in place to manage interest rate risk and currency risk. Accordingly, it is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from these transactions.

Guarantees and undertakings

Westpac New Zealand provides guarantees of commercial paper and other debt securities issued by Westpac Securities NZ Limited, the proceeds of which are immediately on lent to Westpac New Zealand.

Note 14 Segment information

The NZ Banking Group operates predominantly in the finance, residential mortgage and wealth management industries within New Zealand.

The basis of segment reporting reflects the management of the business within the Overseas Banking Group, rather than the legal structure of the NZ Banking Group. The business 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 business segment. Intersegment pricing is determined on an arm's length basis.

Primary reporting – business segments

The business segments are defined by the customers they service and the services they provide. The New Zealand Retail segment is responsible for servicing and product development for consumer and smaller to medium-sized customers within New Zealand, and includes the majority of the Corporate Head Office functions that exist within New Zealand. The Institutional Banking segment represents primarily corporations and institutional customers based in New Zealand, and also provides financial markets services to middle-market business banking customers in New Zealand. The Other Banking segment includes the results of Group Capital, Structured Finance and Group Treasury activities as well as activities that cannot be directly attributable to any other segment within the New Zealand geographical area.

| | NZ Banking Group | | | |
|---|--|---------------------------------|-------------------------|---------------|
| | Nine Months Ended 30 June 2009 – Unaudited | | | |
| | New Zealand Retail \$m | Institutional Banking \$m | Other Banking \$m | Total \$m |
| Net operating income | 1,239 | 287 | 130 | 1,656 |
| Operating expenses and impairment charges on loans | (1,017) | (90) | (38) | (1,145) |
| Profit before income tax expense | 222 | 197 | 92 | 511 |
| Income tax expense | | | | (204) |
| Profit attributable to minority interests | | | | (2) |
| Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group | | | | 305 |
| Total external assets excluding tax | 48,208 | 15,380 | 7,912 | 71,500 |
| Intragroup assets | | | | 2,402 |
| Tax assets | | | | 361 |
| Total assets | | | | 74,263 |
| Total external liabilities excluding tax | 29,105 | 9,873 | 20,546 | 59,491 |
| Intragroup liabilities | | | | 10,550 |
| Tax liabilities | | | | 51 |
| Total liabilities | | | | 70,092 |

Notes to the consolidated short form financial statements

Note 14 Segment information (continued)

| | NZ Banking Group | | | |
|---|--|---------------------------------|-------------------------|---------------|
| | Nine Months Ended 30 June 2008 – Unaudited | | | |
| | New Zealand Retail \$m | Institutional Banking \$m | Other Banking \$m | Total \$m |
| Net operating income | 1,166 | 145 | 122 | 1,433 |
| Operating expenses and impairment charges on loans | (620) | (29) | (19) | (668) |
| Profit before income tax expense | 546 | 116 | 103 | 765 |
| Income tax expense | | | | (228) |
| Profit attributable to minority interests | | | | (2) |
| Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group | | | | 535 |
| Total external assets excluding tax | 47,067 | 11,471 | 5,622 | 64,160 |
| Intragroup assets | | | | 2,049 |
| Tax assets | | | | 133 |
| Total assets | | | | 66,342 |
| Total external liabilities excluding tax | 27,990 | 5,930 | 17,998 | 51,918 |
| Intragroup liabilities | | | | 10,294 |
| Tax liabilities | | | | - |
| Total liabilities | | | | 62,212 |

| | NZ Banking Group | | | |
|---|--|---------------------------------|-------------------------|---------------|
| | Year Ended 30 September 2008 – Audited | | | |
| | New Zealand Retail \$m | Institutional Banking \$m | Other Banking \$m | Total \$m |
| Net operating income | 1,582 | 221 | 155 | 1,958 |
| Operating expenses and impairment charges on loans | (869) | (50) | (76) | (995) |
| Profit before income tax expense | 713 | 171 | 79 | 963 |
| Income tax expense | | | | (281) |
| Profit attributable to minority interests | | | | (3) |
| Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group | | | | 679 |
| Total external assets excluding tax | 47,710 | 14,079 | 6,731 | 68,520 |
| Intragroup assets | | | | 2,170 |
| Tax assets | | | | 192 |
| Total assets | | | | 70,882 |
| Total external liabilities excluding tax | 28,200 | 8,059 | 19,184 | 55,443 |
| Intragroup liabilities | | | | 11,307 |
| Tax liabilities | | | | - |
| Total liabilities | | | | 66,750 |

Secondary reporting – geographic segments

The NZ Banking Group operates predominantly within New Zealand.

Note 15 Insurance business

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

The aggregate amount of the insurance business as at balance date was:

| | NZ Banking Group | | |
|--|---|-------------------------------------|--|
| | 30 June 2009 Unaudited \$m | 30 June 2008 Unaudited \$m | 30 September 2008 Audited \$m |
| | Total assets | 101 | 108 |

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 short form financial statements

Note 16 Capital adequacy

Overseas Banking Group Capital Adequacy Ratio

Basel II

| | 30 June 2009 Unaudited % |
|---|-----------------------------------|
| Overseas Banking Group¹ | |
| Tier One Capital expressed as a percentage of risk-weighted exposures | 8.2 |
| Total Capital expressed as a percentage of risk-weighted exposures | 11.0 |
| Overseas Bank (Extended Licensed Entity)¹ | |
| Tier One Capital expressed as a percentage of risk-weighted exposures | 10.1 |
| Total Capital expressed as a percentage of risk-weighted exposures | 12.7 |

¹ The capital ratios represent information mandated by APRA.

Basel II came into force in January 2008. The Overseas Banking Group received accreditation from APRA to apply the Advanced Internal Ratings Based ('Advanced IRB') and Advanced Measurement Approaches ('AMA') methodologies for calculating regulatory capital (known as 'Advanced Accreditation') and is required by APRA to hold minimum capital at least equal to that specified under the Advanced IRB and AMA methodologies. Under New Zealand regulations, this methodology is referred to as Basel 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 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 30 June 2009. APRA specifies a minimum prudential capital ratio for the Overseas Banking Group, which is not made publicly available.

As a highly rated ADI, the Overseas Banking Group has a capital management strategy that seeks to ensure that the enterprise is strongly capitalised relative to the risks in its portfolio. Ensuring that the Overseas Banking Group's balance sheet structure is prudent and flexible has led to the following long-term operating principles:

- the Overseas Banking Group seeks to manage capital within target ranges with the lower limits taking account of regulatory requirements and ratings agency guidance;
- the Overseas Banking Group's target ranges are intended to be consistent with a 'AA' senior debt rating; and
- the Overseas Banking Group actively manages the deployment of capital within the legal entities that make up the Overseas Banking Group to ensure capital ratios are within ranges and other requirements are met.

The Overseas Banking Group reviews its target capital ranges each year. For the foreseeable future, the Overseas Banking Group will seek to maintain conservative levels of capital.

Note 17 Risk management overview

There have been no changes to the risk management policies and no new categories of risk to which the Banking Group has become exposed since the publication of the Bank's General Disclosure Statement for the six months ended 31 March 2009.

Note 18 Credit risk

Risk-weighted exposures

The risk-weighted exposures are derived in accordance with the Reserve Bank's Capital Adequacy Framework (the '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 NZ Branch's credit risk management practice as disclosed in this note is consistent with the Overseas Banking Group's practice. 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 NZ Branch are required to disclose capital under the Basel I approach as outlined in the table below.

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

| NZ Banking Group 30 June 2009 – Unaudited | | | |
|--|----------------------------|-------------------|--------------------------------------|
| | Principal Amount \$m | Risk Weighting | Risk- weighted Exposure \$m |
| Cash and short-term claims on government | 3,417 | 0% | - |
| Long-term claims on government | 201 | 10% | 20 |
| Claims on banks | 3,450 | 20% | 690 |
| Claims on public sector entities | 269 | 20% | 54 |
| Residential mortgages | 31,960 | 50% | 15,980 |
| Other assets | 24,817 | 100% | 24,817 |
| Non-risk-weighted assets | 10,149 | | |
| Total on-balance sheet exposures | 74,263 | | 41,561 |

Calculation of off-balance sheet securitised mortgage exposures

| | | | |
|---|------------|-----|------------|
| Securitised mortgages | 572 | 50% | 286 |
| Total off-balance sheet securitised mortgage exposures | 572 | | 286 |

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 | 83% | 274 |
| Total direct credit substitutes | 330 | | 330 | | 274 |
| Commitments | | | | | |
| Commitments with certain drawdown | 32 | 100% | 32 | 20% | 6 |
| Housing loan commitments with certain drawdown | 176 | 100% | 176 | 50% | 88 |
| Transaction related contingent items | 763 | 50% | 382 | 92% | 353 |
| Underwriting and sub-underwriting facilities | 25 | 50% | 13 | 96% | 12 |
| Short-term, self liquidating trade related contingent liabilities | 765 | 20% | 153 | 100% | 153 |
| Other commitments to provide financial services which have an original maturity of one year or more | 9,685 | 50% | 4,843 | 71% | 3,420 |
| Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time | 6,307 | 0% | - | 0% | - |
| Total commitments | 17,753 | | 5,599 | | 4,032 |
| Market related contracts (derivatives) | | | | | |
| Foreign exchange contracts: | | | | | |
| Forwards | 58,051 | | 2,883 | 50% | 1,441 |
| Swaps | 31,304 | | 2,218 | 22% | 484 |
| Interest rate contracts: | | | | | |
| Forwards | 6,719 | | 1 | 0% | - |
| Futures | 14,772 | | - | 0% | - |
| Options | 14,354 | | 41 | 46% | 19 |
| Swaps | 215,789 | | 5,814 | 29% | 1,677 |
| Total market related contracts (derivatives) | 340,989 | | 10,957 | | 3,621 |
| Total off-balance sheet and derivative exposures | 359,072 | | 16,886 | | 7,927 |
| Total risk-weighted exposures | | | | | 49,774 |

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

| NZ Banking Group | | | |
|--|----------------------------|-------------------|--------------------------------------|
| 30 June 2008 – Unaudited | | | |
| | Principal Amount \$m | Risk Weighting | Risk- weighted Exposure \$m |
| Cash and short-term claims on government | 1,819 | 0% | - |
| Long-term claims on government | 56 | 10% | 6 |
| Claims on banks | 3,257 | 20% | 651 |
| Claims on public sector entities | 115 | 20% | 23 |
| Residential mortgages | 30,928 | 50% | 15,464 |
| Other assets | 25,062 | 100% | 25,062 |
| Non-risk-weighted assets | 5,105 | | - |
| Total on-balance sheet exposures | 66,342 | | 41,206 |

Calculation of off-balance sheet securitised mortgage exposures

| | | | |
|---|------------|-----|------------|
| Securitised mortgages | 638 | 50% | 319 |
| Total off-balance sheet securitised mortgage exposures | 638 | | 319 |

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 | 376 | 100% | 376 | 85% | 320 |
| Total direct credit substitutes | 376 | | 376 | | 320 |
| Commitments | | | | | |
| Commitments with certain drawdown | 57 | 100% | 57 | 20% | 11 |
| Housing loan commitments with certain drawdown | 190 | 100% | 190 | 50% | 95 |
| Transaction related contingent items | 731 | 50% | 366 | 92% | 336 |
| Underwriting and sub-underwriting facilities | 260 | 50% | 130 | 100% | 130 |
| Short-term, self liquidating trade related contingent liabilities | 782 | 20% | 156 | 100% | 156 |
| Other commitments to provide financial services which have an original maturity of one year or more | 8,488 | 50% | 4,244 | 70% | 2,968 |
| Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time | 6,868 | 0% | - | 0% | - |
| Total commitments | 17,376 | | 5,143 | | 3,696 |
| Market related contracts (derivatives) | | | | | |
| Foreign exchange contracts: | | | | | |
| Forwards | 70,885 | | 1,357 | 50% | 679 |
| Swaps | 32,072 | | 1,785 | 25% | 441 |
| Interest rate contracts: | | | | | |
| Forwards | 13,216 | | 3 | 33% | 1 |
| Futures | 34,548 | | - | 0% | - |
| Options | 8,078 | | 21 | 43% | 9 |
| Swaps | 242,426 | | 2,224 | 27% | 602 |
| Total market related contracts (derivatives) | 401,225 | | 5,390 | | 1,732 |
| Total off-balance sheet and derivative exposures | 418,977 | | 10,909 | | 5,748 |
| Total risk-weighted exposures | | | | | 47,273 |

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

| NZ Banking Group | | | |
|--|----------------------------|-------------------|--------------------------------------|
| 30 September 2008 – Audited | | | |
| | Principal Amount \$m | Risk Weighting | Risk- weighted Exposure \$m |
| Cash and short-term claims on government | 1,684 | 0% | - |
| Long-term claims on government | 146 | 10% | 15 |
| Claims on banks | 4,134 | 20% | 827 |
| Claims on public sector entities | 130 | 20% | 26 |
| Residential mortgages | 31,216 | 50% | 15,608 |
| Other assets | 25,755 | 100% | 25,755 |
| Non-risk-weighted assets | 7,817 | | |
| Total on-balance sheet exposures | 70,882 | | 42,231 |

Calculation of off-balance sheet securitised mortgage exposures

| | | | |
|---|------------|-----|------------|
| Securitised mortgages | 596 | 50% | 298 |
| Total off-balance sheet securitised mortgage exposures | 596 | | 298 |

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 | 310 | 100% | 310 | 82% | 254 |
| Total direct credit substitutes | 310 | | 310 | | 254 |
| Commitments | | | | | |
| Commitments with certain drawdown | 47 | 100% | 47 | 20% | 9 |
| Housing loan commitments with certain drawdown | 180 | 100% | 180 | 50% | 90 |
| Transaction related contingent items | 740 | 50% | 370 | 92% | 339 |
| Underwriting and sub-underwriting facilities | - | 50% | - | 0% | - |
| Short-term, self liquidating trade related contingent liabilities | 889 | 20% | 178 | 100% | 178 |
| Other commitments to provide financial services which have an original maturity of one year or more | 8,564 | 50% | 4,282 | 69% | 2,935 |
| Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time | 6,550 | 0% | - | 0% | - |
| Total commitments | 16,970 | | 5,057 | | 3,551 |
| Market related contracts (derivatives) | | | | | |
| Foreign exchange contracts: | | | | | |
| Forwards | 69,597 | | 2,601 | 50% | 1,301 |
| Swaps | 34,301 | | 2,838 | 22% | 629 |
| Interest rate contracts: | | | | | |
| Forwards | 10,248 | | 5 | 40% | 2 |
| Futures | 15,051 | | - | 0% | - |
| Options | 5,230 | | 36 | 42% | 15 |
| Swaps | 242,941 | | 3,255 | 27% | 882 |
| Total market related contracts (derivatives) | 377,368 | | 8,735 | | 2,829 |
| Total off-balance sheet and derivative exposures | 394,648 | | 14,102 | | 6,634 |
| Total risk-weighted exposures | | | | | 49,163 |

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

| | NZ Branch | | | | |
|--|--------------------------|--------------------------|------------------------------|-------------------------------------|----------------------------|
| | 30 June 2009 – Unaudited | | | | |
| | Principal Amount \$m | | Risk Weighting | | Risk-weighted Exposure \$m |
| Cash and short-term claims on government | 941 | | 0% | | - |
| Long-term claims on government | 201 | | 10% | | 20 |
| Claims on banks | 908 | | 20% | | 182 |
| Claims on public sector entities | 130 | | 20% | | 26 |
| Residential mortgages | - | | 50% | | - |
| Other assets | 12,996 | | 100% | | 12,996 |
| Non-risk-weighted assets | 10,762 | | | | |
| Total on-balance sheet exposures | 25,938 | | | | 13,224 |
| Calculation of off-balance sheet securitised mortgage exposures | | | | | |
| Securitised mortgages | - | | 50% | | - |
| Total off-balance sheet securitised mortgage exposures | - | | | | - |
| 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 | 284 | 100% | 284 | 80% | 227 |
| Total direct credit substitutes | 284 | | 284 | | 227 |
| Commitments | | | | | |
| Commitments with certain drawdown | - | 100% | - | 20% | - |
| Housing loan commitments with certain drawdown | - | 100% | - | 50% | - |
| Transaction related contingent items | 487 | 50% | 243 | 88% | 214 |
| Underwriting and sub-underwriting facilities | 25 | 50% | 12 | 100% | 12 |
| Short-term, self liquidating trade related contingent liabilities | 79 | 20% | 16 | 96% | 15 |
| Other commitments to provide financial services which have an original maturity of one year or more | 3,365 | 50% | 1,683 | 94% | 1,582 |
| Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time | 2,272 | 0% | - | 0% | - |
| Total commitments | 6,228 | | 1,954 | | 1,823 |
| Market related contracts (derivatives) | | | | | |
| Foreign exchange contracts: | | | | | |
| Forwards | 58,051 | | 2,883 | 50% | 1,441 |
| Swaps | 41,185 | | 3,293 | 31% | 1,022 |
| Interest rate contracts: | | | | | |
| Forwards | 6,719 | | 1 | 0% | - |
| Futures | 14,772 | | - | 0% | - |
| Options | 14,354 | | 41 | 46% | 19 |
| Swaps | 249,650 | | 6,620 | 31% | 2,080 |
| Total market related contracts (derivatives) | 384,731 | | 12,838 | | 4,562 |
| Total off-balance sheet and derivative exposures | 391,243 | | 15,076 | | 6,612 |
| Total risk-weighted exposures | | | | | 19,836 |

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

| NZ Branch | | | |
|--|----------------------------|-------------------|--------------------------------------|
| 30 June 2008 – Unaudited | | | |
| | Principal Amount \$m | Risk Weighting | Risk- weighted Exposure \$m |
| Cash and short-term claims on government | 1,693 | 0% | - |
| Long-term claims on government | 56 | 10% | 6 |
| Claims on banks | 1,175 | 20% | 235 |
| Claims on public sector entities | 173 | 20% | 35 |
| Residential mortgages | - | 50% | - |
| Other assets | 13,672 | 100% | 13,672 |
| Non-risk-weighted assets | 4,602 | | |
| Total on-balance sheet exposures | 21,371 | | 13,948 |

Calculation of off-balance sheet securitised mortgage exposures

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

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 | 322 | 100% | 322 | 82% | 264 |
| Total direct credit substitutes | 322 | | 322 | | 264 |
| Commitments | | | | | |
| Commitments with certain drawdown | - | 100% | - | 20% | - |
| Housing loan commitments with certain drawdown | - | 100% | - | 50% | - |
| Transaction related contingent items | 445 | 50% | 223 | 87% | 194 |
| Underwriting and sub-underwriting facilities | 260 | 50% | 130 | 100% | 130 |
| Short-term, self liquidating trade related contingent liabilities | 80 | 20% | 16 | 97% | 15 |
| Other commitments to provide financial services which have an original maturity of one year or more | 3,175 | 50% | 1,588 | 91% | 1,445 |
| Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time | 2,464 | 0% | - | 0% | - |
| Total commitments | 6,424 | | 1,957 | | 1,784 |
| Market related contracts (derivatives) | | | | | |
| Foreign exchange contracts: | | | | | |
| Forwards | 70,885 | | 1,357 | 50% | 679 |
| Swaps | 41,448 | | 2,121 | 24% | 509 |
| Interest rate contracts: | | | | | |
| Forwards | 13,216 | | 3 | 33% | 1 |
| Futures | 34,548 | | - | 0% | - |
| Options | 8,078 | | 21 | 43% | 9 |
| Swaps | 297,821 | | 2,425 | 27% | 650 |
| Total market related contracts (derivatives) | 465,996 | | 5,927 | | 1,848 |
| Total off-balance sheet and derivative exposures | 472,742 | | 8,206 | | 3,896 |
| Total risk-weighted exposures | | | | | 17,844 |

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

| NZ Branch | | | |
|--|----------------------------|-------------------|--------------------------------------|
| 30 September 2008 – Audited | | | |
| | Principal Amount \$m | Risk Weighting | Risk- weighted Exposure \$m |
| Cash and short-term claims on government | 1,555 | 0% | - |
| Long-term claims on government | 146 | 10% | 15 |
| Claims on banks | 1,492 | 20% | 298 |
| Claims on public sector entities | 185 | 20% | 37 |
| Residential mortgages | - | 50% | - |
| Other assets | 14,972 | 100% | 14,972 |
| Non-risk-weighted assets | 7,492 | | |
| Total on-balance sheet exposures | 25,842 | | 15,322 |

Calculation of off-balance sheet securitised mortgage exposures

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

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 | 258 | 100% | 258 | 77% | 199 |
| Total direct credit substitutes | 258 | | 258 | | 199 |
| Commitments | | | | | |
| Commitments with certain drawdown | - | 100% | - | 20% | - |
| Housing loan commitments with certain drawdown | - | 100% | - | 50% | - |
| Transaction related contingent items | 460 | 50% | 230 | 87% | 200 |
| Underwriting and sub-underwriting facilities | - | 50% | - | 100% | - |
| Short-term, self liquidating trade related contingent liabilities | 101 | 20% | 20 | 100% | 20 |
| Other commitments to provide financial services which have an original maturity of one year or more | 3,104 | 50% | 1,552 | 89% | 1,381 |
| Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time | 2,251 | 0% | - | 0% | - |
| Total commitments | 5,916 | | 1,802 | | 1,601 |
| Market related contracts (derivatives) | | | | | |
| Foreign exchange contracts: | | | | | |
| Forwards | 69,597 | | 2,601 | 50% | 1,301 |
| Swaps | 43,572 | | 3,158 | 22% | 693 |
| Interest rate contracts: | | | | | |
| Forwards | 10,248 | | 5 | 40% | 2 |
| Futures | 15,051 | | - | 0% | - |
| Options | 5,230 | | 36 | 42% | 15 |
| Swaps | 292,724 | | 3,375 | 27% | 908 |
| Total market related contracts (derivatives) | 436,422 | | 9,175 | | 2,919 |
| Total off-balance sheet and derivative exposures | 442,596 | | 11,235 | | 4,719 |
| Total risk-weighted exposures | | | | | 20,041 |

Additional mortgage information

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

NZ Banking Group – Residential mortgages by LVR as at 30 June 2009 (unaudited)

| LVR range | 0-80% | 81-90% | Over 90% |
|--------------------|---------------|--------------|--------------|
| Value of exposures | 23,622 | 5,385 | 3,286 |

Notes to the consolidated short form financial statements

Note 19 Concentration of credit exposures

Analysis of credit exposures to individual 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 30 June 2009 was nil (30 June 2008: nil, 30 September 2008: nil); and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2009 was nil (30 June 2008: nil, 30 September 2008: 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 30 June 2009 was nil (30 June 2008: nil, 30 September 2008: nil); and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2009 was nil (30 June 2008: nil, 30 September 2008: nil).

The peak end-of-day exposures have been calculated by determining the maximum end-of-day aggregate amount of 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 used in the above calculations are determined with reference to actual credit exposures. 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 those counterparties if they are recorded outside New Zealand nor 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.

The NZ Banking Group predominantly has its market related contracts (derivatives) with other financial institutions (which include other banks and corporates) and the Overseas Banking Group.

Note 20 Market risk

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 30 June 2009 (30 June 2008 for comparatives).

The as at exposures below have been calculated by determining the end-of-day aggregate market risk exposure as at 30 June 2009 and then dividing that amount by the Overseas Banking Group's equity as at 30 June 2009 (30 June 2008 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 30 June 2009.

Market risk notional capital charges

The following table provides a summary of end-of-period notional capital charges by risk type for the NZ Banking Group.

| | 30 June 2009 – Unaudited | | | 30 June 2008 – Unaudited | | |
|-----------------------|---------------------------------------|--------------------------------|---|---------------------------------------|--------------------------------|---|
| | Implied Risk-weighted Exposure \$m | Notional Capital Charge \$m | Notional Capital Charge as a Percentage of Overseas Banking Group's Equity % | Implied Risk-weighted Exposure \$m | Notional Capital Charge \$m | Notional Capital Charge as a Percentage of Overseas Banking Group's Equity % |
| End-of-period | | | | | | |
| Interest risk | 4,088 | 327 | 0.74 | 3,225 | 258 | 1.09 |
| Foreign currency risk | 13 | 1 | - | 25 | 2 | 0.01 |
| Equity risk | 38 | 3 | 0.01 | 38 | 3 | 0.01 |

The following table provides a summary of peak end-of-day notional capital charges by risk type for the NZ Banking Group.

| | 30 June 2009 – Unaudited | | | 30 June 2008 – Unaudited | | |
|------------------------|---------------------------------------|--------------------------------|---|---------------------------------------|--------------------------------|---|
| | Implied Risk-weighted Exposure \$m | Notional Capital Charge \$m | Notional Capital Charge as a Percentage of Overseas Banking Group's Equity % | Implied Risk-weighted Exposure \$m | Notional Capital Charge \$m | Notional Capital Charge as a Percentage of Overseas Banking Group's Equity % |
| Peak end-of-day | | | | | | |
| Interest risk | 7,913 | 633 | 1.44 | 3,225 | 258 | 1.09 |
| Foreign currency risk | 63 | 5 | 0.01 | 75 | 6 | 0.03 |
| Equity risk | 38 | 3 | 0.01 | 38 | 3 | 0.01 |

