

Westpac Banking Corporation - New Zealand Banking Group **Disclosure Statement**

For the nine months ended 30 June 2014



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General information and definitions

Certain information contained in this Disclosure Statement is required by section 81 of the Reserve Bank of New Zealand Act 1989 ('**Reserve Bank Act**') and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 ('**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 Banking Group (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 2013 are set out in Note 26 to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2013. 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 2013;
- 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

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 with Distinction, HonDBus – Managing Director & Chief Executive Officer

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

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

Catriona Alison Deans, BA, MBA, GAICD

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

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

Peter Ralph Marriott, BEc (Hons.), FCA

Ann Darlene Pickard, BA, MA

Changes to the Directorate

The following changes in the composition of the Overseas Bank's Board of Directors (the '**Board**') have been effected since 30 September 2013:

- Gordon Cairns retired from the Board on 13 December 2013;
- Catriona Alison Deans was appointed to the Board, effective 1 April 2014; and
- John Curtis retired from the Board on 25 April 2014.

Chief Executive Officer, NZ Branch

Karen Lee Ann Silk, B.Com

Responsible person

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

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 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

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

Disclosure Statements of the Overseas Bank 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 2013 and for the six months ended 31 March 2014, respectively, and can be accessed at the internet address www.westpac.com.au.

Guarantee arrangements

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

Pending proceedings or arbitration

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

In March 2013, litigation funder, Litigation Lending Services (NZ) Limited, announced potential representative actions against five New Zealand banks in relation to certain fees. In 2013, proceedings were filed against two banks. On 20 August 2014, the plaintiff group filed proceedings against Westpac Banking Corporation. At this stage the impact of those proceedings cannot be determined with any certainty.

On 12 December 2013, the Commerce Commission notified the Overseas Bank and Westpac New Zealand that it intends filing proceedings against them under the Fair Trading Act 1986 in relation to the marketing and sale of interest rate swaps to rural customers. To date, no such proceedings have been filed. At this stage the impact of this notification cannot be determined with any certainty.

The Overseas Banking Group has worldwide contingent liabilities in respect of actual and potential claims and proceedings, which have not been determined. An assessment of the Overseas Banking Group's likely loss is made on a case-by-case basis and provisions are made where appropriate. Such contingencies are disclosed in the Overseas Banking Group's 30 September 2013 Annual Financial Report and 31 March 2014 Interim Financial Report.

Conditions of registration

The Overseas Bank's conditions of registration were amended on 27 June 2014 with effect from 1 July 2014. The reference to the 'Framework for Restrictions on High-LVR Residential Mortgage Lending' (BS19) was revised to refer to the latest version of BS19. The revisions to BS19 amended certain defined terms and added additional clauses on anti-avoidance.

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 nine months ended 30 June 2014:

- (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 and other members of the NZ Banking Group had systems in place to monitor and control adequately the material risks of relevant members of the NZ Banking Group, 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. For this purpose, a relevant member of the NZ Banking Group means a member of the NZ Banking Group that is not a member of Westpac New Zealand's banking group.

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



David Alexander McLean



Karen Lee Ann Silk

Dated this the 25th day of August 2014

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Consolidated income statement for the nine months ended 30 June 2014

\$ millions	Note	NZ Banking Group		
		Nine Months Ended 30-Jun-14 Unaudited	Nine Months Ended 30-Jun-13 Unaudited	Year Ended 30-Sep-13 Audited
Interest income		2,952	2,845	3,801
Interest expense		(1,778)	(1,661)	(2,223)
Net interest income		1,174	1,184	1,578
Non-interest income	2	521	442	585
Net operating income		1,695	1,626	2,163
Operating expenses		(652)	(667)	(877)
Impairment charges on loans	3	(5)	(84)	(105)
Operating profit		1,038	875	1,181
Share of profit of associate accounted for using the equity method		-	-	1
Profit before income tax expense		1,038	875	1,182
Income tax expense		(261)	(243)	(327)
Profit after income tax expense		777	632	855
Profit after income tax expense attributable to:				
Head office account and owners of the NZ Banking Group		775	629	852
Non-controlling interests		2	3	3
		777	632	855

The accompanying notes (numbered 1 to 19) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of comprehensive income for the nine months ended 30 June 2014

\$ millions	NZ Banking Group		
	Nine Months Ended 30-Jun-14 Unaudited	Nine Months Ended 30-Jun-13 Unaudited	Year Ended 30-Sep-13 Audited
Profit after income tax expense	777	632	855
Other comprehensive (expense)/income which may be reclassified to the income statement:			
Available-for-sale securities:			
Net unrealised gains from changes in fair value of available-for-sale securities	21	29	23
Transferred to the income statement (refer to Note 2)	(88)	-	-
Exchange differences	(3)	6	1
Income tax effect	(3)	(1)	2
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	36	22	34
Transferred to the income statement	(14)	31	30
Income tax effect	(6)	(15)	(18)
Total other comprehensive (expense)/income which may be reclassified to the income statement	(57)	72	72
Other comprehensive income which will not be reclassified to the income statement:			
Actuarial gains on employee defined benefit obligations	-	6	39
Income tax effect	-	(2)	(11)
Total other comprehensive income which will not be reclassified to the income statement	-	4	28
Total other comprehensive (expense)/income, net of tax	(57)	76	100
Total comprehensive income	720	708	955
Total comprehensive income attributable to:			
Head office account and owners of NZ Banking Group	718	705	952
Non-controlling interests	2	3	3
	720	708	955

The accompanying notes (numbered 1 to 19) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity for the nine months ended 30 June 2014

\$ millions	NZ Banking Group									
	Head Office Account			NZ Banking Group Equity				Total before Non-controlling Interests		Total Equity
	Branch Capital	Retained Profits	Convertible Debentures	Ordinary Share Capital	Retained Profits	Available-for-sale Securities Reserve	Cash Flow Hedge Reserve	Non-controlling Interests		
As at 1 October 2012 as previously reported (Audited)	1,300	213	1,284	139	2,526	80	(34)	5,508	7	5,515
Adjustment due to amendments in NZ IAS 19 (refer to Note 1)	-	-	-	-	16	-	-	16	-	16
As at 1 October 2012 (Restated)	1,300	213	1,284	139	2,542	80	(34)	5,524	7	5,531
Nine months ended 30 June 2013 (Unaudited)										
Profit after income tax expense	-	160	-	-	469	-	-	629	3	632
Net gains from changes in fair value	-	-	-	-	-	29	22	51	-	51
Income tax effect	-	-	-	-	-	(1)	(6)	(7)	-	(7)
Exchange differences	-	-	-	-	-	6	-	6	-	6
Income tax effect	-	-	-	-	-	-	-	-	-	-
Transferred to income statement	-	-	-	-	-	-	31	31	-	31
Income tax effect	-	-	-	-	-	-	(9)	(9)	-	(9)
Actuarial gains on employee defined benefit obligations	-	-	-	-	6	-	-	6	-	6
Income tax effect	-	-	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income for the nine months ended 30 June 2013	-	160	-	-	473	34	38	705	3	708
Transactions with owners:										
Dividends paid on convertible debentures (net of tax)	-	(36)	-	-	-	-	-	(36)	-	(36)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(4)	(4)
As at 30 June 2013 (Unaudited)	1,300	337	1,284	139	3,015	114	4	6,193	6	6,199
Year ended 30 September 2013 (Audited)										
Profit after income tax expense	-	201	-	-	651	-	-	852	3	855
Net gains from changes in fair value	-	-	-	-	-	23	34	57	-	57
Income tax effect	-	-	-	-	-	2	(10)	(8)	-	(8)
Exchange differences	-	-	-	-	-	1	-	1	-	1
Income tax effect	-	-	-	-	-	-	-	-	-	-
Transferred to income statement	-	-	-	-	-	-	30	30	-	30
Income tax effect	-	-	-	-	-	-	(8)	(8)	-	(8)
Actuarial gains on employee defined benefit obligations	-	-	-	-	39	-	-	39	-	39
Income tax effect	-	-	-	-	(11)	-	-	(11)	-	(11)
Total comprehensive income for the year ended 30 September 2013	-	201	-	-	679	26	46	952	3	955
Transactions with owners:										
Redemption of convertible debentures	-	(9)	(1,284)	-	-	-	-	(1,293)	-	(1,293)
Dividends paid on convertible debentures (net of tax)	-	(66)	-	-	-	-	-	(66)	-	(66)
Dividends paid on ordinary shares	-	-	-	-	(323)	-	-	(323)	(4)	(327)
As at 30 September 2013 (Audited)	1,300	339	-	139	2,898	106	12	4,794	6	4,800
Adjustment due to amendments in NZ IAS 19 (refer to Note 1)	-	-	-	-	(3)	-	-	(3)	-	(3)
As at 30 September 2013 (Restated)	1,300	339	-	139	2,895	106	12	4,791	6	4,797
Nine months ended 30 June 2014 (Unaudited)										
Profit after income tax expense	-	80	-	-	695	-	-	775	2	777
Net gains from changes in fair value	-	-	-	-	-	21	36	57	-	57
Income tax effect	-	-	-	-	-	(3)	(10)	(13)	-	(13)
Exchange differences	-	-	-	-	-	(3)	-	(3)	-	(3)
Income tax effect	-	-	-	-	-	-	-	-	-	-
Transferred to income statement	-	-	-	-	-	(88)	(14)	(102)	-	(102)
Income tax effect	-	-	-	-	-	-	4	4	-	4
Total comprehensive income for the nine months ended 30 June 2014	-	80	-	-	695	(73)	16	718	2	720
Transactions with owners:										
Aggregation of new entities (refer to Note 10)	-	-	-	4	-	-	-	4	-	4
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(3)	(3)
As at 30 June 2014 (Unaudited)	1,300	419	-	143	3,590	33	28	5,513	5	5,518

The accompanying notes (numbered 1 to 19) form part of, and should be read in conjunction with, these financial statements.

Consolidated balance sheet as at 30 June 2014

\$ millions	Note	NZ Banking Group		
		30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Assets				
Cash and balances with central banks		1,776	1,644	1,848
Due from other financial institutions		326	172	173
Derivative financial instruments		3,494	4,285	3,661
Trading securities	4	5,599	4,065	4,313
Available-for-sale securities		2,891	2,791	2,715
Loans	5, 6	64,226	60,936	62,037
Life insurance assets		288	274	289
Due from related entities		980	2,043	1,036
Investment in associate		48	48	48
Goodwill and other intangible assets		732	695	714
Property, plant and equipment		157	166	169
Current tax assets		53	48	-
Deferred tax assets		126	170	154
Other assets		428	355	397
Total assets		81,124	77,692	77,554
Liabilities				
Due to other financial institutions		876	1,350	335
Deposits	7	49,510	46,379	48,182
Derivative financial instruments		3,550	3,994	3,786
Trading liabilities	8	1,396	522	498
Debt issues	9	13,437	11,944	11,645
Current tax liabilities		-	-	24
Provisions		83	84	87
Other liabilities		676	578	671
Total liabilities excluding related entities liabilities		69,528	64,851	65,228
Subordinated debentures		640	740	693
Due to related entities		5,438	5,902	6,836
Total related entities liabilities		6,078	6,642	7,529
Total liabilities		75,606	71,493	72,757
Net assets		5,518	6,199	4,797
Equity				
Head office account				
Branch capital		1,300	1,300	1,300
Retained profits		419	337	339
Total head office account		1,719	1,637	1,639
Convertible debentures		-	1,284	-
NZ Banking Group equity				
Ordinary share capital		143	139	139
Retained profits		3,590	3,015	2,895
Available-for-sale securities reserve		33	114	106
Cash flow hedge reserve		28	4	12
Total equity attributable to owners of the NZ Banking Group		3,794	3,272	3,152
Non-controlling interests		5	6	6
Total equity		5,518	6,199	4,797
Interest earning and discount bearing assets		75,069	69,964	71,369
Interest and discount bearing liabilities		66,793	62,509	63,671

The accompanying notes (numbered 1 to 19) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows for the nine months ended 30 June 2014

\$ millions	NZ Banking Group		
	Nine Months Ended 30-Jun-14 Unaudited	Nine Months Ended 30-Jun-13 Unaudited ¹	Year Ended 30-Sep-13 Audited ¹
Cash flows from operating activities			
Interest income received	2,933	2,841	3,801
Interest expense paid	(1,767)	(1,682)	(2,225)
Non-interest income received	417	464	646
Operating expenses paid	(618)	(655)	(800)
Income tax paid	(319)	(305)	(305)
Cash flows from operating activities before changes in operating assets and liabilities	646	663	1,117
Net (increase)/decrease in:			
Due from other financial institutions	(153)	150	149
Trading securities	(1,145)	(97)	(363)
Loans	(2,333)	(1,128)	(2,250)
Due from related entities	7	(83)	(21)
Net increase/(decrease) in:			
Due to other financial institutions	541	1,136	121
Deposits	1,328	2,989	4,792
Trading liabilities	898	4	(20)
Net movement in external and related entity derivative financial instruments	(744)	(475)	757
Net cash (used in)/provided by operating activities	(955)	3,159	4,282
Cash flows from investing activities			
Purchase of available-for-sale securities	(293)	(167)	(191)
Proceeds from maturities/sale of available-for-sale securities	133	-	26
Net decrease/(increase) in life insurance assets	1	(37)	(52)
Purchase of capitalised computer software	(55)	(71)	(98)
Purchase of property, plant and equipment	(9)	(24)	(37)
Net cash used in investing activities	(223)	(299)	(352)
Cash flows from financing activities			
Net increase/(decrease) in debt issues	2,275	(1,475)	(1,453)
Net decrease in due to related entities	(1,166)	(1,401)	(632)
Net decrease in convertible debentures	-	-	(1,293)
Dividends paid on convertible debentures	-	(50)	(91)
Dividends paid to ordinary shareholders	-	-	(323)
Dividends paid to minority shareholders	(3)	(4)	(4)
Net cash provided by/(used in) financing activities	1,106	(2,930)	(3,796)
Net (decrease)/increase in cash and cash equivalents	(72)	(70)	134
Cash and cash equivalents at beginning of the period/year	1,848	1,714	1,714
Cash and cash equivalents at end of the period/year	1,776	1,644	1,848

¹ The presentation of the statement of cash flows has been revised to improve the classification of movements in cash and cash equivalents. Certain cash flows have been reclassified between operating, investing and financing activities. Certain balances due from/to other financial institutions have been reclassified out of cash and cash equivalents. Comparative figures have been revised in order to ensure consistency.

The accompanying notes (numbered 1 to 19) 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

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 Banking Group (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 2014 ('**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* ('**NZ IAS 34**') and should be read in conjunction with the Disclosure Statements for the year ended 30 September 2013 and for the periods ended 31 December 2013 and 31 March 2014. These financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

As outlined in the Disclosure Statement for the year ended 30 September 2013, a number of new standards have become effective for the annual reporting period commencing 1 October 2013. The following new and amended standards have an impact on these financial statements:

- NZ IFRS 9 (2013) *Financial Instruments* ('**NZ IFRS 9 (2013)**') – NZ IFRS 9 (2013) was issued by the External Reporting Board in December 2013. Unless early adopted, the standard is effective for the 30 September 2018 financial year. The NZ Banking Group has early adopted the recognition of the change in the portion of the fair value of financial liabilities designated at fair value which is attributable to the NZ Banking Group's own credit risk in other comprehensive income except where that would create an accounting mismatch. Where an accounting mismatch occurs, all changes in fair value are recognised in the income statement. The impact of the change on individual line items in the financial statements is not material.
- NZ IFRS 13 *Fair Value Measurement* ('**NZ IFRS 13**') – The new standard replaces existing guidance on fair value measurement in several standards with a single, unified definition of fair value and a framework for measuring and disclosing fair values. NZ IFRS 13 applies to all assets and liabilities measured at fair value, not just financial instruments. NZ IAS 34 requires the disclosure of certain information relating to fair value as prescribed in NZ IFRS 13 and accordingly this disclosure is provided in Note 11 Fair value of financial instruments.
- NZ IAS 19 *Employee Benefits* ('**NZ IAS 19**') – The amended standard has resulted in changes to the discount rate applied to the measurement of the NZ Banking Group's defined benefit superannuation obligation with retrospective application.

Adoption of the amendment has resulted in adjustments to comparative information as outlined below. The adjustments in respect of the 30 September 2012 balance sheet have also been applied to the 30 June 2013 balance sheet. The impact on the comparative consolidated income statements and consolidated statements of comprehensive income is not material and therefore these statements have not been restated.

\$ millions	NZ Banking Group			NZ Banking Group		
	Previously Reported 30-Sep-13	Increase/ (Decrease)	Restated 30-Sep-13	Previously Reported 30-Sep-12	Increase/ (Decrease)	Restated 30-Sep-12
Balance sheet (extract)						
Deferred tax assets	159	(5)	154	209	(6)	203
Other liabilities	689	(18)	671	721	(22)	699
Retained profits	2,882	13	2,895	2,526	16	2,542

These financial statements were authorised for issue by the Overseas Bank's Board of Directors ('**Board**') on 25 August 2014. The Board has the power to amend the financial statements after they are authorised for issue.

Note 1 Statement of accounting policies (continued)

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 2013, except as amended for the changes required due to the adoption of the new and amended accounting standards as explained in the 'Statutory base' section.

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

Note 2 Non-interest income

\$ millions	NZ Banking Group		
	Nine Months Ended 30-Jun-14 Unaudited	Nine Months Ended 30-Jun-13 Unaudited	Year Ended 30-Sep-13 Audited
Fees and commissions			
Transaction fees and commissions	169	173	233
Lending fees (loan and risk)	50	48	66
Other non-risk fee income	28	25	35
Total fees and commissions	247	246	334
Wealth management revenue			
Fees from trust and other fiduciary activities	25	24	33
Net life insurance income and change in policy liabilities	73	57	82
Total wealth management revenue	98	81	115
Trading income			
Foreign exchange trading	68	66	86
Interest rate trading	15	35	39
Total trading income	83	101	125
Net ineffectiveness on qualifying hedges	-	2	(1)
Other non-interest income			
Net losses on derivatives held for risk management purposes	-	(1)	(1)
Dividend income	2	2	2
Gain on sale of available-for-sale securities ¹	88	-	-
Other	3	11	11
Total other non-interest income	93	12	12
Total non-interest income	521	442	585

¹ During the nine months ended 30 June 2014, Westpac New Zealand realised a gain of \$88 million upon the sale of its holding of available-for-sale overseas equity securities. Of this gain, \$41 million was realised in respect of available-for-sale overseas equity securities which were sold to the Overseas Bank.

Notes to the financial statements

Note 3 Impairment charges on loans

\$ millions	NZ Banking Group			Total
	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	
Nine months ended 30 June 2014 (Unaudited)				
Collectively assessed provisions	-	7	(9)	(2)
Individually assessed provisions	7	-	(8)	(1)
Bad debts written-off/(recovered) directly to the income statement	1	30	(3)	28
Interest adjustments	(3)	(7)	(10)	(20)
Total impairment charges/(recoveries) on loans	5	30	(30)	5
Nine months ended 30 June 2013 (Unaudited)				
Collectively assessed provisions	5	4	(13)	(4)
Individually assessed provisions	21	-	38	59
Bad debts written-off directly to the income statement	3	31	17	51
Interest adjustments	(3)	(7)	(12)	(22)
Total impairment charges on loans	26	28	30	84
Year ended 30 September 2013 (Audited)				
Collectively assessed provisions	7	4	(23)	(12)
Individually assessed provisions	27	-	55	82
Bad debts written-off directly to the income statement	3	39	21	63
Interest adjustments	(4)	(10)	(14)	(28)
Total impairment charges on loans	33	33	39	105

Note 4 Trading securities

\$ millions	NZ Banking Group		
	30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Certificates of deposit	2,538	2,204	2,314
Corporate bonds and asset backed securities	514	712	643
Mortgage-backed securities	2	3	3
NZ Government securities	1,586	462	480
Local authority securities	275	375	410
Offshore securities	-	-	19
Securities purchased under agreement to resell	684	309	444
Total trading securities	5,599	4,065	4,313

As at 30 June 2014, the NZ Banking Group had \$732 million of trading securities (30 June 2013: \$149 million, 30 September 2013: \$74 million) that were encumbered through repurchase agreements as part of standard terms of transactions with other banks.

Notes to the financial statements

Note 5 Loans

\$ millions	NZ Banking Group		
	30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Overdrafts	1,064	1,210	1,281
Credit card outstandings	1,385	1,350	1,352
Money market loans	1,022	975	997
Term loans:			
Housing	39,289	37,063	37,596
Non-housing	21,043	20,048	20,542
Other	866	855	821
Total gross loans	64,669	61,501	62,589
Provisions for impairment charges on loans	(443)	(565)	(552)
Total net loans	64,226	60,936	62,037

As at 30 June 2014, \$4.2 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') (30 June 2013: \$2.6 billion, 30 September 2013: \$4.2 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 2013. As at 30 June 2014, the New Zealand dollar equivalent of bonds issued by WSNZL under the CB Programme was \$3.2 billion (30 June 2013: \$2.1 billion, 30 September 2013: \$2.2 billion).

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

\$ millions	NZ Banking Group			Total
	Residential Mortgages	30-Jun-14 (Unaudited) Other Loans for Consumer Purposes	Loans for Business Purposes	
Neither past due nor impaired	37,980	1,780	22,942	62,702
Past due assets:				
Less than 90 days past due	1,181	140	222	1,543
At least 90 days past due	54	16	25	95
Total past due assets	1,235	156	247	1,638
Individually impaired assets	74	-	255	329
Total gross loans	39,289	1,936	23,444	64,669
Individually assessed provisions	23	-	106	129
Collectively assessed provisions	68	74	210	352
Total provisions for impairment charges on loans and credit commitments	91	74	316	481
Provision for credit commitments	-	-	(38)	(38)
Total provisions for impairment charges on loans	91	74	278	443
Total net loans	39,198	1,862	23,166	64,226

Note 7 Deposits

\$ millions	NZ Banking Group		
	30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Deposits at fair value			
Certificates of deposit	1,230	1,070	1,534
Total deposits at fair value	1,230	1,070	1,534
Deposits at amortised cost			
Non-interest bearing, repayable at call	3,492	3,209	3,271
Other interest bearing:			
At call	19,882	17,437	18,488
Term	24,906	24,663	24,889
Total deposits at amortised cost	48,280	45,309	46,648
Total deposits	49,510	46,379	48,182

The NZ Branch held no retail deposits from individuals as at 30 June 2014 (30 June 2013: nil, 30 September 2013: nil).

Notes to the financial statements

Note 8 Trading liabilities

\$ millions	NZ Banking Group		
	30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Held for trading			
Securities sold short	664	373	424
Securities sold under agreements to repurchase	732	149	74
Total trading liabilities	1,396	522	498

Note 9 Debt issues

\$ millions	NZ Banking Group		
	30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Short-term debt			
Commercial paper	2,740	3,935	2,776
Total short-term debt	2,740	3,935	2,776
Long-term debt			
Non-domestic medium-term notes	6,967	5,325	5,128
Domestic medium-term notes	3,730	2,684	3,741
Total long-term debt	10,697	8,009	8,869
Total debt issues	13,437	11,944	11,645
Debt issues at amortised cost	10,697	8,009	8,869
Debt issues at fair value	2,740	3,935	2,776
Total debt issues	13,437	11,944	11,645
Movement in debt issues			
Balance at beginning of the period/year	11,645	12,914	12,914
Issuance during the period/year	8,129	4,942	7,641
Repayments during the period/year	(5,854)	(6,417)	(9,094)
Effect of foreign exchange movements during the period/year	(441)	572	277
Effect of fair value movements and fair value hedge adjustments during the period/year	(42)	(67)	(93)
Balance at end of the period/year	13,437	11,944	11,645

As at 30 June 2014, the NZ Banking Group had New Zealand Government guaranteed debt of \$1,810 million on issue (30 June 2013: \$1,977 million, 30 September 2013: \$1,881 million). On 28 July 2014, Westpac New Zealand repaid all remaining debt which was subject to the New Zealand Government guarantee. For further information on New Zealand Government guaranteed debt refer to Guarantee arrangements in Westpac New Zealand's Disclosure Statement for the nine months ended 30 June 2014.

Note 10 Related entities

On 31 December 2013, the Overseas Banking Group acquired select businesses of Lloyds Banking Group Australia. As a result of this acquisition the following entities formed part of the NZ Banking Group's aggregation:

- Capital Finance New Zealand Limited ('**CFNZL**');
- Sie-Lease (New Zealand) Pty Limited ('**SLNZPL**'); and
- BOS International (Australia) Limited New Zealand Branch ('**BOSILNZ**').

SLNZPL is a wholly owned subsidiary of CFNZL. The inclusion of CFNZL, SLNZPL and BOSILNZ did not have a significant impact on the NZ Banking Group's financial position or results of operations for the nine months ended 30 June 2014. Furthermore, BOSILNZ was removed from the New Zealand Companies Register on 7 January 2014.

Other controlled entities of the NZ Banking Group as at 30 September 2013 are set out in Note 26 to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2013. There have been no other changes to the structure or composition of the NZ Banking Group since 30 September 2013.

The total liabilities of the NZ Branch, net of amounts due to related entities as at 30 June 2014, amounted to \$5,621 million (30 June 2013: \$5,785 million, 30 September 2013: \$4,498 million).

Note 11 Fair value of financial instruments

Fair valuation control framework

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

Quoted price in an active market

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

Valuation techniques

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

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

Fair value hierarchy

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

- **Quoted market price ('Level 1')**
Financial instruments valued using recent unadjusted quoted prices in active markets for identical assets or liabilities.
Financial instruments included in the Level 1 category are certain NZ Government securities and spot and exchanged traded derivatives.
- **Valuation techniques using observable inputs ('Level 2')**
Valuation techniques using observable market prices applied to these assets or liabilities include the use of discounted cash flow analysis, option pricing models and other valuation techniques widely used and accepted by market participants. Management judgment will be used in the application of these techniques (e.g. the selection of the appropriate discount rate to value a bond).
Financial instruments included in the Level 2 category are:
 - deposits at fair value, debt issues at fair value, certain life insurance assets, trading liabilities, reverse repurchase agreements with related parties, and trading and available-for-sale debt securities including certificates of deposit, corporate bonds, mortgage-backed securities, inflation-indexed government bonds, local authority securities, off-shore securities and securities purchased under agreements to resell; and
 - derivatives including interest rate swaps, interest rate forwards, interest rate options and foreign exchange forwards and foreign exchange swaps.
- **Valuation techniques with significant non-observable inputs ('Level 3')**
Financial instruments valued using at least one input that could have a significant effect on the instrument's valuation which is not based on observable market data (unobservable input). Unobservable inputs are those not readily available in an active market due to illiquidity or complexity of the product. These inputs are generally derived and extrapolated from other relevant market data and calibrated against current market trends and historic transactions.
Financial instruments included in the Level 3 category are NZ unlisted equity securities, long-dated NZD caps and inflation indexed derivative instruments.
A financial instrument's categorisation within the valuation hierarchy is based on the lowest level input that is significant to the fair value measurement.

Notes to the financial statements

Note 11 Fair value of financial instruments (continued)

The following table summarises the attribution of financial instruments to the fair value hierarchy based on the measurement basis after initial recognition:

\$ millions	NZ Banking Group 30-Jun-14 (Unaudited)			Total
	Level 1	Level 2	Level 3 ¹	
Financial assets				
Derivative financial instruments	2	3,491	1	3,494
Trading securities	1,146	4,453	-	5,599
Available-for-sale securities	1,971	892	28	2,891
Life insurance assets	22	266	-	288
Due from related entities	-	973	-	973
Total financial assets carried at fair value	3,141	10,075	29	13,245
Financial liabilities				
Deposits at fair value	-	1,230	-	1,230
Derivative financial instruments	-	3,548	2	3,550
Trading liabilities	664	732	-	1,396
Debt issues at fair value	-	2,740	-	2,740
Due to related entities	-	942	-	942
Total financial liabilities carried at fair value	664	9,192	2	9,858

¹ Balances within this category of the fair value hierarchy are not considered material to the total Available-for-sale securities or total Derivative financial instruments balances.

During the financial year to date, the Overseas Bank, being a primary dealer, has seen and participated in increased liquidity in the Government bond markets as part of its broader financial markets strategy. Therefore, financial assets (certain NZ Government securities) and financial liabilities (NZ Government securities sold short) of \$3,139 million and \$664 million respectively, have been transferred from Level 2 to Level 1 of the fair value hierarchy. There have been no significant transfers into/out of Level 3 during the nine months ended 30 June 2014. Transfers in and transfers out are reported using the end-of-period fair values.

Classification of financial instruments and estimates of fair value

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value disclosure does not cover those instruments that are not considered to be financial instruments from an accounting perspective, such as income tax and intangible assets.

The table below summarises financial instruments for which the carrying amount in the balance sheet is different from the estimated fair value:

\$ millions	NZ Banking Group 30-Jun-14 (Unaudited)	
	Total Carrying Amount	Estimated Fair Value
Financial assets		
Loans	64,226	64,056
Total financial assets	64,226	64,056
Financial liabilities		
Deposits	48,280	48,335
Debt issues	10,697	10,861
Subordinated debentures	640	628
Total financial liabilities	59,617	59,824

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

Note 12 Commitments and contingent liabilities

\$ millions	NZ Banking Group		
	30-Jun-14 Unaudited	30-Jun-13 Unaudited	30-Sep-13 Audited
Commitments for capital expenditure			
Due within one year	8	7	3
Other expenditure commitments:			
One year or less	106	106	108
Between one and five years	167	228	209
Over five years	1	2	1
Total other expenditure commitments	274	336	318
Lease commitments (all leases are classified as operating leases)			
Premises and sites	240	269	263
Motor vehicles	6	8	7
Total lease commitments	246	277	270
Lease commitments are due as follows:			
One year or less	53	53	54
Between one and five years	138	146	145
Over five years	55	78	71
Total lease commitments	246	277	270
Other contingent liabilities and commitments			
Direct credit substitutes	361	1,031	330
Loan commitments with certain drawdown	259	222	205
Transaction-related contingent items	718	903	818
Short-term, self-liquidating trade-related contingent liabilities	392	418	386
Other commitments to provide financial services	20,778	18,700	19,460
Total other contingent liabilities and commitments	22,508	21,274	21,199

In March 2013, litigation funder, Litigation Lending Services (NZ) Limited, announced potential representative actions against five New Zealand banks in relation to certain fees. In 2013, proceedings were filed against two banks. On 20 August 2014, the plaintiff group filed proceedings against Westpac Banking Corporation. At this stage the impact of those proceedings cannot be determined with any certainty.

Note 13 Segment information

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 have changed in the current reporting period as a result of changes in the information provided to the 'chief operating decision maker'. Comparative information has been restated to ensure consistent presentation with the current reporting period. 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 predominantly for individuals;
- Business Bank and Wealth provides financial services for small to medium sized enterprise customers and high net worth individuals, and provides funds management and insurance distribution services to a range of customers; and
- Corporate and Institutional provides a broad range of financial services to corporate, agricultural, institutional and government customers, and the supply of derivatives and risk management products to the entire Westpac customer base in New Zealand.

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.

Notes to the financial statements

Note 13 Segment information (continued)

\$ millions	NZ Banking Group			Reconciling Items ¹	Total
	Retail Banking	Business Bank and Wealth	Corporate and Institutional		
Nine months ended 30 June 2014 (Unaudited)					
Net interest income	543	251	300	80	1,174
Non-interest income	151	135	141	94	521
Net operating income	694	386	441	174	1,695
Net operating income from external customers	923	411	730	(369)	1,695
Net internal interest expense	(229)	(25)	(289)	543	-
Net operating income	694	386	441	174	1,695
Operating expenses	(118)	(57)	(59)	(418)	(652)
Impairment (charges)/recoveries on loans	(33)	(1)	16	13	(5)
Profit before income tax expense	543	328	398	(231)	1,038
Total gross loans	29,913	13,941	20,934	(119)	64,669
Total deposits	22,820	13,563	11,891	1,236	49,510
Nine months ended 30 June 2013 (Unaudited)					
Net interest income	522	235	302	125	1,184
Non-interest income	146	123	158	15	442
Net operating income	668	358	460	140	1,626
Net operating income from external customers	860	377	749	(360)	1,626
Net internal interest expense	(192)	(19)	(289)	500	-
Net operating income	668	358	460	140	1,626
Operating expenses	(122)	(59)	(63)	(423)	(667)
Impairment charges on loans	(49)	(1)	(34)	-	(84)
Profit before income tax expense	497	298	363	(283)	875
Total gross loans	28,107	13,238	20,339	(183)	61,501
Total deposits	21,478	13,117	10,714	1,070	46,379
Year ended 30 September 2013 (Audited)					
Net interest income	701	315	408	154	1,578
Non-interest income	196	166	210	13	585
Net operating income	897	481	618	167	2,163
Net operating income from external customers	1,151	502	1,002	(492)	2,163
Net internal interest expense	(254)	(21)	(384)	659	-
Net operating income	897	481	618	167	2,163
Operating expenses	(160)	(79)	(83)	(555)	(877)
Impairment charges on loans	(63)	(2)	(41)	1	(105)
Share of profit of associate accounted for using the equity method	-	-	-	1	1
Profit before income tax expense	674	400	494	(386)	1,182
Total gross loans	28,590	13,414	20,745	(160)	62,589
Total deposits	22,012	13,434	11,202	1,534	48,182

¹ Included in the reconciling items for total operating expenses is \$425 million (30 June 2013: \$434 million; 30 September 2013: \$582 million) of head office operating expenses, which are not allocated to a business unit that meets the definition of an operating segment.

Note 14 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 calculated in accordance with the Overseas Bank's conditions of registration as at the reporting date:

\$ millions	NZ Banking Group	
	30-Jun-14	Unaudited
Total assets		242
As a percentage of total assets of the NZ Banking Group		0.30%

Note 15 Risk management

15.1 Credit risk

The NZ Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 30 June 2014 (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 30-Jun-14 (Unaudited)			Total
	Does not Exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
On-balance sheet exposures	31,255	5,372	2,548	39,175
Undrawn commitments and other off-balance sheet exposures	6,916	418	171	7,505
Value of exposures	38,171	5,790	2,719	46,680

15.2 Market risk

The following table provides a summary of the NZ Banking Group's notional capital charges by risk type as at the reporting date.

\$ millions	NZ Banking Group 30-Jun-14 (Unaudited)	
	Implied Risk-weighted Exposure	Notional Capital Charge
End-of-period		
Interest rate risk	2,633	211
Foreign currency risk	33	3
Equity risk	28	2

15.3 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 30-Jun-14 Unaudited
Cash and balances with central banks	1,776
Supranational securities	530
NZ Government securities	2,748
NZ public securities	469
NZ corporate securities	2,933
Residential mortgage-backed securities	3,992
Total liquid assets	12,448

Notes to the financial statements

Note 16 Concentration of credit exposures to individual counterparties

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

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

- as at 30 June 2014 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2014 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 or peak end-of-day aggregate credit exposure that equals or exceeds 10% of the Overseas Banking Group's equity:

- as at 30 June 2014 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2014 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 31 March 2014.

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.

%	30-Jun-14 Unaudited	30-Jun-13 Unaudited
Overseas Banking Group^{1, 2}		
Common Equity Tier One Capital ratio	8.3	8.4
Additional Tier One Capital ratio	1.7	2.1
Tier One Capital ratio	10.0	10.5
Tier Two Capital ratio	1.7	1.3
Total Regulatory Capital ratio	11.7	11.8
Overseas Bank (Extended Licensed Entity)^{1, 2}		
Common Equity Tier One Capital ratio	8.2	8.5
Additional Tier One Capital ratio	1.9	2.3
Tier One Capital ratio	10.1	10.8
Tier Two Capital ratio	2.0	1.4
Total Regulatory Capital ratio	12.1	12.2

¹ The capital ratios represent information mandated by APRA.

² The capital ratios of the Overseas Banking Group and 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).

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). 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 30 June 2014. 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 2014.

Profitability	31-Mar-14 Unaudited
Net profit after tax for the six months ended 31 March 2014 (A\$ millions)	3,659
Net profit after tax (for the 12 month period to 31 March 2014) as a percentage of average total assets	1.0%

Total assets and equity	31-Mar-14 Unaudited
Total assets (A\$ millions)	729,375
Percentage change in total assets for the 12 months ended 31 March 2014	7.0%
Total equity (A\$ millions)	48,031

Asset quality	31-Mar-14 Unaudited
Total individually impaired assets ^{1, 2} (A\$ millions)	2,893
As a percentage of total assets	0.4%
Total individual credit impairment allowance ³ (A\$ millions)	1,343
As a percentage of total individually impaired assets	46.4%
Total collective credit impairment allowance ³ (A\$ millions)	2,652

¹ Total individually impaired assets are before allowances for credit impairment loss and net of interest held in suspense. Total individually impaired assets includes A\$457 million of assets which are determined to be impaired, but which are not individually significant, and therefore have been grouped into pools of assets for the purpose of collectively calculating an impairment provision.

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

³ Total individual credit impairment allowance and total collective credit impairment allowance include A\$204 million of credit impairment allowance that has been calculated collectively on groups of assets which have been determined to be impaired, but which are not individually significant.

Note 19 Events after the reporting date

The Overseas Bank's conditions of registration were amended on 27 June 2014 with effect from 1 July 2014. The reference to the 'Framework for Restrictions on High-LVR Residential Mortgage Lending' (BS19) was revised to refer to the latest version of BS19. The revisions to BS19 amended certain defined terms and added additional clauses on anti-avoidance.

On 28 July 2014, Westpac New Zealand repaid all remaining New Zealand Government guaranteed debt. Accordingly, the wholesale guarantee of Westpac New Zealand will expire on 27 August 2014. For further information on New Zealand Government guaranteed debt refer to Guarantee arrangements in Westpac New Zealand's Disclosure Statement for the nine months ended 30 June 2014.

