



Westpac Banking Corporation Disclosure Statement

For the six months ended 31 March 2011

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General information and definitions

Certain of the information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**') and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2011 ('**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 financial statements for the Overseas Banking Group's New Zealand business. Controlled entities of the NZ Banking Group as at 30 September 2010 are set out in Note 27 to the NZ Banking Group's financial statements included in the General Disclosure Statement for the year ended 30 September 2010. Except as detailed in Note 10 to the financial statements, there have been no other changes in the composition of the NZ Banking Group since 30 September 2010;
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand Branch of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank); 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 and business banking operations.

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

General matters

Details of the Overseas Bank

There have been no changes in the name or address for service of the Overseas Bank since 30 September 2010.

Directors

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

Edward Alfred Evans, AC, BEcon (Hons.) – 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.)

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

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

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

Graham John Reaney, BComm, CPA

Peter David Wilson, CA

Chief Executive Officer, NZ Branch

Name: David McLean, LLB (Hons.)

Responsible person

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

There has been no change in the composition of the Overseas Bank's Board of Directors (the '**Board**') since 30 September 2010. On 11 May 2011, Overseas Bank Chairman, Edward Alfred Evans, announced his decision to retire following the 2011 Annual General Meeting on 14 December 2011. He will be succeeded from within the Board by current Audit Committee Chairman, Lindsay Philip Maxsted.

Auditors

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Auckland, New Zealand

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 as at the date the Directors signed this Disclosure Statement:

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

On 18 May 2011, the Overseas Bank's credit rating issued by Moody's Investors Service was downgraded from Aa1 to Aa2 with a 'stable' outlook.

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 NZ Branch and the financial statements of the Overseas Bank and the Overseas Banking Group

Disclosure Statements of the NZ Branch for the last five years are available, free of charge, at the internet address www.westpac.co.nz. A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request is made.

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2010 and for the six months ended 31 March 2011 respectively and can 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, NZ Branch, signed this 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 Disclosure Statement the Overseas Bank is an ADI.

The Australian Banking Act was amended to facilitate the deposit guarantee by establishing a financial claims scheme ('**FCS**') to be administered by the Australian Prudential Regulation Authority ('**APRA**').

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

On 12 December 2010 the Australian Government announced its intention to confirm the FCS as a permanent feature of Australia's financial system. The \$1 million FCS cap is scheduled to be reviewed by the Australian Government in or around October 2011. Information about the FCS is included in the NZ Branch's General Disclosure Statement for the year ended 30 September 2010. Further information about the FCS may also be obtained from the Australian Federal Treasurer's internet site www.treasurer.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.

There have been no changes in the terms of the FCS since the date of signing of the NZ Branch's General Disclosure Statement for the year ended 30 September 2010.

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

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

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

Information about the Guarantee is included in the NZ Branch's General Disclosure Statement for the year ended 30 September 2010. Further information about the Guarantee and the Scheme Rules are available at www.guaranteescheme.gov.au and may be amended by the Australian Government from time to time.

There have been no changes in the terms of the Guarantee since the date of signing of the NZ Branch's General Disclosure Statement for the year ended 30 September 2010.

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.

New Zealand Deposit Guarantee Scheme and Wholesale Funding Guarantee Facility

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

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

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

Guarantee arrangements (continued)

The Crown's address for service in relation to the Wholesale Guarantee is:

- (i) Minister of Finance, Parliament Buildings, Wellington; or
 - (ii) New Zealand High Commissioner in London at the address of the New Zealand High Commission in London for the time being; or
 - (iii) New Zealand Consul and Trade Commissioner at the address of the New Zealand Consulate-General in New York for the time being;
- in each case with a copy (with delivery made by hand or facsimile) to: The Treasurer, The New Zealand Debt Management Office, 1 The Terrace, Wellington, New Zealand.

The Wholesale Guarantee closed on 30 April 2010 from which date no new obligations of Westpac New Zealand can be made subject to the Wholesale Guarantee. Obligations of Westpac New Zealand the subject of the Wholesale Guarantee as at 30 April 2010 are not affected.

Further information about the Wholesale Guarantee is included in Westpac New Zealand's General Disclosure Statement for the year ended 30 September 2010. A copy of Westpac New Zealand's General Disclosure Statement is available, free of charge, at the internet address www.westpac.co.nz. A printed copy will also be made available, free of charge, upon request and will be dispatched by the end of the second working day after the day on which the request is made.

There have been no changes to the terms of the Wholesale Guarantee since the date of signing of the Westpac New Zealand's General Disclosure Statement for the year ended 30 September 2010.

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

Ranking of local creditors in liquidation

Since 30 September 2010, there have been no changes to the legislative or regulatory restrictions in Australia (being the Overseas Bank's country of incorporation) which subordinate the claims of any class of unsecured creditors of the NZ Branch on the 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 any other class of unsecured creditors of the Overseas Bank.

Since 30 September 2010, there have been no changes in any regulatory or legislative requirements in Australia that require the Overseas Bank to maintain sufficient assets in Australia to cover an ongoing obligation to pay deposit liabilities in Australia.

Other material matters

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

Conditions of registration

There have been no changes to the conditions of registration since 31 December 2010.

Proposed transfer of additional banking operations to Westpac New Zealand

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

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

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

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

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

As at 31 March 2011, business activities proposed to be transferred by the NZ Branch include: customer loans of approximately \$6.5 billion (30 September 2010: \$6.7 billion) and customer deposits of approximately \$5.3 billion (30 September 2010: \$5.5 billion). It is currently anticipated that term intra-group funding of approximately \$3.0 billion will be put in place. In addition, for the six months ended 31 March 2011, it is estimated that the business activities to be transferred by the NZ Branch had aggregate revenues of approximately \$80 million (12 months ended 30 September 2010: \$180 million) and aggregate net profit after tax of approximately \$50 million (12 months ended 30 September 2010: \$115 million).

Under the proposed changes to the operating model, the NZ Branch will retain its financial markets operations for external customers, including sales and trading of capital markets products and foreign exchange for corporate and institutional customers, pricing and risk management for interest rate, foreign exchange and commodity products for retail, business and institutional customers of Westpac New Zealand, and trading of capital markets products and foreign exchange as principal. In addition, the NZ Branch will retain its global intra-group financing functions.

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

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

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch, believes, after due enquiry, that, as at the date on which this 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 2011:

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



George Frazis



David McLean

Dated this the 30th day of May 2011

Consolidated financial statements

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Consolidated income statement for the six months ended 31 March 2011

		NZ Banking Group		
		Six Months Ended 31 March 2011 Unaudited \$m	Six Months Ended 31 March 2010 Unaudited \$m	Year Ended 30 September 2010 Audited \$m
	Note			
Interest income		2,036	1,995	3,972
Interest expense		(1,342)	(1,301)	(2,562)
Net interest income		694	694	1,410
Non-interest income:				
Fees and commissions	2	159	157	313
Wealth management revenue	2	43	42	88
Trading income	2	25	64	96
Gain on ineffective hedges	2	4	6	4
Other non-interest income	2	16	10	31
Total non-interest income		247	279	532
Net operating income		941	973	1,942
Operating expenses		(423)	(375)	(788)
Impairment charges on loans	3	(119)	(220)	(332)
Operating profit		399	378	822
Share of profit of associate accounted for using equity method		-	-	1
Profit before income tax expense		399	378	823
Income tax expense on operating profit		(120)	(111)	(248)
Income tax related to New Zealand structured finance transactions		-	188	188
Profit after income tax expense		279	455	763
Profit after income tax expense attributable to:				
Head office account and owners of the NZ Banking Group		277	454	760
Non-controlling interests		2	1	3
		279	455	763

The accompanying notes (numbered 1 to 20) 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 2011

	NZ Banking Group		
	Six Months Ended 31 March 2011 Unaudited \$m	Six Months Ended 31 March 2010 Unaudited \$m	Year Ended 30 September 2010 Audited \$m
Profit after income tax expense	279	455	763
Other comprehensive income:			
Net unrealised (losses)/gains from changes in fair value of available-for-sale securities	(1)	19	7
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	13	57	66
Transferred to the income statement	-	3	3
Actuarial gains/(losses) on employee defined benefit superannuation schemes	-	7	(27)
Income tax relating to components of other comprehensive income ¹	(4)	(22)	(13)
Other comprehensive income net of tax	8	64	36
Total comprehensive income	287	519	799
Total comprehensive income attributable to:			
Head office account and owners of NZ Banking Group	285	518	796
Non-controlling interests	2	1	3
	287	519	799

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

Tax effects relating to each component of other comprehensive income

	NZ Banking Group		
	Before Tax Amount \$m	Tax (Expense)/Benefit \$m	Net of Tax Amount \$m
For the six months ended 31 March 2011 (Unaudited)			
Net unrealised losses from changes in fair value of available-for-sale securities	(1)	-	(1)
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	13	(4)	9
Other comprehensive income	12	(4)	8
For the six months ended 31 March 2010 (Unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	19	-	19
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	57	(18)	39
Transferred to the income statement	3	(2)	1
Actuarial gains on employee defined benefit superannuation plans	7	(2)	5
Other comprehensive income	86	(22)	64
For the year ended 30 September 2010 (Audited)			
Net unrealised gains from changes in fair value of available-for-sale securities	7	-	7
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	66	(20)	46
Transferred to the income statement	3	(1)	2
Actuarial losses on employee defined benefit superannuation schemes	(27)	8	(19)
Other comprehensive income	49	(13)	36

The accompanying notes (numbered 1 to 20) 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 2011

	Head Office Account		Convertible Debentures \$m	NZ Banking Group Equity				Total Before Non- controlling Interests \$m	Non- controlling Interests \$m	Total \$m
	Branch Capital \$m	Accumulated losses \$m		Share Capital \$m	Retained Profits \$m	Cash Flow Hedge Reserve \$m	Available- for-sale Securities Reserve \$m			
As at 1 October 2009	1,800	(408)	1,284	142	1,227	(165)	18	3,898	7	3,905
Six months ended 31 March 2010										
Profit after income tax expense	-	259	-	-	195	-	-	454	1	455
Other comprehensive income	-	-	-	-	5	40	19	64	-	64
Total comprehensive income for the six months ended 31 March 2010	-	259	-	-	200	40	19	518	1	519
Transactions with owners:										
Dividends paid on convertible debentures (net of tax)	-	(34)	-	-	-	-	-	(34)	-	(34)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(3)	(3)
As at 31 March 2010 (Unaudited)	1,800	(183)	1,284	142	1,427	(125)	37	4,382	5	4,387
Year ended 30 September 2010										
Profit after income tax expense	-	370	-	-	390	-	-	760	3	763
Other comprehensive (expense)/ income	-	-	-	-	(19)	48	7	36	-	36
Total comprehensive income for the year ended 30 September 2010	-	370	-	-	371	48	7	796	3	799
Transactions with owners:										
Share capital cancellation	-	-	-	(3)	1	-	-	(2)	-	(2)
Repatriation of Branch Capital to the Overseas Bank	(500)	-	-	-	-	-	-	(500)	-	(500)
Dividends paid on convertible debentures (net of tax)	-	(70)	-	-	-	-	-	(70)	-	(70)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)
As at 1 October 2010 (Audited)	1,300	(108)	1,284	139	1,599	(117)	25	4,122	6	4,128
Six months ended 31 March 2011										
Profit after income tax expense	-	118	-	-	159	-	-	277	2	279
Other comprehensive income/ (expense)	-	-	-	-	-	9	(1)	8	-	8
Total comprehensive income/ (expense) for the six months ended 31 March 2011	-	118	-	-	159	9	(1)	285	2	287
Transaction with owners:										
Dividends paid on convertible debentures (net of tax)	-	(35)	-	-	-	-	-	(35)	-	(35)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(2)	(2)
As at 31 March 2011 (Unaudited)	1,300	(25)	1,284	139	1,758	(108)	24	4,372	6	4,378

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 31 March 2011

		NZ Banking Group		
		31 March 2011 Unaudited \$m	31 March 2010 Unaudited \$m	30 September 2010 Audited \$m
Note				
Assets				
	Cash and balances with central banks	2,065	1,067	1,570
	Due from other financial institutions	121	21	36
	Derivative financial instruments	4,567	4,591	5,685
	Trading securities	7,260	6,798	5,630
	Available-for-sale securities	576	56	44
	Loans	56,770	56,215	56,738
	Life insurance assets	162	145	146
	Due from related entities	1,583	1,885	1,555
	Investment in associate	48	48	48
	Goodwill and other intangible assets	606	621	615
	Property, plant and equipment	142	104	127
	Current tax assets	24	-	-
	Deferred tax assets	326	401	392
	Other assets	314	207	197
	Total assets	74,564	72,159	72,783
Liabilities				
	Due to other financial institutions	1,203	597	794
	Deposits at fair value	1,738	2,915	2,453
	Deposits at amortised cost	36,977	34,019	35,567
	Derivative financial instruments	4,503	4,938	5,501
	Trading liabilities	508	330	239
	Debt issues	17,066	16,810	15,439
	Current tax liabilities	-	9	52
	Provisions	80	110	102
	Other liabilities	732	540	686
	Total liabilities excluding subordinated debentures and due to related entities	62,807	60,268	60,833
	Subordinated debentures	758	796	819
	Total liabilities excluding due to related entities	63,565	61,064	61,652
	Due to related entities	6,621	6,708	7,003
	Total liabilities	70,186	67,772	68,655
	Net assets	4,378	4,387	4,128
Equity				
Head office account				
	Branch capital	1,300	1,800	1,300
	Accumulated losses	(25)	(183)	(108)
	Total head office account	1,275	1,617	1,192
	Convertible debentures	1,284	1,284	1,284
NZ Banking Group equity				
	Ordinary share capital	139	142	139
	Retained profits	1,758	1,427	1,599
	Available-for-sale securities reserve	24	37	25
	Cash flow hedge reserve	(108)	(125)	(117)
	Total equity attributable to owners of the NZ Banking Group	1,813	1,481	1,646
	Non-controlling interests	6	5	6
	Total equity	4,378	4,387	4,128
	Interest earning and discount bearing assets	67,441	64,649	64,650
	Interest and discount bearing liabilities	60,568	57,734	57,824

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 six months ended 31 March 2011

NZ Banking Group

	Six Months Ended 31 March 2011 Unaudited \$m	Six Months Ended 31 March 2010 Unaudited \$m	Year Ended 30 September 2010 Audited \$m
Cash flows from operating activities			
Interest income received	2,031	1,994	3,958
Interest expense paid	(1,366)	(1,320)	(2,522)
Non-interest income received	216	277	497
Net (increase)/decrease in trading securities	(1,714)	(1,132)	60
Net increase/(decrease) in trading liabilities	269	(2,440)	(2,456)
Net movement in derivative financial instruments	133	(238)	(757)
Operating expenses paid	(390)	(321)	(714)
Income tax paid	(119)	(401)	(465)
Net cash used in operating activities	(940)	(3,581)	(2,399)
Cash flows from investing activities			
Net purchase of available-for-sale securities	(480)	-	-
Net loans advanced to customers	(151)	(843)	(1,488)
Net increase in life insurance assets	(16)	(19)	(20)
Net (increase)/decrease in due from related entities	(28)	876	1,204
Net decrease in other assets	4	32	70
Purchase of capitalised computer software	(14)	(18)	(35)
Purchase of property, plant and equipment	(28)	(20)	(58)
Proceeds from disposal of property, plant and equipment	-	1	1
Net cash (used in)/provided by investing activities	(713)	9	(326)
Cash flows from financing activities			
Share capital cancellation	-	-	(3)
Branch capital repatriated to the Overseas Bank	-	-	(500)
Net increase in deposits	695	522	1,608
Net proceeds from debt issues	1,627	4,441	3,070
Net decrease in due to related entities	(394)	(1,966)	(1,671)
Net decrease in other liabilities and subordinated debentures	(52)	(38)	(19)
Dividends paid on convertible debentures	(50)	(49)	(100)
Dividends paid on ordinary shares	(2)	(3)	(4)
Net cash provided by financing activities	1,824	2,907	2,381
Net increase/(decrease) in cash and cash equivalents	171	(665)	(344)
Cash and cash equivalents at beginning of the period/year	812	1,156	1,156
Cash and cash equivalents at end of the period/year	983	491	812
Cash and cash equivalents comprise:			
Cash and balances with central banks	2,065	1,067	1,570
Due to other financial institutions – at call (net)	(1,082)	(576)	(758)
Cash and cash equivalents at end of the period/year	983	491	812
Reconciliation of profit after income tax expense to net cash (used in)/provided by operating activities			
Profit after income tax expense	279	455	763
<i>Adjustments:</i>			
Software amortisation costs	23	20	43
Impairment charges on loans	119	220	332
Loss on disposal of property, plant and equipment	1	-	-
Depreciation on property, plant and equipment	12	9	24
Share-based payments	12	1	2
Movement in accrued assets	(37)	(4)	(32)
Movement in accrued liabilities and provisions	(38)	2	60
Movement in current and deferred tax	(14)	(489)	(441)
Tax on convertible debentures dividends	15	15	30
Movement in trading securities	(1,714)	(1,132)	38
Movement in trading liabilities	269	(2,440)	(2,461)
Movement in derivative financial instruments	133	(238)	(757)
Net cash used in operating activities	(940)	(3,581)	(2,399)

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

Notes to the financial statements

Note 1 Statement of accounting policies

Statutory base

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

These financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('**NZ GAAP**'), as appropriate for profit-oriented entities, and the New Zealand equivalent to International Accounting Standard ('**NZ IAS**') 34 *Interim Financial Reporting* and should be read in conjunction with the General Disclosure Statement for the year ended 30 September 2010.

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

As a result of the new and revised accounting standards which became operative for the annual reporting period commencing 1 October 2010, the following standards, interpretations and amendments have been adopted with effect from 1 October 2010 in the preparation of these financial statements:

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

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

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

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

These financial statements were authorised for issue by the Board on 30 May 2011. The Board has the power to amend the financial statements after they are authorised for issue.

Basis of preparation

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

The same accounting policies and methods of computation have been followed in preparing these financial statements as were used in preparing the financial statements for the year ended 30 September 2010, except as amended for the changes required due to the adoption of the new and revised accounting standards as explained in the 'Statutory base' section above.

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

Basis of aggregation

The NZ Banking Group as at 31 March 2011 has been aggregated by combining the sum of the capital and reserves of the NZ Branch, Hastings Forestry Investments Limited, St. George New Zealand Limited and the consolidated capital and reserves of BT Financial Group (NZ) Limited, Westpac Financial Services Group-NZ-Limited, Westpac Group Investment-NZ-Limited, Westpac New Zealand Group Limited and their controlled entities. For New Zealand entities acquired by the Overseas Banking Group, capital and reserves at acquisition are netted and recognised as capital contributed to the NZ Banking Group.

The NZ Banking Group may invest in or establish special purpose 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.

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

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

Notes to the financial statements

Note 2 Non-interest income

	NZ Banking Group		
	Six Months Ended 31 March 2011 Unaudited \$m	Six Months Ended 31 March 2010 Unaudited \$m	Year Ended 30 September 2010 Audited \$m
Fees and commissions			
Transaction fees and commissions	117	111	231
Lending fees (loan and risk)	31	26	54
Insurance commissions received	3	3	6
Other non-risk fee income	8	17	22
Total fees and commissions	159	157	313
Wealth management revenue			
Fees from trust and other fiduciary activities	67	62	125
Net life insurance income and change in policy liabilities	(24)	(20)	(37)
Total wealth management revenue	43	42	88
Trading income			
Foreign exchange trading	32	34	69
Interest rate trading	(7)	30	27
Total trading income¹	25	64	96
Gains on ineffective hedges	4	6	4
Other non-interest income			
Net gains on derivatives held for risk management purposes	15	9	26
Dividend income	-	-	2
Rental income	1	1	1
Loss on disposal of property, plant and equipment	(1)	-	-
Other	1	-	2
Total other non-interest income	16	10	31
Total non-interest income	247	279	532

¹ Total trading income includes a credit risk adjustment of \$2 million for the six months ended 31 March 2011 (31 March 2010: nil, 30 September 2010: nil).

Note 3 Impairment charges on loans

	NZ Banking Group			
	Residential Mortgages \$m	Other Loans for Consumer Purposes \$m	Loans for Business Purposes \$m	Total \$m
Six months ended 31 March 2011 (Unaudited)				
Collectively assessed provision	-	(20)	(42)	(62)
Individually assessed provisions	47	-	129	176
Bad debt write-off direct to the income statement	-	20	8	28
Interest adjustments	(4)	(8)	(11)	(23)
Total impairment charges on loans	43	(8)	84	119
Six months ended 31 March 2010 (Unaudited)				
Collectively assessed provision	33	49	5	87
Individually assessed provisions	42	-	78	120
Bad debt write-off direct to the income statement	5	27	5	37
Interest adjustments	(2)	(7)	(15)	(24)
Total impairment charges on loans	78	69	73	220
Year ended 30 September 2010 (Audited)				
Collectively assessed provision	38	44	(76)	6
Individually assessed provisions	83	-	226	309
Bad debt write-off direct to the income statement	9	54	6	69
Interest adjustments	(5)	(18)	(29)	(52)
Total impairment charges on loans	125	80	127	332

The Christchurch earthquake, which struck on 22 February 2011, has resulted in net increases to both individually and collectively assessed provisions for impairment charges on loans of \$13 million and \$43 million, respectively.

Notes to the financial statements

Note 4 Trading securities

	NZ Banking Group		
	31 March 2011 Unaudited \$m	31 March 2010 Unaudited \$m	30 September 2010 Audited \$m
Trading securities			
Listed:			
NZ Government securities	2,853	2,767	1,955
NZ corporate securities	17	10	46
Offshore securities	2	-	-
Total listed securities	2,872	2,777	2,001
Unlisted:			
NZ corporate securities:			
Certificates of deposit	3,524	3,618	3,046
Commercial paper	266	59	204
Corporate bonds	146	47	97
Mortgage-backed securities	8	-	9
Offshore securities	26	23	28
Total unlisted securities	3,970	3,747	3,384
Securities purchased under agreement to resell	418	274	245
Total trading securities	7,260	6,798	5,630

As at 31 March 2011 the NZ Banking Group had \$225 million (31 March 2010: \$74 million, 30 September 2010: \$20 million) of trading securities that were encumbered through repurchase agreements as part of standard terms of transactions with other banks.

Note 5 Loans

	NZ Banking Group		
	31 March 2011 Unaudited \$m	31 March 2010 Unaudited \$m	30 September 2010 Audited \$m
Overdrafts	1,278	1,341	1,237
Credit card outstandings	1,264	1,225	1,250
Money market loans	1,037	970	879
Term loans:			
Housing	34,387	33,460	34,143
Non-housing	18,785	18,859	18,930
Other	866	1,127	1,129
Total gross loans	57,617	56,982	57,568
Provisions for impairment charges on loans	(847)	(767)	(830)
Total net loans	56,770	56,215	56,738

The repurchase cash amount of the NZ Banking Group's repurchase agreements with the Reserve Bank using residential mortgage-backed securities as at 31 March 2011 was nil (31 March 2010: nil, 30 September 2010: nil), with no underlying securities (31 March 2010: nil, 30 September 2010: nil) provided under this arrangement.

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

Notes to the financial statements

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

	NZ Banking Group			
	Residential Mortgages \$m	Other Loans for Consumer Purposes \$m	Loans for Business Purposes \$m	Total \$m
	Six Months Ended 31 March 2011 (Unaudited)			
Total neither past due nor impaired	32,854	1,588	19,950	54,392
Past due assets				
Less than 30 days past due	937	104	559	1,600
At least 30 days but less than 60 days past due	147	24	64	235
At least 60 days but less than 90 days past due	78	11	19	108
At least 90 days past due	127	20	117	264
Total past due assets^{1, 2}	1,289	159	759	2,207
Individually impaired assets²				
Balance at beginning of the period	302	-	588	890
Additions	156	-	322	478
Amounts written off	(33)	-	(82)	(115)
Returned to performing or repaid	(181)	-	(54)	(235)
Balance at end of the period	244	-	774	1,018
Total impaired assets	244	-	774	1,018
Total gross loans³	34,387	1,747	21,483	57,617
Individually assessed provisions				
Balance at beginning of the period	80	-	276	356
Impairment charges on loans:				
New provisions	58	-	137	195
Reversal of previously recognised impairment charges on loans	(11)	-	(8)	(19)
Amounts written off	(33)	-	(75)	(108)
Recoveries of amounts written off in previous period	-	-	1	1
Interest adjustments	3	-	2	5
Balance at end of the period	97	-	333	430
Collectively assessed provisions				
Balance at beginning of the period	80	104	332	516
Impairment charges on loans	-	(20)	(42)	(62)
Balance at end of the period	80	84	290	454
Total provision for impairment charges and credit commitments	177	84	623	884
Less: Provision for credit commitments	-	-	(37)	(37)
Total impairment provisions on loans	177	84	586	847
Total net loans	34,210	1,663	20,897	56,770

1 Past due assets are not impaired assets.

2 The NZ Banking Group has an undrawn balance of \$2 million on individually impaired assets under loans for business purposes as at 31 March 2011.

3 The NZ Banking Group does not have other assets under administration.

Note 7 Deposits

	NZ Banking Group		
	31 March 2011 Unaudited \$m	31 March 2010 Unaudited \$m	30 September 2010 Audited \$m
Deposits at fair value			
Certificates of deposit	1,485	2,426	1,902
Term deposits	253	489	551
Total deposits at fair value	1,738	2,915	2,453
Deposits at amortised cost			
Non-interest bearing, repayable at call	2,831	2,623	2,515
Other interest bearing:			
At call	13,601	13,125	13,221
Term	20,545	18,271	19,831
Total deposits at amortised cost	36,977	34,019	35,567
Total deposits	38,715	36,934	38,020

The NZ Branch held no retail deposits from individuals as at 31 March 2011 (31 March 2010: nil, 30 September 2010: nil).

Note 8 Trading liabilities

	NZ Banking Group		
	31 March 2011 Unaudited \$m	31 March 2010 Unaudited \$m	30 September 2010 Audited \$m
Held for trading			
Securities sold short	283	256	219
Securities sold under agreements to repurchase	225	74	20
Total trading liabilities	508	330	239

Note 9 Debt issues

	NZ Banking Group		
	31 March 2011 Unaudited \$m	31 March 2010 Unaudited \$m	30 September 2010 Audited \$m
Short-term debt			
Commercial paper	8,265	8,278	6,546
Total short-term debt	8,265	8,278	6,546
Long-term debt			
Non-domestic medium-term notes	6,579	6,282	6,711
Domestic medium-term notes	2,222	2,250	2,182
Total long-term debt	8,801	8,532	8,893
Total debt issues	17,066	16,810	15,439
Government guaranteed debt ¹	4,082	4,279	4,141
Non-government guaranteed debt	12,984	12,531	11,298
Total debt issues	17,066	16,810	15,439
Debt issues at amortised cost	8,636	8,532	8,893
Debt issues at fair value	8,430	8,278	6,546
Total debt issues	17,066	16,810	15,439
Movement in debt issues			
Balance at beginning of the period/year	15,439	12,369	12,369
Issuance during the period/year	9,681	15,997	22,961
Repayments during the period/year	(7,623)	(11,679)	(19,797)
Effect of foreign exchange movements during the period/year	(289)	138	(240)
Effect of fair value movements during the period/year	(142)	(15)	146
Balance at end of the period/year	17,066	16,810	15,439

¹ For further information on government guaranteed debt please refer to Guarantee arrangements on page 2.

Note 10 Related entities

Westpac NZ Covered Bond Holdings Limited ('WNZCBHL') and its wholly-owned subsidiary company, Westpac NZ Covered Bond Limited ('WNZCBL'), were incorporated on 22 November 2010. The NZ Banking Group, through two of its subsidiaries, Westpac NZ Operations Limited and Westpac Holdings-NZ-Limited, has a qualifying interest of 19% in WNZCBHL. The NZ Banking Group is considered to control both WNZCBHL and WNZCBL through contractual arrangements currently in place, and as such both WNZCBHL and WNZCBL are consolidated into the financial statements of the NZ Banking Group. This change has no material impact on the NZ Banking Group's result or financial position.

There have been no other changes to the composition of the NZ Banking Group since 30 September 2010. Controlled entities of the Banking Group as at 30 September 2010 are set out in Note 27 to the NZ Banking Group's financial statements included in the General Disclosure Statement for the year ended 30 September 2010.

The total liabilities of the NZ Branch, net of amounts due to related entities as at 31 March 2011 amounted to \$11,894 million (31 March 2010: \$10,380 million, 30 September 2010: \$12,303 million).

Notes to the financial statements

Note 11 Commitments and contingent liabilities

	NZ Banking Group		
	31 March 2011 Unaudited \$m	31 March 2010 Unaudited \$m	30 September 2010 Audited \$m
Commitments for capital expenditure			
Due within one year	21	58	30
Other expenditure commitments:			
One year or less	86	87	87
Between one and five years	59	145	102
Over five years	-	-	-
Total other expenditure commitments	145	232	189
Lease commitments (all leases are classified as operating leases)			
Premises and sites	225	188	205
Motor vehicles	5	4	6
Total lease commitments	230	192	211
Lease commitments are due as follows:			
One year or less	48	37	43
Between one and five years	103	77	94
Over five years	79	78	74
Total lease commitments	230	192	211
Other contingent liabilities and commitments			
Direct credit substitutes	332	310	319
Commitments with certain drawdown	117	143	105
Transaction related contingent items	674	663	665
Underwriting and sub-underwriting facilities	34	-	-
Short-term, self liquidating trade related contingent liabilities	720	718	892
Other commitments to provide financial services which have an original maturity of one year or more	10,581	8,932	9,246
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	6,981	6,854	6,722
Total other contingent liabilities and commitments	19,439	17,620	17,949

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

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

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

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

The NZ Banking Group is obliged to repurchase securitised loans:

- (a) held by the Westpac Home Loan Trust ('HLT') where it is discovered within 120 days of sale that those loans were not eligible for sale when sold;
- (b) held by the Westpac NZ Securitisation Limited securitisation programme where the securitised loans cease to conform to certain terms and conditions of the Westpac NZ Securitisation Limited securitisation programme;
- (c) held by WNZCBL (pursuant to the Westpac Securities NZ Limited Global Covered Bond Programme) where:
 - (i) it is discovered that there has been a material breach of a sale warranty (or any such sale warranty is materially untrue);
 - (ii) the securitised loan becomes materially impaired or is enforced prior to the second monthly covered bond payment date falling after the assignment of such securitised loan; or
 - (iii) at the cut-off date relating to the securitised loan there were arrears of interest and that securitised loan subsequently becomes a delinquent loan prior to the second monthly covered bond payment date falling after the assignment of the securitised loan.

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

Westpac New Zealand guarantees commercial paper and other debt securities issued by its wholly-owned subsidiary Westpac Securities NZ Limited, the proceeds of which, in accordance with Reserve Bank guidelines, are immediately on-lent to Westpac New Zealand. Guarantees outstanding as at 31 March 2011 were New Zealand dollar equivalent \$14,901 million (31 March 2010: \$14,578 million, 30 September 2010: \$13,114 million).

Note 11 Commitments and contingent liabilities (continued)

Other contingent liabilities

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

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

Westpac (NZ) Investments Limited, a subsidiary of Westpac New Zealand, leases the majority of the properties occupied by the NZ Banking Group. As is normal practice, the lease agreements contain 'make good' provisions, which require Westpac (NZ) Investments Limited, upon termination of a lease, to return the premises to the lessor in the original condition. The maximum amount payable by Westpac (NZ) Investments Limited upon vacation of all leased premises subject to these provisions as at 31 March 2011 was estimated to be \$25 million (31 March 2010: \$22 million, 30 September 2010: \$22 million). No amount has been recognised for the \$25 million in estimated maximum vacation payments as the NZ Banking Group believes it is highly unlikely that Westpac (NZ) Investments Limited would incur a material operating loss as a result of such 'make good' provisions in the normal course of its business operations.

Other commitments

As at 31 March 2011, the NZ Banking Group had commitments in respect of forward purchases and sales of foreign currencies, interest rate and currency swap transactions, futures and options contracts, provision of credit, underwriting facilities and other arrangements entered into in the normal course of business. The NZ Banking Group has management systems and operational controls in place to manage interest rate, currency and credit risk. Accordingly, it is not envisaged that any liability resulting in a material loss to the NZ Banking Group will arise from these transactions to the extent that a provision has not been provided for under the NZ Banking Group's usual practices.

Note 12 Segment information

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

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

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

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

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

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

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

Reconciling items primarily represent:

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

Notes to the financial statements

Note 12 Segment information (continued)

	NZ Banking Group				Total \$m
	Business Banking \$m	Consumer Banking \$m	Institutional Banking \$m	Reconciling Items \$m	
Six months ended 31 March 211 (Unaudited)					
Revenue from external customers ¹	939	1,721	354	(731)	2,283
Internal revenue	2	1	(2)	(1)	-
Total segment revenue	941	1,722	352	(732)	2,283
Profit before income tax expense	143	369	124	(237)	399
Income tax expense	(43)	(104)	(37)	64	(120)
Profit after income tax expense	100	265	87	(173)	279
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	100	263	87	(173)	277
Non-controlling interests	-	2	-	-	2
	100	265	87	(173)	279
Total gross loans	20,858	30,055	6,962	(258)	57,617
Total deposits	9,630	21,961	5,389	1,735	38,715
Six months ended 31 March 2010 (Unaudited)					
Revenue from external customers ¹	864	1,628	309	(527)	2,274
Internal revenue	2	1	(2)	(1)	-
Total segment revenue	866	1,629	307	(528)	2,274
Profit before income tax expense	140	237	113	(112)	378
Income tax expense	(42)	(68)	(29)	216	77
Profit after income tax expense	98	169	84	104	455
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	98	168	84	104	454
Non-controlling interests	-	1	-	-	1
	98	169	84	104	455
Total gross loans	20,944	29,232	7,098	(292)	56,982
Total deposits	9,320	20,654	4,044	2,916	36,934
Year Ended 30 September 2010 (Audited)					
Revenue from external customers ¹	1,773	3,318	638	(1,225)	4,504
Internal revenue	3	2	(4)	(1)	-
Total segment revenue	1,776	3,320	634	(1,226)	4,504
Profit before income tax expense	271	558	235	(241)	823
Income tax expense	(82)	(156)	(72)	250	(60)
Profit after income tax expense	189	402	163	9	763
Profit after income tax expense attributable to:					
Head office account and owners of NZ Banking Group	189	399	163	9	760
Non-controlling interests	-	3	-	-	3
	189	402	163	9	763
Total gross loans	20,995	29,811	6,910	(148)	57,568
Total deposits	9,410	21,066	5,091	2,453	38,020

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

Note 13 Securitisation, funds management and other fiduciary activities

In December 2010, the NZ Banking Group executed a global covered bond programme which allows for the issue of mortgage-backed securities to the market for funding purposes. No securities have yet been issued under this programme. As at 20 January 2011 the NZ Banking Group had transferred \$2.75 billion of secured loans to WNZCBL (comprising \$0.25 billion of secured loans transferred on 1 December 2010 and \$2.5 billion on 20 January 2011).

Since 31 December 2010, there have been no other material changes in the nature of the NZ Banking Group's involvement in the following activities:

- establishment, marketing, or sponsorship of trust, custodial, funds management, and other fiduciary activities;
- origination of securitised assets, and the marketing or servicing of securitisation schemes; or
- marketing and distribution of insurance products;

including arrangements that help minimise the possibility that any difficulties arising from the above activities would impact adversely on the NZ Banking Group.

Note 14 Insurance business

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

The following table presents the aggregate amount of the NZ Banking Group's insurance business as at 31 March 2011:

	NZ Banking Group
	31 March 2011 Unaudited \$m
Total assets	142
As a percentage of total assets of the NZ Banking Group	0.19%

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

There have been no material changes in the NZ Banking Group's approach to managing its insurance business since 31 December 2010.

Note 15 Risk management

There have been no material changes in the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed since 31 December 2010.

15.1 Credit risk

Risk-weighted exposures

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

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

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

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

The NZ Banking Group's credit risk management practices are consistent with the Overseas Banking Group's practices. The Overseas Banking Group is accredited by APRA to apply the Advanced Internal Ratings Based ('**Advanced IRB**') and Advanced Measurement Approach ('**AMA**') methodologies under Basel II. However, under the Order, the NZ Banking Group is required to disclose capital under the Basel I approach as outlined in the tables below.

Notes to the financial statements

Note 15 Risk management (continued)

Calculation of on-balance sheet exposures

	NZ Banking Group		
	31 March 2011 (Unaudited)		
	Principal Amount \$m	Risk Weighting	Risk-weighted Exposure \$m
Cash and short-term claims on government	5,041	0%	-
Long-term claims on government	869	10%	87
Claims on banks	3,660	20%	732
Claims on public sector entities	127	20%	25
Residential mortgages (refer to Residential mortgages – total net loans in Note 6)	34,210	50%	17,105
Other assets	23,569	100%	23,569
Non-risk-weighted assets	7,088		
Total on-balance sheet exposures	74,564		41,518

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	352	50%	176
Total off-balance sheet securitised mortgage exposures	352		176

Calculation of off-balance sheet and derivative exposures

	NZ Banking Group				
	31 March 2011 (Unaudited)				
	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	332	100%	332	84%	278
Total direct credit substitutes	332		332		278
Commitments					
Commitments with certain drawdown	117	100%	117	50%	59
Transaction related contingent items	674	50%	337	91%	307
Underwriting and sub-underwriting facilities	34	50%	17	99%	17
Short-term, self liquidating trade related contingent liabilities	720	20%	144	99%	143
Other commitments to provide financial services which have an original maturity of one year or more	10,581	50%	5,291	65%	3,454
Other commitments with an original maturity of less than one year or which can be unconditionally cancelled at any time	6,981	0%	-	0%	-
Total commitments	19,107		5,906		3,980
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	50,406		1,380	31%	434
Swaps	47,790		3,551	21%	741
Interest rate contracts:					
Forwards	6,382		1	0%	-
Futures	29,747		-	0%	-
Options	1,819		13	46%	6
Swaps	231,364		5,157	27%	1,397
Total market related contracts (derivatives)	367,508		10,102		2,578
Total off-balance sheet and derivative exposures	386,947		16,340		6,836
Total risk-weighted credit exposures					48,530

Note 15 Risk management (continued)

Additional mortgage information

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

LVR range	NZ Banking Group			Total
	31 March 2011 (Unaudited)			
	Does not Exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
On-balance sheet exposures	26,001	5,188	3,114	34,303
Undrawn commitments and other off-balance sheet exposures	5,106	335	206	5,647
Value of exposures (\$m)	31,107	5,523	3,320	39,950

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.

	NZ Banking Group
	31 March 2011 Unaudited \$m
Term loans – Housing (as disclosed in Note 5) and Residential mortgages – total gross loans (as disclosed in Note 6)	34,387
<i>Reconciling items:</i>	
Fair value hedge adjustments	(84)
Value of undrawn commitments and other off-balance sheet amounts relating to residential mortgages	5,647
Residential mortgages by loan-to-value ratio	39,950

15.2 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 2011. The end-of-period exposures below have been calculated by determining the end-of-day aggregate market risk as at 31 March 2011.

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 balance date and the peak end-of-day notional capital charges by risk type for the six months ended 31 March 2011:

	NZ Banking Group	
	31 March 2011 (Unaudited)	
	Implied Risk-weighted Exposure \$m	Notional Capital Charge \$m
End-of-period		
Interest rate risk	2,188	175
Foreign currency risk	83	7
Equity risk	42	3
Peak end-of-day		
Interest rate risk	3,275	262
Foreign currency risk	110	9
Equity risk	45	4

Notes to the financial statements

Note 15 Risk management (continued)

15.3 Interest rate sensitivity

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of assets and their corresponding liability funding. One of the major causes of these mismatches is timing differences in the repricing of assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the NZ Banking Group's policy guidelines.

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 2011. 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.

	NZ Banking Group						Total \$m
	31 March 2011 (Unaudited)						
	Up to 3 Months \$m	Over 3 Months and Up to 6 Months \$m	Over 6 Months and Up to 1 Year \$m	Over 1 Year and Up to 2 Years \$m	Over 2 Years \$m	Non- interest Bearing \$m	
Financial assets							
Cash and balances with central banks	1,879	-	-	-	-	186	2,065
Due from other financial institutions	121	-	-	-	-	-	121
Derivative financial instruments	-	-	-	-	-	4,567	4,567
Trading securities	5,124	419	205	13	1,499	-	7,260
Available-for-sale securities	-	-	-	-	534	42	576
Loans	37,694	4,086	6,123	7,253	2,461	(847)	56,770
Life insurance assets	8	21	-	-	-	133	162
Due from related entities	1	-	-	-	-	1,582	1,583
Other assets	-	-	-	-	-	314	314
Total financial assets	44,827	4,526	6,328	7,266	4,494	5,977	73,418
Non-financial assets							1,146
Total assets							74,564
Financial liabilities							
Due to other financial institutions	1,152	50	-	-	-	1	1,203
Deposits at fair value	1,658	79	1	-	-	-	1,738
Deposits at amortised cost	24,290	5,350	2,967	888	651	2,831	36,977
Derivative financial instruments	-	-	-	-	-	4,503	4,503
Trading liabilities	225	-	-	-	283	-	508
Debt issues	8,873	719	308	2,614	4,552	-	17,066
Other liabilities	-	-	-	-	-	685	685
Subordinated debentures	-	-	-	-	758	-	758
Due to related entities	5,150	-	-	-	-	1,471	6,621
Total financial liabilities	41,348	6,198	3,276	3,502	6,244	9,491	70,059
Non-financial liabilities							127
Total liabilities							70,186
Off-balance sheet financial instruments							
Net interest rate contracts (notional):							
Receivable/(payable)	416	(113)	(2,402)	168	1,931	-	-

15.4 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 (including cash, government securities, registered certificates of deposit issued by other banks and residential mortgage-backed securities) 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.

	NZ Banking Group 31 March 2011 Unaudited \$m
Cash	1,494
Due from other financial institutions	118
NZ Government securities	3,350
NZ corporate securities	3,990
Residential mortgage-backed securities	3,991
Total liquid assets	12,943

Note 15 Risk management (continued)

15.5 Liquidity analysis

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

	NZ Banking Group						
	31 March 2011 (Unaudited)						
	On Demand \$m	Less Than 1 Month \$m	Over 1 Month to 3 Months \$m	Over 3 Months to 1 Year \$m	Over 1 Year to 5 Years \$m	Over 5 Years \$m	Total \$m
Financial assets							
Cash and balances with central banks	2,065	-	-	-	-	-	2,065
Due from other financial institutions	3	118	-	-	-	-	121
Derivative financial instruments:							
Held for trading	4,517	-	-	-	-	-	4,517
Held for hedging purposes (net settled)	-	(5)	21	35	(57)	14	8
Held for hedging purposes (gross settled):							
Cash outflow	-	-	(8)	(22)	(793)	(2)	(825)
Cash inflow	-	-	-	11	780	2	793
Trading securities	-	1,442	4,221	593	562	1,027	7,845
Available-for-sale securities	-	1	5	23	156	646	831
Loans	3,971	4,828	2,949	7,469	21,991	48,522	89,730
Life insurance assets	137	-	4	21	-	-	162
Due from related entities:							
Non-derivative balances	18	-	-	-	-	-	18
Derivative financial instruments:							
Held for trading	1,564	-	-	-	-	1	1,565
Other assets	11	303	-	-	-	-	314
Total undiscounted financial assets	12,286	6,687	7,192	8,130	22,639	50,210	107,144
Financial liabilities							
Due to other financial institutions	925	161	69	51	-	-	1,206
Deposits at fair value	-	647	1,013	80	-	-	1,740
Deposits at amortised cost	15,466	3,367	8,540	8,630	1,697	1	37,701
Derivative financial instruments:							
Held for trading	4,096	-	-	-	-	-	4,096
Held for hedging purposes (net settled)	-	43	28	154	38	(4)	259
Held for hedging purposes (gross settled):							
Cash outflow	-	8	18	76	1,235	1,573	2,910
Cash inflow	-	-	-	(72)	(982)	(1,450)	(2,504)
Trading liabilities	-	225	-	-	252	31	508
Debt issues	-	2,408	2,998	4,287	6,995	1,566	18,254
Other liabilities	-	685	-	-	-	-	685
Subordinated debentures	-	-	-	-	-	758	758
Due to related entities:							
Non-derivative balances	2,099	-	35	17	2,151	1,037	5,339
Derivative financial instruments:							
Held for trading	1,416	-	-	-	-	1	1,417
Total undiscounted financial liabilities	24,002	7,544	12,701	13,223	11,386	3,513	72,369
Total contingent liabilities and commitments							
Commitments with certain drawdown	117	-	-	-	-	-	117
Other commitments to provide financial services which have an original maturity of one year or more	10,581	-	-	-	-	-	10,581
Other commitments of original maturity of less than one year or which can be unconditionally cancelled at any time	6,981	-	-	-	-	-	6,981
Total undiscounted contingent liabilities and commitments	17,679	-	-	-	-	-	17,679

Notes to the financial statements

Note 16 Concentration of funding

	NZ Banking Group
	31 March 2011 Unaudited \$m
Funding consists of	
Due to other financial institutions	1,203
Deposits at fair value	1,738
Deposits at amortised cost	36,977
Trading liabilities	508
Debt issues ¹	17,066
Subordinated debentures	758
Due to related entities	6,621
Total funding	64,871
Analysis of funding by product	
Certificates of deposits	1,485
Savings accounts	6,148
Demand deposits	5,955
Other deposits	4,329
Term deposits	20,798
Securities sold short and under agreements to repurchase	508
Debt issues	17,066
Subordinated debentures	758
Subtotal	57,047
Due to other financial institutions	1,203
Due to related entities	6,621
Total funding	64,871
Analysis of funding by geographical areas¹	
New Zealand	40,445
Australia	5,986
United Kingdom	2,194
United States of America	8,761
Other	7,485
Total funding	64,871
Analysis of funding by industry sector	
Accommodation, cafes and restaurants	172
Agriculture, forestry and fishing	1,463
Construction	398
Finance and insurance	26,136
Government, administration and defence	1,097
Manufacturing	1,015
Mining	119
Property	3,171
Services	3,315
Trade	1,037
Transport and storage	376
Utilities	425
Retail	18,397
Other	1,129
Subtotal	58,250
Due to related entities	6,621
Total funding	64,871

¹ The geographic region used for debt issues is the location of the original purchaser. These instruments may have subsequently been on-sold.

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

Note 17 Concentration of credit exposures

	NZ Banking Group
	31 March 2011 Unaudited \$m
On-balance sheet credit exposures consist of	
Cash and balances with central banks	2,065
Due from other financial institutions	121
Derivative financial instruments	4,567
Trading securities	7,260
Available-for-sale securities	576
Loans	56,770
Life insurance assets	162
Due from related entities	1,583
Other assets	314
Total on-balance sheet credit exposures	73,418
Analysis of on-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	524
Agriculture	5,799
Construction	1,531
Finance and insurance	10,174
Forestry and fishing	370
Government, administration and defence	5,980
Manufacturing	2,408
Mining	360
Property	9,702
Property services and business services	2,018
Services	2,603
Trade	3,684
Transport and storage	1,310
Utilities	1,286
Retail lending	24,655
Other	211
Subtotal	72,615
Provisions for impairment charges on loans	(847)
Due from related entities	1,583
Other assets	67
Total on-balance sheet credit exposures	73,418
Off-balance sheet credit exposures	
Contingent liabilities and commitments	19,439
Total off-balance sheet credit exposures	19,439
Analysis of off-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	95
Agriculture	546
Construction	704
Finance and insurance	1,677
Forestry and fishing	117
Government, administration and defence	1,506
Manufacturing	1,652
Mining	263
Property services and business services	1,548
Trade	1,455
Transport and storage	501
Utilities	1,581
Retail lending	7,785
Other	9
Total off-balance sheet credit exposures	19,439

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

Notes to the financial statements

Note 17 Concentration of credit exposures (continued)

Analysis of credit exposures to individual counterparties

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

- as at 31 March 2011 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 March 2011 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 2011 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 31 March 2011 was nil.

The peak end-of-day exposures have been calculated by determining the maximum end-of-day aggregate amount of actual credit exposure over the relevant three-month period, and then dividing that amount by the Overseas Banking Group's equity as at the end of the period. Credit exposures to individual counterparties (not being members of a group of closely related counterparties), and to groups of closely related counterparties do not include exposures to the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent, 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 recorded outside New Zealand) and were calculated net of individually assessed provisions.

Note 18 Overseas Bank and Overseas Banking Group capital adequacy

	31 March 2011 Unaudited %	31 March 2010 Unaudited %
Overseas Banking Group¹		
Tier One Capital ratio	9.5	8.6
Total Capital ratio	11.0	10.8
Overseas Bank (Extended Licensed Entity)¹		
Tier One Capital ratio	9.5	8.9
Total Capital ratio	11.3	11.4

¹ The capital ratios represent information mandated by APRA.

Basel II came into effect on 1 January 2008. The Overseas Banking Group is accredited by APRA to apply the Advanced IRB approach for credit risk, the AMA methodology for operational risk and the internal model approach for interest rate risk in the banking book for calculating regulatory capital (known as 'Advanced Accreditation') and is required by APRA to hold minimum capital at least equal to that specified under the Advanced IRB and AMA methodologies. Under New Zealand regulations this methodology is referred to as the Basel II (internal models based) approach. With this accreditation the Overseas Banking Group is required to disclose additional detailed information on its risk management practices and capital adequacy on a quarterly and a semi-annual basis. This information is made available to users via the Overseas Banking Group's website (www.westpac.com.au). The aim is to allow the market to better assess the Overseas Banking Group's risk and reward assessment process and hence increase the scrutiny on these processes.

The Overseas Banking Group, and the Overseas Bank (Extended Licensed Entity) as defined by APRA, exceeded the minimum capital adequacy requirements as specified by APRA as at 31 March 2011. APRA specifies a minimum prudential capital ratio for the Overseas Banking Group, which is not made publicly available.

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

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

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

The Overseas Banking Group's approach to capital management is influenced by plans for a smooth transition to Basel III, which is scheduled to come into force in 2013.

Note 19 Other information on the Overseas Banking Group

	31 March 2011 Unaudited
Profitability	
Net profit after tax for the six months ended 31 March 2011 (A\$m)	3,961
Net profit after tax (for the 12 month period to 31 March 2011) as a percentage of average total assets	1.2%
Total assets and equity	
Total assets (A\$m)	621,958
Percentage change in total assets over the 12 months ended 31 March 2011	3.5%
Total equity (A\$m)	42,119
Asset quality	
Total individually impaired assets ^{1,2} (A\$m)	4,251
As a percentage of total assets	0.7%
Total individual credit impairment allowance (A\$m)	1,780
As a percentage of total impaired assets	41.9%
Total collective credit impairment allowance (A\$m)	3,188

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.

Note 20 Events after the reporting date

On 18 May 2011, the Overseas Bank's credit rating issued by Moody's Investors Service was downgraded from Aa1 to Aa2 with a 'stable' outlook. On 27 May 2011, Westpac New Zealand's credit rating with respect to its long-term senior unsecured obligations issued by Moody's Investors Service was downgraded from Aa2 to Aa3 with a 'stable' outlook.

Auditors' review report



Independent Auditors' Review Report

To the Directors of Westpac Banking Corporation

Report on the financial statements

We have reviewed pages 6 to 27 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 2011 (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 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and 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 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 2011, 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 including supplementary information in the half year Disclosure Statement which fairly states the matters to which it relates in accordance 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 and presented to us 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 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:

Auditors' review report (continued)



- (a) prepared in accordance with Capital Adequacy Framework (Basel I Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A); and
- (b) disclosed in accordance with Schedule 9 of the Order.

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 2011 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We carry out other assignments on behalf of the NZ Banking Group in the areas of taxation and other assurance 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 6 to 27 (excluding the supplementary information), which have been prepared in all material respects in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting, do not present fairly the financial position of the NZ Banking Group as at 31 March 2011 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 (Basel I Approach) (BS2) and 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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' with a long horizontal line underneath it.

30 May 2011
Chartered Accountants

Auckland

