

# Westpac Banking Corporation - New Zealand Division **Disclosure Statement**

For the six months ended 31 March 2013



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## General information and definitions

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Certain of the information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ('Reserve Bank Act') and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2013 ('Order').

In this Disclosure Statement, reference is made to five 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 the financial statements of the Overseas Banking Group's New Zealand business. Controlled entities of the NZ Banking Group as at 30 September 2012 are set out in Note 26 to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2012. Except as detailed in Note 10 to the financial statements included in this Disclosure Statement, there have been no other changes in the structure or composition of the NZ Banking Group since 30 September 2012;
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac); and
- Westpac New Zealand Limited (otherwise referred to as '**Westpac New Zealand**') – refers to a locally incorporated subsidiary of the Overseas Bank carrying on the Overseas Bank's New Zealand consumer, business and institutional banking operations.

Words and phrases not defined in this Disclosure Statement, but defined by the Order, have the meaning given by the Order when used in this Disclosure Statement. All amounts referred to in this Disclosure Statement are in New Zealand dollars unless otherwise stated.

## General matters

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### Directors

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

**Lindsay Philip Maxsted**, DipBus (Gordon), FCA, FAICD – Chairman

**Gail Patricia Kelly**, HigherDipEd, BA, MBA, HonDBus – Managing Director & Chief Executive Officer

**John Simon Curtis** AM, BA, LLB (Hons.) – Deputy Chairman

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

**Gordon McKellar Cairns**, MA (Hons.)

**Ewen Graham Wolseley Crouch** AM, BEc (Hons.), LLB

**Robert George Elstone**, BA (Hons.), MA (Econ.), MCom

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

**Ann Darlene Pickard**, BA, MA

### Chief Executive Officer, NZ Branch

**Karen Lee Ann Silk**, B.Com

The following changes in the composition of the Overseas Bank's Board of Directors (the '**Board**') have been effected since 30 September 2012:

- Peter Wilson retired from the Board at the conclusion of Westpac Banking Corporation's 2012 Annual General Meeting on 13 December 2012;
- Robert Elstone was appointed as Chairman of the Overseas Bank's Board Audit Committee effective 13 December 2012; and
- Ewen Crouch was appointed to the Board effective 1 February 2013.

Peter Marriott was appointed to the Board, effective 1 June 2013.

### Responsible person

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

## Auditors

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### PricewaterhouseCoopers

PricewaterhouseCoopers Tower  
188 Quay Street  
Auckland, New Zealand

## Credit ratings

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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, as at the date this Disclosure Statement was signed:

Rating Agency	Current Credit Rating	Rating Outlook
Fitch Ratings	AA-	Stable
Moody's Investors Service	Aa2	Stable
Standard & Poor's	AA-	Stable

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There have been no changes to any of the Overseas Bank's credit ratings or rating outlooks since 30 September 2012.

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

## Disclosure statements of the Overseas Bank and the financial statements of the Overseas Bank and the Overseas Banking Group

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Disclosure Statements of the Overseas Bank for the last five years are available, free of charge, at the internet address [www.westpac.co.nz](http://www.westpac.co.nz). A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request is made.

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2012 and for the six months ended 31 March 2013, respectively, and can be accessed at the internet address [www.westpac.com.au](http://www.westpac.com.au).

## Guarantee arrangements

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As at the date this Disclosure Statement was signed, no material obligations of the Overseas Bank that relate to the NZ Branch are guaranteed.

## Conditions of registration

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The Overseas Bank's conditions of registration were amended in December 2012 to incorporate new capital adequacy requirements relating to the implementation of Basel III by the Australian Prudential Regulation Authority ('APRA'). The amendments take effect from 1 January 2013 and were:

- a new condition of registration 6(a) was included which requires the Common Equity Tier One Capital of Westpac Banking Corporation to be not less than 4.5% of risk weighted exposures; and
- the minimum Tier One Capital of Westpac Banking Corporation was increased from 4% to 6% of risk weighted exposures.

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

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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 Disclosure Statement is signed, the Disclosure Statement:

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

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch, believes, after due enquiry, that, over the six months ended 31 March 2013:

- (a) the Overseas Bank has complied with the conditions of registration imposed on it pursuant to section 74 of the Reserve Bank Act; and
- (b) the NZ Branch had systems in place to monitor and control adequately the NZ Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This Disclosure Statement has been signed on behalf of the Directors by Peter Graham Clare, Chief Executive, Westpac New Zealand, and by Karen Lee Ann Silk, as Chief Executive Officer, NZ Branch.



Peter Graham Clare



Karen Lee Ann Silk

Dated this the 27<sup>th</sup> day of May 2013

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## Consolidated income statement for the six months ended 31 March 2013

\$ millions	Note	NZ Banking Group		
		Six Months Ended 31-Mar-13 Unaudited	Six Months Ended 31-Mar-12 Unaudited	Year Ended 30-Sep-12 Audited
Interest income		1,903	1,990	3,965
Interest expense		(1,124)	(1,241)	(2,440)
<b>Net interest income</b>		<b>779</b>	<b>749</b>	<b>1,525</b>
Non-interest income	2	284	292	582
<b>Net operating income</b>		<b>1,063</b>	<b>1,041</b>	<b>2,107</b>
Operating expenses		(452)	(427)	(872)
Impairment charges on loans	3	(56)	(94)	(184)
<b>Operating profit</b>		<b>555</b>	<b>520</b>	<b>1,051</b>
Share of profit of associate accounted for using the equity method		-	-	1
<b>Profit before income tax expense</b>		<b>555</b>	<b>520</b>	<b>1,052</b>
Income tax expense		(155)	(143)	(293)
<b>Profit after income tax expense</b>		<b>400</b>	<b>377</b>	<b>759</b>
<b>Profit after income tax expense attributable to:</b>				
Head office account and owners of the NZ Banking Group		398	376	756
Non-controlling interests		2	1	3
		<b>400</b>	<b>377</b>	<b>759</b>

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

## Consolidated statement of comprehensive income for the six months ended 31 March 2013

\$ millions	NZ Banking Group		
	Six Months Ended 31-Mar-13 Unaudited	Six Months Ended 31-Mar-12 Unaudited	Year Ended 30-Sep-12 Audited
<b>Profit after income tax expense</b>	<b>400</b>	377	759
<b>Other comprehensive income which may be reclassified to the income statement:</b>			
Available-for-sale securities:			
Net unrealised gains from changes in fair value of available-for-sale securities	33	54	66
Exchange differences	-	(4)	(6)
Income tax effect	(4)	(10)	(11)
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	6	56	56
Income tax effect	(2)	(16)	(16)
<b>Total other comprehensive income which may be reclassified to the income statement</b>	<b>33</b>	80	89
<b>Other comprehensive income/(expense) which will not be reclassified to the income statement:</b>			
Actuarial gains/(losses) on employee defined benefit superannuation schemes	6	-	(25)
Income tax effect	(2)	-	7
<b>Total other comprehensive income/(expense) which will not be reclassified to the income statement</b>	<b>4</b>	-	(18)
<b>Total other comprehensive income, net of tax</b>	<b>37</b>	80	71
<b>Total comprehensive income</b>	<b>437</b>	457	830
<b>Total comprehensive income attributable to:</b>			
Head office account and owners of the NZ Banking Group	435	456	827
Non-controlling interests	2	1	3
	<b>437</b>	457	830

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



## Consolidated statement of changes in equity for the six months ended 31 March 2013

\$ millions	NZ Banking Group										
	Head Office Account		Convertible Debentures	NZ Banking Group Equity				Cash Flow Hedge Reserve	Total before Non-controlling Interests	Non-controlling Interests	Total Equity
	Branch Capital	Retained Profits		Share Capital	Retained Profits	Available-for-sale Securities Reserve					
<b>As at 1 October 2011</b>	1,300	89	1,284	139	1,984	31	(74)	4,753	8	4,761	
<b>Six months ended 31 March 2012 (Unaudited)</b>											
Profit after income tax expense	-	107	-	-	269	-	-	376	1	377	
Net gains from changes in fair value	-	-	-	-	-	54	56	110	-	110	
Exchange differences	-	-	-	-	-	(4)	-	(4)	-	(4)	
Income tax effect	-	-	-	-	-	(10)	(16)	(26)	-	(26)	
Actuarial losses on employee defined benefit superannuation schemes	-	-	-	-	-	-	-	-	-	-	
Income tax effect	-	-	-	-	-	-	-	-	-	-	
<b>Total comprehensive income for the six months ended 31 March 2012</b>	-	107	-	-	269	40	40	456	1	457	
Transactions with owners:											
Dividends paid on convertible debentures (net of tax)	-	(36)	-	-	-	-	-	(36)	-	(36)	
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)	
<b>As at 31 March 2012 (Unaudited)</b>	1,300	160	1,284	139	2,253	71	(34)	5,173	5	5,178	
<b>Year ended 30 September 2012 (Audited)</b>											
Profit after income tax expense	-	196	-	-	560	-	-	756	3	759	
Net gains from changes in fair value	-	-	-	-	-	66	56	122	-	122	
Exchange differences	-	-	-	-	-	(6)	-	(6)	-	(6)	
Income tax effect	-	-	-	-	-	(11)	(16)	(27)	-	(27)	
Actuarial losses on employee defined benefit superannuation schemes	-	-	-	-	(25)	-	-	(25)	-	(25)	
Income tax effect	-	-	-	-	7	-	-	7	-	7	
<b>Total comprehensive income for the year ended 30 September 2012</b>	-	196	-	-	542	49	40	827	3	830	
Transactions with owners:											
Dividends paid on convertible debentures (net of tax)	-	(72)	-	-	-	-	-	(72)	-	(72)	
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)	
<b>As at 30 September 2012 (Audited)</b>	1,300	213	1,284	139	2,526	80	(34)	5,508	7	5,515	
<b>Six months ended 31 March 2013 (Unaudited)</b>											
Profit after income tax expense	-	96	-	-	302	-	-	398	2	400	
Net gains from changes in fair value	-	-	-	-	-	33	6	39	-	39	
Exchange differences	-	-	-	-	-	-	-	-	-	-	
Income tax effect	-	-	-	-	-	(4)	(2)	(6)	-	(6)	
Actuarial gains on employee defined benefit superannuation schemes	-	-	-	-	6	-	-	6	-	6	
Income tax effect	-	-	-	-	(2)	-	-	(2)	-	(2)	
<b>Total comprehensive income for the six months ended 31 March 2013</b>	-	96	-	-	306	29	4	435	2	437	
Transactions with owners:											
Dividends paid on convertible debentures (net of tax)	-	(36)	-	-	-	-	-	(36)	-	(36)	
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)	
<b>As at 31 March 2013 (Unaudited)</b>	1,300	273	1,284	139	2,832	109	(30)	5,907	5	5,912	

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

## Consolidated balance sheet as at 31 March 2013

\$ millions	Note	NZ Banking Group		
		31-Mar-13 Unaudited	31-Mar-12 Unaudited	30-Sep-12 Audited
<b>Assets</b>				
Cash and balances with central banks		1,964	1,271	1,714
Due from other financial institutions		487	159	322
Derivative financial instruments		4,264	4,676	5,506
Trading securities	4	4,132	5,191	4,028
Available-for-sale securities		2,830	2,583	2,694
Loans	5, 6	60,371	58,689	59,892
Life insurance assets		257	210	237
Due from related entities		1,653	1,523	2,006
Investment in associate		48	48	48
Goodwill and other intangible assets		671	627	652
Property, plant and equipment		165	155	162
Current tax assets		5	-	-
Deferred tax assets		205	222	209
Other assets		328	307	384
<b>Total assets</b>		<b>77,380</b>	<b>75,661</b>	<b>77,854</b>
<b>Liabilities</b>				
Due to other financial institutions		629	196	214
Deposits	7	46,068	40,836	43,390
Derivative financial instruments		4,410	4,596	5,841
Trading liabilities	8	674	782	518
Debt issues	9	11,651	14,382	12,914
Current tax liabilities		-	20	49
Provisions		86	83	96
Other liabilities		820	695	721
<b>Total liabilities excluding related entities liabilities</b>		<b>64,338</b>	<b>61,590</b>	<b>63,743</b>
Subordinated debentures		700	728	712
Due to related entities		6,430	8,165	7,884
<b>Total related entities liabilities</b>		<b>7,130</b>	<b>8,893</b>	<b>8,596</b>
<b>Total liabilities</b>		<b>71,468</b>	<b>70,483</b>	<b>72,339</b>
<b>Net assets</b>		<b>5,912</b>	<b>5,178</b>	<b>5,515</b>
<b>Equity</b>				
<b>Head office account</b>				
Branch capital		1,300	1,300	1,300
Retained profits		273	160	213
<b>Total head office account</b>		<b>1,573</b>	<b>1,460</b>	<b>1,513</b>
Convertible debentures		1,284	1,284	1,284
<b>NZ Banking Group equity</b>				
Ordinary share capital		139	139	139
Retained profits		2,832	2,253	2,526
Available-for-sale securities reserve		109	71	80
Cash flow hedge reserve		(30)	(34)	(34)
<b>Total equity attributable to owners of the NZ Banking Group</b>		<b>3,050</b>	<b>2,429</b>	<b>2,711</b>
Non-controlling interests		5	5	7
<b>Total equity</b>		<b>5,912</b>	<b>5,178</b>	<b>5,515</b>
Interest earning and discount bearing assets		70,103	68,322	69,024
Interest and discount bearing liabilities		61,806	61,069	60,877

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

## Consolidated statement of cash flows for the six months ended 31 March 2013

\$ millions	NZ Banking Group		
	Six Months Ended 31-Mar-13 Unaudited	Six Months Ended 31-Mar-12 Unaudited	Year Ended 30-Sep-12 Audited
<b>Cash flows from operating activities</b>			
Interest income received	1,887	1,984	3,955
Interest expense paid	(1,137)	(1,271)	(2,436)
Non-interest income received	293	320	562
Net decrease in trading securities	32	504	1,643
Net increase/(decrease) in trading liabilities	156	(504)	(768)
Net movement in derivative financial instruments	(183)	588	1,003
Operating expenses paid	(381)	(397)	(824)
Income tax paid	(200)	(153)	(240)
<b>Net cash provided by operating activities</b>	<b>467</b>	<b>1,071</b>	<b>2,895</b>
<b>Cash flows from investing activities</b>			
Purchase of available-for-sale securities	(103)	(1,015)	(1,179)
Proceeds from maturities of available-for-sale securities	-	-	63
Net loans advanced to customers	(535)	(669)	(1,962)
Net increase in life insurance assets	(20)	(24)	(51)
Net decrease in due from related entities	353	749	266
Purchase of capitalised computer software	(38)	(28)	(73)
Purchase of property, plant and equipment	(15)	(14)	(36)
<b>Net cash used in investing activities</b>	<b>(358)</b>	<b>(1,001)</b>	<b>(2,972)</b>
<b>Cash flows from financing activities</b>			
Net increase in deposits	2,678	1,261	3,815
Net decrease in debt issues	(1,263)	(3,248)	(4,716)
Net (decrease)/increase in due to related entities	(1,458)	1,470	1,185
Net decrease in subordinated debentures	(12)	(57)	(73)
Dividends paid on convertible debentures	(50)	(50)	(100)
Dividends paid to minority shareholders	(4)	(4)	(4)
<b>Net cash (used in)/provided by financing activities</b>	<b>(109)</b>	<b>(628)</b>	<b>107</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>-</b>	<b>(558)</b>	<b>30</b>
Cash and cash equivalents at beginning of the period/year	1,822	1,792	1,792
<b>Cash and cash equivalents at end of the period/year</b>	<b>1,822</b>	<b>1,234</b>	<b>1,822</b>
<b>Cash and cash equivalents at end of the period/year comprise:</b>			
Cash and balances with central banks	1,964	1,271	1,714
Due (to)/from other financial institutions (net)	(142)	(37)	108
	<b>1,822</b>	<b>1,234</b>	<b>1,822</b>
<b>Reconciliation of profit after income tax expense to net cash provided by operating activities</b>			
Profit after income tax expense	400	377	759
<i>Adjustments:</i>			
Impairment charges on loans	56	94	184
Computer software amortisation costs	19	18	38
Depreciation on property, plant and equipment	12	13	28
Share-based payments	4	3	7
Movement in other assets	12	(44)	(108)
Movement in other liabilities	4	(35)	(10)
Movement in current and deferred tax	(52)	6	55
Tax on cash flow hedge reserve	(2)	(16)	(16)
Tax on available-for-sale securities reserve	(4)	(10)	(11)
Tax on convertible debentures dividends	14	14	28
Movement in trading securities	31	567	1,706
Movement in trading liabilities	156	(504)	(768)
Movement in derivative financial instruments	(183)	588	1,003
<b>Net cash provided by operating activities</b>	<b>467</b>	<b>1,071</b>	<b>2,895</b>

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

# Notes to the financial statements

## Note 1 Statement of accounting policies

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### Statutory base

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

- 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 the financial statements of the Overseas Banking Group's New Zealand business;
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac); and
- Westpac New Zealand Limited (otherwise referred to as '**Westpac New Zealand**') – refers to a locally incorporated subsidiary of the Overseas Bank (carrying on the Overseas Bank's New Zealand consumer, business and institutional banking operations).

These consolidated financial statements have been prepared and presented in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2013 ('**Order**') and the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**').

These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit-oriented entities, and the New Zealand Equivalent to International Accounting Standard ('**NZ IAS**') 34 *Interim Financial Reporting* and should be read in conjunction with the Disclosure Statements for the year ended 30 September 2012 and for the three months ended 31 December 2012.

These financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

As a result of the revised accounting standard which became operative for the annual reporting period commencing 1 October 2012, the NZ Banking Group adopted *Presentation of Items of Other Comprehensive Income* (Amendments to NZ IAS 1). Under the amended standard, the format of other comprehensive income has changed to separate items that may be recycled to the income statement from items that will not be recycled. Adoption of this revised accounting standard has not resulted in any material change to the NZ Banking Group's reported result or financial position.

These financial statements were authorised for issue by the Overseas Bank's Board of Directors ('**Board**') on 27 May 2013. The Board has the power to amend the financial statements after they are authorised for issue.

### Basis of preparation

These financial statements are based on the general principles of historical cost accounting, as modified by fair value accounting for available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and all financial derivative contracts. The going concern concept and the accrual basis of accounting have been adopted. All amounts are expressed in New Zealand dollars unless otherwise stated.

The same accounting policies and methods of computation have been followed in preparing these financial statements as were used in preparing the financial statements for the year ended 30 September 2012, except as amended for the changes required due to the adoption of the revised accounting standard as explained in the 'Statutory base' section.

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

### Basis of aggregation

The NZ Banking Group as at 31 March 2013 has been aggregated by combining the sum of the capital and reserves of the NZ Branch, Hastings Forestry Investments Limited, and the consolidated capital and reserves of BT Financial Group (NZ) Limited, Westpac Financial Services Group-NZ-Limited, Westpac Group Investment-NZ-Limited, Westpac New Zealand Group Limited and their controlled entities. For New Zealand entities acquired by the Overseas Banking Group, capital and reserves at acquisition are netted and recognised as capital contributed to the NZ Banking Group.

All transactions and balances between entities within the NZ Banking Group have been eliminated. Control exists when the parent entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date on which control commences and are de-consolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the NZ Banking Group.

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

Non-controlling interests are stated at the proportion of the net profit and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly by the NZ Banking Group. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

# Notes to the financial statements

## Note 2 Non-interest income

\$ millions	NZ Banking Group		
	Six Months Ended 31-Mar-13 Unaudited	Six Months Ended 31-Mar-12 Unaudited	Year Ended 30-Sep-12 Audited
<b>Fees and commissions</b>			
Transaction fees and commissions	125	121	244
Lending fees (loan and risk)	32	31	61
Insurance commissions received	9	8	17
Other non-risk fee income	6	11	18
<b>Total fees and commissions</b>	<b>172</b>	<b>171</b>	<b>340</b>
<b>Wealth management revenue</b>			
Fees from trust and other fiduciary activities	69	64	134
Net life insurance income and change in policy liabilities	(21)	(22)	(32)
<b>Total wealth management revenue</b>	<b>48</b>	<b>42</b>	<b>102</b>
<b>Trading income</b>			
Foreign exchange trading	42	42	85
Interest rate trading	12	17	31
<b>Total trading income</b>	<b>54</b>	<b>59</b>	<b>116</b>
<b>Net ineffectiveness on qualifying hedges</b>	<b>(1)</b>	<b>-</b>	<b>1</b>
<b>Other non-interest income</b>			
Net (losses)/gains on derivatives held for risk management purposes	(1)	8	6
Dividend income	1	-	2
Rental income	-	1	1
Other	11	11	14
<b>Total other non-interest income</b>	<b>11</b>	<b>20</b>	<b>23</b>
<b>Total non-interest income</b>	<b>284</b>	<b>292</b>	<b>582</b>

## Note 3 Impairment charges on loans

\$ millions	NZ Banking Group			
	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
<b>Six months ended 31 March 2013 (Unaudited)</b>				
Collectively assessed provisions	-	6	5	11
Individually assessed provisions	15	-	8	23
Bad debts written-off directly to the income statement	1	19	15	35
Interest adjustments	(1)	(4)	(8)	(13)
<b>Total impairment charges on loans</b>	<b>15</b>	<b>21</b>	<b>20</b>	<b>56</b>
<b>Six months ended 31 March 2012 (Unaudited)</b>				
Collectively assessed provisions	1	3	(3)	1
Individually assessed provisions	19	-	54	73
Bad debts written-off directly to the income statement	3	20	14	37
Interest adjustments	(2)	(4)	(11)	(17)
<b>Total impairment charges on loans</b>	<b>21</b>	<b>19</b>	<b>54</b>	<b>94</b>
<b>Year ended 30 September 2012 (Audited)</b>				
Collectively assessed provisions	(5)	(6)	(60)	(71)
Individually assessed provisions	23	-	190	213
Bad debts written-off directly to the income statement	2	43	29	74
Interest adjustments	(4)	(10)	(18)	(32)
<b>Total impairment charges on loans</b>	<b>16</b>	<b>27</b>	<b>141</b>	<b>184</b>

# Notes to the financial statements

## Note 4 Trading securities

\$ millions	NZ Banking Group		
	31-Mar-13 Unaudited	31-Mar-12 Unaudited	30-Sep-12 Audited
Certificates of deposit	2,146	2,520	2,172
Corporate bonds	519	619	485
Mortgage-backed securities	4	6	-
NZ Government securities	466	852	478
Local authority securities	405	286	349
Securities purchased under agreement to resell	592	908	544
<b>Total trading securities</b>	<b>4,132</b>	<b>5,191</b>	<b>4,028</b>

As at 31 March 2013, the NZ Banking Group had \$200 million of trading securities (31 March 2012: \$305 million, 30 September 2012: \$12 million) that were encumbered through repurchase agreements as part of standard terms of transactions with other banks.

## Note 5 Loans

\$ millions	NZ Banking Group		
	31-Mar-13 Unaudited	31-Mar-12 Unaudited	30-Sep-12 Audited
Overdrafts	1,194	1,296	1,460
Credit card outstandings	1,337	1,320	1,311
Money market loans	1,144	939	1,165
Term loans:			
Housing	36,537	35,540	35,963
Non-housing	19,981	19,333	19,798
Other	788	942	802
<b>Total gross loans</b>	<b>60,981</b>	<b>59,370</b>	<b>60,499</b>
Provisions for impairment charges on loans	(610)	(681)	(607)
<b>Total net loans</b>	<b>60,371</b>	<b>58,689</b>	<b>59,892</b>

As at 31 March 2013, \$2.8 billion of housing loans are used by the NZ Banking Group to secure the obligations of Westpac Securities NZ Limited ('WSNZL') under Westpac New Zealand's Global Covered Bond Programme ('CB Programme') (31 March 2012: \$3.6 billion, 30 September 2012: \$3.1 billion). These housing loans were not derecognised from Westpac New Zealand's financial statements in accordance with the accounting policies outlined in Note 1 to the financial statements included in the Disclosure Statement for the year ended 30 September 2012. As at 31 March 2013, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was \$1.9 billion (31 March 2012: \$1.6 billion, 30 September 2012: \$2.0 billion).

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

\$ millions	NZ Banking Group 31-Mar-13 (Unaudited)			
	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
<b>Neither past due nor impaired</b>	35,361	1,683	21,602	58,646
<b>Past due assets</b>				
Less than 30 days past due	823	111	217	1,151
At least 30 days but less than 60 days past due	116	24	26	166
At least 60 days but less than 90 days past due	53	11	5	69
At least 90 days past due	66	18	70	154
<b>Total past due assets</b>	<b>1,058</b>	<b>164</b>	<b>318</b>	<b>1,540</b>
<b>Individually impaired assets<sup>1</sup></b>				
Balance at beginning of the period	124	-	744	868
Additions	83	-	84	167
Amounts written off	(18)	-	(7)	(25)
Returned to performing or repaid	(71)	-	(144)	(215)
<b>Balance at end of the period</b>	<b>118</b>	<b>-</b>	<b>677</b>	<b>795</b>
<b>Total gross loans<sup>2</sup></b>	<b>36,537</b>	<b>1,847</b>	<b>22,597</b>	<b>60,981</b>
<b>Individually assessed provisions</b>				
Balance at beginning of the period	38	-	239	277
Impairment charges on loans:				
New provisions	26	-	38	64
Recoveries	(3)	-	(2)	(5)
Reversal of previously recognised impairment charges on loans	(8)	-	(28)	(36)
Amounts written off	(18)	-	(7)	(25)
Interest adjustments	-	-	3	3
<b>Balance at end of the period</b>	<b>35</b>	<b>-</b>	<b>243</b>	<b>278</b>
<b>Collectively assessed provisions</b>				
Balance at beginning of the period	61	63	242	366
Impairment charges on loans	-	6	5	11
<b>Balance at end of the period</b>	<b>61</b>	<b>69</b>	<b>247</b>	<b>377</b>
Total provisions for impairment charges on loans and credit commitments	96	69	490	655
Provision for credit commitments	-	-	(45)	(45)
<b>Total provisions for impairment charges on loans</b>	<b>96</b>	<b>69</b>	<b>445</b>	<b>610</b>
<b>Total net loans</b>	<b>36,441</b>	<b>1,778</b>	<b>22,152</b>	<b>60,371</b>

1 The NZ Banking Group had undrawn commitments of \$10 million on individually impaired assets under loans for business purposes as at 31 March 2013.

2 The NZ Banking Group did not have other assets under administration as at 31 March 2013.

# Notes to the financial statements

## Note 7 Deposits

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

The NZ Branch held no retail deposits from individuals as at 31 March 2013 (31 March 2012: nil, 30 September 2012: nil).

## Note 8 Trading liabilities

\$ millions	NZ Banking Group		
	31-Mar-13 Unaudited	31-Mar-12 Unaudited	30-Sep-12 Audited
<b>Held for trading</b>			
Securities sold short	474	477	506
Securities sold under agreements to repurchase	200	305	12
<b>Total trading liabilities</b>	<b>674</b>	<b>782</b>	<b>518</b>

## Note 9 Debt issues

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

As at 31 March 2013, the NZ Banking Group had New Zealand Government guaranteed debt of \$1,897 million on issue (31 March 2012: \$3,836 million, 30 September 2012: \$1,970 million). For further information on New Zealand Government guaranteed debt refer to Guarantee arrangements in Westpac New Zealand's Disclosure Statement for the six months ended 31 March 2013.



## Note 10 Related entities

Westpac NZ Securitisation No.2 Limited ('WNZSL 2') was incorporated on 2 November 2012. WNZSL 2 is a wholly owned subsidiary of Westpac NZ Securitisation Holdings Limited.

Westpac Cash PIE Fund was established on 14 November 2012 and commenced operation on 22 November 2012. Westpac Cash PIE Fund is not owned by the NZ Banking Group, but is regarded as a controlled entity due to contractual arrangements.

Other controlled entities of the NZ Banking Group as at 30 September 2012 are set out in Note 26 to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2012.

Interchange and Settlement Limited ('ISL') was removed from the New Zealand Companies Register on 25 February 2013. The removal of ISL did not have a significant impact on the NZ Banking Group's financial position or results of operations for the six months ended 31 March 2013.

There have been no other changes to the structure or composition of the NZ Banking Group since 30 September 2012.

The total liabilities of the NZ Branch, net of amounts due to related entities as at 31 March 2013, amounted to \$5,590 million (31 March 2012: \$5,571 million, 30 September 2012: \$6,372 million).

## Note 11 Commitments and contingent liabilities

\$ millions	NZ Banking Group		
	31-Mar-13 Unaudited	31-Mar-12 Unaudited	30-Sep-12 Audited
<b>Commitments for capital expenditure</b>			
Due within one year	5	1	4
<b>Other expenditure commitments:</b>			
One year or less	115	82	95
Between one and five years	245	304	293
Over five years	2	-	-
<b>Total other expenditure commitments</b>	<b>362</b>	<b>386</b>	<b>388</b>
<b>Lease commitments (all leases are classified as operating leases)</b>			
Premises and sites	251	222	219
Motor vehicles	9	6	8
<b>Total lease commitments</b>	<b>260</b>	<b>228</b>	<b>227</b>
<b>Lease commitments are due as follows:</b>			
One year or less	50	44	44
Between one and five years	132	112	117
Over five years	78	72	66
<b>Total lease commitments</b>	<b>260</b>	<b>228</b>	<b>227</b>
<b>Other contingent liabilities and commitments</b>			
Direct credit substitutes	334	332	335
Loan commitments with certain drawdown	163	160	177
Transaction-related contingent items	899	661	796
Short-term, self-liquidating trade-related contingent liabilities	397	442	397
Other commitments to provide financial services	18,728	18,186	19,118
<b>Total other contingent liabilities and commitments</b>	<b>20,521</b>	<b>19,781</b>	<b>20,823</b>

# Notes to the financial statements

## Note 12 Segment information

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The NZ Banking Group operates predominantly in the consumer, business and institutional banking sectors within New Zealand. On this basis, no geographical segment information is provided.

The basis of segment reporting reflects the management of the business, rather than the legal structure of the NZ Banking Group. There is no difference in accounting measurement between the management and legal structures. The operating segment results have been presented on a management reporting basis and consequently internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Intersegment pricing is determined on a cost recovery basis.

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

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

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

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

Reconciling items primarily represent:

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

Net interest income and non-interest income have been included in the following table to align with the information provided to the 'chief operating decision maker'. Comparative information has been changed to ensure consistent presentation with the current reporting period. Additionally, profit before income tax expense from domestic transactional banking deposits of certain customers and the associated deposits has been reclassified from the Business Banking segment to the Institutional Banking segment. The revised presentation has no impact on total profit before income tax expense for the six months ended 31 March 2012 and the year ended 30 September 2012.

# Notes to the financial statements

## Note 12 Segment information (continued)

\$ millions	NZ Banking Group				Total
	Consumer Banking	Business Banking	Institutional Banking	Reconciling Items <sup>1</sup>	
<b>Six months ended 31 March 2013 (Unaudited)</b>					
Net interest income	393	235	94	57	779
Non-interest income	151	46	77	10	284
<b>Net operating income</b>	<b>544</b>	<b>281</b>	<b>171</b>	<b>67</b>	<b>1,063</b>
Net operating income from external customers	680	498	162	(277)	1,063
Net internal operating (expense)/income	(136)	(217)	9	344	-
<b>Net operating income</b>	<b>544</b>	<b>281</b>	<b>171</b>	<b>67</b>	<b>1,063</b>
Operating expenses	(100)	(36)	(26)	(290)	(452)
Impairment charges on loans	(33)	(6)	(17)	-	(56)
<b>Profit before income tax expense</b>	<b>411</b>	<b>239</b>	<b>128</b>	<b>(223)</b>	<b>555</b>
<b>Total gross loans</b>	<b>31,959</b>	<b>22,316</b>	<b>6,902</b>	<b>(196)</b>	<b>60,981</b>
<b>Total deposits</b>	<b>25,668</b>	<b>11,776</b>	<b>7,588</b>	<b>1,036</b>	<b>46,068</b>
<b>Six months ended 31 March 2012 (Unaudited)</b>					
Net interest income	393	242	93	21	749
Non-interest income	138	46	92	16	292
<b>Net operating income</b>	<b>531</b>	<b>288</b>	<b>185</b>	<b>37</b>	<b>1,041</b>
Net operating income from external customers	746	536	209	(450)	1,041
Net internal operating (expense)/income	(215)	(248)	(24)	487	-
<b>Net operating income</b>	<b>531</b>	<b>288</b>	<b>185</b>	<b>37</b>	<b>1,041</b>
Operating expenses	(99)	(35)	(26)	(267)	(427)
Impairment (charges)/recoveries on loans	(32)	(67)	4	1	(94)
<b>Profit before income tax expense</b>	<b>400</b>	<b>186</b>	<b>163</b>	<b>(229)</b>	<b>520</b>
<b>Total gross loans</b>	<b>31,078</b>	<b>21,700</b>	<b>6,841</b>	<b>(249)</b>	<b>59,370</b>
<b>Total deposits</b>	<b>23,523</b>	<b>9,907</b>	<b>5,994</b>	<b>1,412</b>	<b>40,836</b>
<b>Year ended 30 September 2012 (Unaudited)</b>					
Net interest income	793	488	181	63	1,525
Non-interest income	292	94	180	16	582
<b>Net operating income</b>	<b>1,085</b>	<b>582</b>	<b>361</b>	<b>79</b>	<b>2,107</b>
Net operating income from external customers	1,468	1,063	380	(804)	2,107
Net internal operating (expense)/income	(383)	(481)	(19)	883	-
<b>Net operating income</b>	<b>1,085</b>	<b>582</b>	<b>361</b>	<b>79</b>	<b>2,107</b>
Operating expenses	(198)	(73)	(56)	(545)	(872)
Impairment charges on loans	(38)	(144)	(6)	4	(184)
Share of profit of associate accounted for using the equity method	-	-	-	1	1
<b>Profit before income tax expense</b>	<b>849</b>	<b>365</b>	<b>299</b>	<b>(461)</b>	<b>1,052</b>
<b>Total gross loans</b>	<b>31,383</b>	<b>22,129</b>	<b>7,209</b>	<b>(222)</b>	<b>60,499</b>
<b>Total deposits</b>	<b>24,744</b>	<b>10,809</b>	<b>6,414</b>	<b>1,423</b>	<b>43,390</b>

<sup>1</sup> Included in the reconciling items for total operating expenses is \$285 million (31 March 2012: \$274 million; 30 September 2012: \$548 million) of head office operating expenses, which are not allocated to a business unit that meets the definition of an operating segment.

## Note 13 Insurance business

The following table presents the aggregate amount of the NZ Banking Group's insurance business conducted through one of its controlled entities, Westpac Life-NZ- Limited ('Westpac Life') calculated in accordance with the Overseas Bank's conditions of registration as at the reporting date:

\$ millions	NZ Banking Group	
	31-Mar-13	Unaudited
Total assets		227
As a percentage of total assets of the NZ Banking Group		0.29%

# Notes to the financial statements

## Note 14 Risk management

### 14.1 Credit risk

#### The NZ Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 31 March 2013 (Unaudited)

In order to calculate origination LVR, the current exposure is that used in the internal ratings based approach for mortgage lending. For loans originated from 1 January 2008, the NZ Banking Group utilises its loan origination system. For loans originated prior to 1 January 2008, the origination LVR is not separately recorded, and therefore is not available for disclosure as required under Clause 1 of Schedule 9 to the Order. For these loans, the NZ Banking Group utilises its dynamic LVR process to calculate an origination LVR. Exposures for which no LVR is available have been included in the 'Exceeds 90%' category in accordance with the requirements of the Order.

LVR range (\$ millions)	NZ Banking Group 31-Mar-13 (Unaudited)			Total
	Does not Exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
On-balance sheet exposures	27,869	5,676	2,917	36,462
Undrawn commitments and other off-balance sheet exposures	6,163	403	226	6,792
<b>Value of exposures</b>	<b>34,032</b>	<b>6,079</b>	<b>3,143</b>	<b>43,254</b>

#### Reconciliation of residential mortgage-related amounts

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

\$ millions	NZ Banking Group 31-Mar-13 Unaudited
<b>Term loans - Housing (as disclosed in Note 5) and Residential mortgages - total gross loans (as disclosed in Note 6)</b>	<b>36,537</b>
<i>Reconciling items:</i>	
Unamortised deferred fees and expenses	(75)
Fair value hedge adjustments	-
Value of undrawn commitments and other off-balance sheet amounts relating to residential mortgages	6,792
<b>Residential mortgages by LVR</b>	<b>43,254</b>

### 14.2 Market risk

#### Market risk notional capital charges

The NZ Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank document 'Capital adequacy framework (standardised approach)' (BS2A). The peak end-of-day exposures below have been calculated by determining the maximum end-of-day aggregate market risk exposure over the six-month period ended 31 March 2013. The end-of-period exposures below have been calculated by determining the end-of-day aggregate market risk as at 31 March 2013. 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). The following table provides a summary of the NZ Banking Group's notional capital charges by risk type as at the reporting date and the peak end-of-day notional capital charges by risk type for the six-month period ended 31 March 2013:

\$ millions	NZ Banking Group 31-Mar-13 (Unaudited)	
	Implied Risk-weighted Exposure	Notional Capital Charge
<b>End-of-period</b>		
Interest rate risk	2,238	179
Foreign currency risk	95	8
Equity risk	88	7
<b>Peak end-of-day</b>		
Interest rate risk	3,525	282
Foreign currency risk	153	12
Equity risk	88	7

**Note 14 Risk management (continued)****Interest rate sensitivity**

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

\$ millions	NZ Banking Group						Total
	Up to 3 Months	Over 3 Months and up to 6 months	Over 6 Months and up to 1 Year	31-Mar-13 (Unaudited) Over 1 Year and up to 2 Years	Over 2 Years	Non-interest Bearing	
<b>Financial assets</b>							
Cash and balances with central banks	1,664	-	-	-	-	300	1,964
Due from other financial institutions	486	-	-	-	-	1	487
Derivative financial instruments	-	-	-	-	-	4,264	4,264
Trading securities	3,054	-	2	5	1,071	-	4,132
Available-for-sale securities	26	-	26	87	2,603	88	2,830
Loans	38,912	3,624	6,726	8,262	3,457	(610)	60,371
Life insurance assets	11	11	2	-	-	233	257
Due from related entities	74	-	-	-	-	1,579	1,653
Other assets	-	-	-	-	-	309	309
<b>Total financial assets</b>	<b>44,227</b>	<b>3,635</b>	<b>6,756</b>	<b>8,354</b>	<b>7,131</b>	<b>6,164</b>	<b>76,267</b>
Non-financial assets							1,113
<b>Total assets</b>							<b>77,380</b>
<b>Financial liabilities</b>							
Due to other financial institutions	612	-	-	-	-	17	629
Deposits	30,689	5,890	4,392	1,187	653	3,257	46,068
Derivative financial instruments	-	-	-	-	-	4,410	4,410
Trading liabilities	674	-	-	-	-	-	674
Debt issues	5,168	312	418	2,146	3,607	-	11,651
Other liabilities	-	-	-	-	-	641	641
Subordinated debentures	-	-	-	-	700	-	700
Due to related entities	5,358	-	-	-	-	1,072	6,430
<b>Total financial liabilities</b>	<b>42,501</b>	<b>6,202</b>	<b>4,810</b>	<b>3,333</b>	<b>4,960</b>	<b>9,397</b>	<b>71,203</b>
Non-financial liabilities							265
<b>Total liabilities</b>							<b>71,468</b>
<b>Off-balance sheet financial instruments</b>							
Net interest rate contracts (notional):							
Receivable/(payable)	6,295	(6,505)	2,773	(5,894)	3,331	-	-

**14.3 Liquidity risk****Liquid assets**

The table below shows the NZ Banking Group's holding of liquid assets and represents the key liquidity information provided to management. Liquid assets include high quality assets readily convertible to cash to meet the NZ Banking Group's liquidity requirements. In management's opinion, liquidity is sufficient to meet the NZ Banking Group's present requirements.

\$ millions	NZ Banking Group 31-Mar-13 Unaudited
Cash and balances with central banks	1,964
Due from other financial institutions	150
Supranational securities	420
NZ Government securities	2,287
NZ public securities	439
NZ corporate securities	2,512
Residential mortgage-backed securities	3,992
<b>Total liquid assets</b>	<b>11,764</b>

# Notes to the financial statements

## Note 14 Risk management (continued)

### Liquidity analysis

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

\$ millions	NZ Banking Group						Total
	On Demand	Less Than 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	
<b>Financial assets</b>							
Cash and balances with central banks	1,964	-	-	-	-	-	1,964
Due from other financial institutions	337	150	-	-	-	-	487
Derivative financial instruments:							
Held for trading	4,120	-	-	-	-	-	4,120
Held for hedging purposes (net settled)	-	17	7	36	87	(3)	144
Trading securities	-	1,024	2,151	80	746	197	4,198
Available-for-sale securities	-	102	23	147	1,680	1,271	3,223
Loans	6,381	5,905	5,301	4,895	20,519	45,055	88,056
Life insurance assets	233	-	11	13	-	-	257
Due from related entities:							
Non-derivative balances	80	-	-	-	-	-	80
Derivative financial instruments:							
Held for trading	1,573	-	-	-	-	-	1,573
Other assets	-	309	-	-	-	-	309
<b>Total undiscounted financial assets</b>	<b>14,688</b>	<b>7,507</b>	<b>7,493</b>	<b>5,171</b>	<b>23,032</b>	<b>46,520</b>	<b>104,411</b>
<b>Financial liabilities</b>							
Due to other financial institutions	203	426	-	-	-	-	629
Deposits	20,697	5,356	8,122	10,623	1,987	-	46,785
Derivative financial instruments:							
Held for trading	3,571	-	-	-	-	-	3,571
Held for hedging purposes (net settled)	-	31	11	48	168	19	277
Held for hedging purposes (gross settled):							
Cash outflow	-	12	41	159	5,488	-	5,700
Cash inflow	-	(3)	(54)	(61)	(4,495)	-	(4,613)
Trading liabilities	674	-	-	-	-	-	674
Debt issues	-	883	1,230	2,709	7,244	251	12,317
Other liabilities	-	641	-	-	-	-	641
Subordinated debentures	-	-	-	-	-	700	700
Due to related entities:							
Non-derivative balances	3,378	69	-	1,203	953	-	5,603
Derivative financial instruments:							
Held for trading	935	-	-	-	-	-	935
<b>Total undiscounted financial liabilities</b>	<b>29,458</b>	<b>7,415</b>	<b>9,350</b>	<b>14,681</b>	<b>11,345</b>	<b>970</b>	<b>73,219</b>
<b>Total contingent liabilities and commitments</b>							
Loan commitments with certain drawdown	163	-	-	-	-	-	163
Other commitments to provide financial services	18,728	-	-	-	-	-	18,728
<b>Total undiscounted contingent liabilities and commitments</b>	<b>18,891</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,891</b>

## Note 15 Concentration of funding

\$ millions	NZ Banking Group 31-Mar-13 Unaudited
<b>Funding consists of</b>	
Due to other financial institutions	629
Deposits	46,068
Trading liabilities	674
Debt issues <sup>1</sup>	11,651
Subordinated debentures	700
Due to related entities <sup>2</sup>	5,358
<b>Total funding</b>	<b>65,080</b>
<b>Analysis of funding by product</b>	
Certificates of deposits	1,036
Savings accounts	10,483
Demand deposits	8,262
Other deposits	1,952
Term deposits	24,335
Securities sold short	474
Securities sold under agreements to repurchase	200
Debt issues	11,651
Subordinated debentures	700
<b>Subtotal</b>	<b>59,093</b>
Due to other financial institutions	629
Due to related entities <sup>2</sup>	5,358
<b>Total funding</b>	<b>65,080</b>
<b>Analysis of funding by geographical areas<sup>1</sup></b>	
New Zealand	47,012
Australia	3,898
United Kingdom	6,847
United States of America	4,973
Other	2,350
<b>Total funding</b>	<b>65,080</b>
<b>Analysis of funding by industry sector</b>	
Accommodation, cafes and restaurants	219
Agriculture	1,009
Construction	1,114
Finance and insurance	23,016
Forestry and fishing	135
Government, administration and defence	1,296
Manufacturing	1,370
Mining	79
Property services and business services	3,406
Services	4,485
Trade	1,237
Transport and storage	275
Utilities	391
Households	17,889
Other	3,801
<b>Subtotal</b>	<b>59,722</b>
Due to related entities <sup>2</sup>	5,358
<b>Total funding</b>	<b>65,080</b>

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

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

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

# Notes to the financial statements

## Note 16 Concentration of credit exposures

\$ millions	NZ Banking Group 31-Mar-13 Unaudited
<b>On-balance sheet credit exposures consists of</b>	
Cash and balances with central banks	1,964
Due from other financial institutions	487
Derivative financial instruments	4,264
Trading securities	4,132
Available-for-sale securities	2,830
Loans	60,371
Life insurance assets	257
Due from related entities	1,653
Other assets	328
<b>Total on-balance sheet credit exposures</b>	<b>76,286</b>
<b>Analysis of on-balance sheet credit exposures by industry sector</b>	
Accommodation, cafes and restaurants	535
Agriculture	6,508
Construction	1,401
Finance and insurance	9,942
Forestry and fishing	280
Government, administration and defence	5,579
Manufacturing	2,403
Mining	471
Property	10,118
Property services and business services	2,025
Services	2,734
Trade	3,198
Transport and storage	1,371
Utilities	1,611
Retail lending	26,719
Other	221
<b>Subtotal</b>	<b>75,116</b>
Provisions for impairment charges on loans	(610)
Due from related entities	1,653
Other assets	127
<b>Total on-balance sheet credit exposures</b>	<b>76,286</b>
<b>Off-balance sheet credit exposures</b>	
Contingent liabilities and commitments	20,521
<b>Total off-balance sheet credit exposures</b>	<b>20,521</b>
<b>Analysis of off-balance sheet credit exposures by industry sector</b>	
Accommodation, cafes and restaurants	92
Agriculture	687
Construction	430
Finance and insurance	2,126
Forestry and fishing	45
Government, administration and defence	984
Manufacturing	1,462
Mining	238
Property services and business services	3,299
Trade	1,853
Transport and storage	577
Utilities	1,543
Retail lending	7,170
Other	15
<b>Total off-balance sheet credit exposures</b>	<b>20,521</b>

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



## Note 16 Concentration of credit exposures (continued)

### Analysis of credit exposures to individual counterparties

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

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

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

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

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

The peak end-of-day aggregate credit exposures have been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure over the relevant three-month period and then dividing that amount by the Overseas Banking Group's equity as at the end of the period.

Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties exclude exposures to the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, or to any bank with a long-term credit rating of A- or A3 or above, or its equivalent. These calculations relate only to exposures held in the financial records of the NZ Banking Group (excluding exposures booked outside New Zealand) and were calculated net of individually assessed provisions.

## Note 17 Overseas Bank and Overseas Banking Group capital adequacy

The table below represents the capital adequacy calculation for the Overseas Bank and Overseas Banking Group based on the Australian Prudential Regulation Authority's ('APRA') application of the Basel III capital adequacy framework. The information for the comparative period is calculated based on APRA's application of the Basel II capital adequacy framework.

%	NZ Banking Group	
	31-Mar-13 Unaudited	31-Mar-12 Unaudited
<b>Overseas Banking Group<sup>1</sup></b>		
Common Equity Tier One Capital ratio	8.7	N/A
Tier One Capital ratio	10.8	9.8
Total Capital ratio	12.5	10.8
<b>Overseas Bank (Extended Licensed Entity)<sup>1, 2</sup></b>		
Common Equity Tier One Capital ratio	8.8	N/A
Tier One Capital ratio	11.0	9.8
Total Capital ratio	12.7	11.1

1 The capital ratios represent information mandated by APRA.

2 The capital ratios of the Overseas Bank (Extended Licensed Entity) are publicly available in the Overseas Banking Group's Pillar 3 report. This information is made available to users via the Overseas Bank's website ([www.westpac.com.au](http://www.westpac.com.au)).

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

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

# Notes to the financial statements

## Note 18 Other information on the Overseas Banking Group

Other information on the Overseas Banking Group is from the most recently published financial statements of the Overseas Banking Group for the six months ended 31 March 2013.

### Profitability

	<b>31-Mar-13 Unaudited</b>
Net profit after tax for the six months ended 31 March 2013 (A\$ millions)	<b>3,339</b>
Net profit after tax (for the 12 month period to 31 March 2013) as a percentage of average total assets	<b>0.9%</b>

### Total assets and equity

	<b>31-Mar-13 Unaudited</b>
Total assets (A\$ millions)	<b>677,509</b>
Percentage change in total assets for the 12 months ended 31 March 2013	<b>3.6%</b>
Total equity (A\$ millions)	<b>45,217</b>

### Asset quality

	<b>31-Mar-13 Unaudited</b>
Total individually impaired assets <sup>1, 2</sup> (A\$ millions)	<b>3,759</b>
As a percentage of total assets	<b>0.6%</b>
Total individual credit impairment allowance (A\$ millions)	<b>1,505</b>
As a percentage of total individually impaired assets	<b>40.0%</b>
Total collective credit impairment allowance (A\$ millions)	<b>2,694</b>

1 Total individually impaired assets are before allowances for credit impairment loss and net of interest held in suspense.

2 Non-financial assets have not been acquired through the enforcement of security.



### **Independent Auditors' Review Report**

To the Directors of Westpac Banking Corporation

#### **Report on the Financial Statements**

We have reviewed pages 5 to 24 of the half year Disclosure Statement which consists of the financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2013 (the "Order") and the supplementary information required by Schedules 5, 7, 9, 10, 12 and 14 of the Order. The financial statements comprise the balance sheet as at 31 March 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and the notes to the financial statements that include a statement of accounting policies and other explanatory information for the aggregated results of Westpac Banking Corporation New Zealand Division (the "NZ Banking Group").

#### ***Directors' Responsibility for the Financial Statements***

The Directors of Westpac Banking Corporation (the "Directors") are responsible for the preparation and presentation of the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order and that present fairly the financial position of the NZ Banking Group as at 31 March 2013, and its financial performance and cash flows for the period ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible for the preparation and fair presentation of supplementary information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 9, 10, 12 and 14 of the Order.

#### ***Reviewers' Responsibility***

We are responsible for reviewing the financial statements and the supplementary information, disclosed in accordance with Clause 26, Schedules 5, 7, 9, 10, 12 and 14 of the Order, presented by the Directors.

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

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 10, 12 and 14 of the Order.

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

- (a) prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A);  
and
- (b) disclosed in accordance with Schedule 9 of the Order.

## Independent auditors' review report (continued)



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

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

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

### **Opinion**

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

- (a) the financial statements on pages 5 to 24 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and do not present fairly the financial position of the NZ Banking Group as at 31 March 2013 and its financial performance and cash flows for the six months ended on that date;
- (b) the supplementary information prescribed by Schedules 5, 7, 10, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and
- (c) the supplementary information relating to credit and market risk exposures and capital adequacy prescribed by Schedule 9 of the Order, is not, in all material respects:
  - (i) prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A); and
  - (ii) disclosed in accordance with Schedule 9 of the Order.

### **Restriction on Distribution or Use**

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

*PricewaterhouseCoopers*

27 May 2013

Chartered Accountants

Auckland







