

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

For the nine months ended 30 June 2012



Index	1	General information and definitions
	1	General matters
	2	Credit ratings
	2	Disclosure statements of the Overseas Bank and the financial statements of the Overseas Bank and the Overseas Banking Group
	2	Guarantee arrangements
	2	Other material matters
	3	Directors' and the Chief Executive Officer, NZ Branch's statement
	4	Index to financial statements

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 2012 ('**Order**').

In this Disclosure Statement, reference is made to five main reporting groups:

- Westpac Banking Corporation Group (otherwise referred to as the '**Overseas Banking Group**') – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities;
- Westpac Banking Corporation (otherwise referred to as the '**Overseas Bank**') – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities;
- Westpac Banking Corporation – New Zealand Division (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation Group including those entities whose business is required to be reported in the financial statements of the Overseas Banking Group's New Zealand business. Controlled entities of the NZ Banking Group as at 30 September 2011 are set out in Note 28 to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2011. Except as detailed in Note 10 to the financial statements, there have been no other changes in the structure or composition of the NZ Banking Group since 30 September 2011;
- 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 – 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.)

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

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

Ann Darlene Pickard, BA, MA

Peter David Wilson, CA

Chief Executive Officer, NZ Branch

David Alexander McLean, LLB (Hons.)

The following changes in the composition of the Overseas Bank's Board of Directors (the '**Board**') have been effected since 30 September 2011:

- Ted Evans retired following the 2011 Annual General Meeting on 14 December 2011. Ted Evans was succeeded as Chairman by Lindsay Maxsted;
- Ann Pickard was appointed to the Board effective 1 December 2011. Ms Pickard is an independent Non-executive Director and has over 25 years of international experience as a senior manager in large organisations;
- Graham Reaney retired following the 2011 Annual General Meeting on 14 December 2011;
- Robert Elstone was appointed to the Board effective 1 February 2012. Mr Elstone is an independent Non-executive Director. Prior to his appointment he was Managing Director and CEO of ASX Limited; and
- Carolyn Judith Hewson resigned from the Board with effect from 30 June 2012.

Responsible person

As announced on 9 March 2012 and effective on 2 April 2012, Peter Graham Clare was appointed Chief Executive of Westpac New Zealand, replacing George Frazis as Chief Executive of Westpac New Zealand.

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

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

There have been no changes to any of the Overseas Bank's credit ratings or rating outlooks since 31 March 2012.

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

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

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 2011 and for the six months ended 31 March 2012, 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.

Other material matters

Certain matters relating to the business or affairs of the Overseas Bank and the NZ Banking Group have been disclosed on the New Zealand and/or Australian stock exchanges.

There are no matters relating to the business or affairs of the Overseas Bank 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 Overseas Bank or any member of the NZ Banking Group is the issuer.

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 2012:

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

This Disclosure Statement has been signed on behalf of the Directors by Peter Graham Clare, Chief Executive, Westpac New Zealand, and David Alexander McLean, Chief Executive Officer, NZ Branch.



Peter Graham Clare



David Alexander McLean

Dated this the 30th day of August 2012

Index to financial statements

Page Contents

5	Consolidated income statement
6	Consolidated statement of comprehensive income
7	Consolidated statement of changes in equity
8	Consolidated balance sheet
9	Consolidated statement of cash flows
10	Notes to the financial statements
10	Note 1 Statement of accounting policies
11	Note 2 Non-interest income
12	Note 3 Impairment charges on loans
12	Note 4 Trading securities
13	Note 5 Loans
13	Note 6 Credit quality, impaired assets and provisions for impairment charges on loans
13	Note 7 Deposits
14	Note 8 Trading liabilities
14	Note 9 Debt issues
14	Note 10 Related entities
15	Note 11 Commitments and contingent liabilities
15	Note 12 Segment information
16	Note 13 Insurance business
17	Note 14 Risk management
17	Note 14.1 Credit risk
17	Note 14.2 Market risk
17	Note 14.3 Liquidity risk
18	Note 15 Concentration of credit exposures to individual counterparties
18	Note 16 Overseas Bank and Overseas Banking Group capital adequacy
19	Note 17 Other information on the Overseas Banking Group
19	Note 18 Events after the reporting date

Consolidated income statement for the nine months ended 30 June 2012

\$ millions	Note	NZ Banking Group		
		Nine Months Ended 30-Jun-12 Unaudited	Nine Months Ended 30-Jun-11 Unaudited	Year Ended 30-Sep-11 Audited
Interest income		2,987	3,017	4,016
Interest expense		(1,849)	(1,915)	(2,482)
Net interest income		1,138	1,102	1,534
Non-interest income:				
Fees and commissions	2	241	238	319
Wealth management revenue	2	79	65	90
Trading income	2	87	43	54
Net ineffectiveness on qualifying hedges	2	(1)	4	3
Other non-interest income	2	18	20	43
Total non-interest income		424	370	509
Net operating income		1,562	1,472	2,043
Operating expenses		(651)	(627)	(845)
Impairment charges on loans	3	(125)	(188)	(226)
Operating profit		786	657	972
Share of profit of associate accounted for using equity method		-	-	1
Profit before income tax expense		786	657	973
Income tax expense on operating profit		(213)	(192)	(288)
Income tax expense related to New Zealand structured finance transactions		-	(19)	(19)
Profit after income tax expense		573	446	666
Profit after income tax expense attributable to:				
Head office account and owners of the NZ Banking Group		571	443	662
Non-controlling interests		2	3	4
		573	446	666

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

Consolidated statement of comprehensive income for the nine months ended 30 June 2012

\$ millions	NZ Banking Group		
	Nine Months Ended 30-Jun-12 Unaudited	Nine Months Ended 30-Jun-11 Unaudited	Year Ended 30-Sep-11 Audited
Profit after income tax expense	573	446	666
Other comprehensive income:			
Net unrealised gains from changes in fair value of available-for-sale securities	68	25	6
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	88	8	63
Actuarial losses on employee defined benefit superannuation schemes	-	-	(15)
Income tax relating to components of other comprehensive income ¹	(39)	(10)	(15)
Other comprehensive income, net of tax	117	23	39
Total comprehensive income	690	469	705
Total comprehensive income attributable to:			
Head office account and owners of NZ Banking Group	688	466	701
Non-controlling interests	2	3	4
	690	469	705

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

\$ millions	NZ Banking Group		
	Before Tax Amount	Tax (Expense)/Benefit	Net of Tax Amount
For the nine months ended 30 June 2012 (Unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	68	(14)	54
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	88	(25)	63
Other comprehensive income	156	(39)	117
For the nine months ended 30 June 2011 (Unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	25	(7)	18
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	8	(3)	5
Other comprehensive income	33	(10)	23
For the year ended 30 September 2011 (Audited)			
Net unrealised gains from changes in fair value of available-for-sale securities	6	-	6
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	63	(20)	43
Actuarial losses on employee defined benefit superannuation schemes	(15)	5	(10)
Other comprehensive income	54	(15)	39

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

Consolidated statement of changes in equity for the nine months ended 30 June 2012

\$ millions	NZ Banking Group									
	Head Office Account (Accumulated Losses)/ Retained Profits			NZ Banking Group Equity				Total before Non- controlling Interests	Non- controlling Interests	Total Equity
	Branch Capital	Convertible Debentures	Share Capital	Retained Profits	Cash Flow Hedge Reserve	Available- for-sale Securities Reserve				
As at 1 October 2010	1,300	(108)	1,284	139	1,599	(117)	25	4,122	6	4,128
Nine months ended 30 June 2011										
Profit after income tax expense	-	208	-	-	235	-	-	443	3	446
Other comprehensive income	-	-	-	-	-	5	18	23	-	23
Total comprehensive income for the nine months ended 30 June 2011	-	208	-	-	235	5	18	466	3	469
Transactions with owners:										
Dividends paid on convertible debentures (net of tax)	-	(35)	-	-	-	-	-	(35)	-	(35)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(2)	(2)
As at 30 June 2011 (Unaudited)	1,300	65	1,284	139	1,834	(112)	43	4,553	7	4,560
Year ended 30 September 2011										
Profit after income tax expense	-	267	-	-	395	-	-	662	4	666
Other comprehensive (expense)/income	-	-	-	-	(10)	43	6	39	-	39
Total comprehensive income for the year ended 30 September 2011	-	267	-	-	385	43	6	701	4	705
Transactions with owners:										
Dividends paid on convertible debentures (net of tax)	-	(70)	-	-	-	-	-	(70)	-	(70)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	(2)	(2)
As at 30 September 2011 (Audited)	1,300	89	1,284	139	1,984	(74)	31	4,753	8	4,761
Nine months ended 30 June 2012										
Profit after income tax expense	-	141	-	-	430	-	-	571	2	573
Other comprehensive income	-	-	-	-	-	63	54	117	-	117
Total comprehensive income for the nine months ended 30 June 2012	-	141	-	-	430	63	54	688	2	690
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 2012 (Unaudited)	1,300	194	1,284	139	2,414	(11)	85	5,405	6	5,411

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

Consolidated balance sheet as at 30 June 2012

\$ millions	Note	NZ Banking Group		
		30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Assets				
Cash and balances with central banks		1,404	1,302	1,871
Due from other financial institutions		308	265	699
Derivative financial instruments		5,328	4,965	6,060
Trading securities	4	6,732	6,309	6,065
Available-for-sale securities		2,658	1,116	1,518
Loans	5, 6	59,198	57,264	58,114
Life insurance assets		226	177	186
Due from related entities		1,761	1,969	2,272
Investment in associate		48	48	48
Goodwill and other intangible assets		634	607	617
Property, plant and equipment		157	154	154
Current tax assets		8	16	-
Deferred tax assets		205	279	231
Other assets		296	336	458
Total assets		78,963	74,807	78,293
Liabilities				
Due to other financial institutions		496	1,503	778
Deposits	7	41,845	38,841	39,575
Derivative financial instruments		5,512	4,950	5,448
Trading liabilities	8	919	1,465	1,286
Debt issues	9	15,887	15,138	17,630
Current tax liabilities		-	-	23
Provisions		90	86	92
Other liabilities		619	616	1,223
Total liabilities excluding related entities liabilities		65,368	62,599	66,055
Subordinated debentures		752	707	785
Due to related entities		7,432	6,941	6,692
Total related entities liabilities		8,184	7,648	7,477
Total liabilities		73,552	70,247	73,532
Net assets		5,411	4,560	4,761
Equity				
Head office account				
Branch capital		1,300	1,300	1,300
Retained profits		194	65	89
Total head office account		1,494	1,365	1,389
Convertible debentures		1,284	1,284	1,284
NZ Banking Group equity				
Ordinary share capital		139	139	139
Retained profits		2,414	1,834	1,984
Cash flow hedge reserve		(11)	(112)	(74)
Available-for-sale securities reserve		85	43	31
Total equity attributable to owners of the NZ Banking Group		2,627	1,904	2,080
Non-controlling interests		6	7	8
Total equity		5,411	4,560	4,761
Interest earning and discount bearing assets		70,716	66,993	68,745
Interest and discount bearing liabilities		62,813	60,162	62,823

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

Consolidated statement of cash flows for the nine months ended 30 June 2012

\$ millions	NZ Banking Group		
	Nine Months Ended 30-Jun-12 Unaudited	Nine Months Ended 30-Jun-11 Unaudited	Year Ended 30-Sep-11 Audited
Cash flows from operating activities			
Interest income received	2,986	3,019	4,025
Interest expense paid	(1,894)	(1,955)	(2,488)
Non-interest income received	432	296	437
Net increase in trading securities	(508)	(771)	(625)
Net (decrease)/increase in trading liabilities	(915)	1,226	1,549
Net movement in derivative financial instruments	884	176	(365)
Operating expenses paid	(617)	(588)	(744)
Income tax paid	(240)	(153)	(162)
Net cash provided by operating activities	128	1,250	1,627
Cash flows from investing activities			
Net increase in available-for-sale securities	(1,072)	(1,047)	(1,468)
Net loans advanced to customers	(1,209)	(714)	(1,602)
Net increase in life insurance assets	(40)	(31)	(40)
Net decrease/(increase) in due from related entities	511	(1,023)	(971)
Purchase of capitalised computer software	(46)	(25)	(46)
Purchase of property, plant and equipment	(23)	(47)	(55)
Net cash used in investing activities	(1,879)	(2,887)	(4,182)
Cash flows from financing activities			
Net increase in deposits	2,270	821	1,555
Net (decrease)/increase from debt issues	(1,743)	(301)	2,191
Net increase/(decrease) in due to related entities	735	533	(75)
Net decrease in subordinated debentures	(33)	(112)	(34)
Dividends paid on convertible debentures	(50)	(50)	(100)
Dividends paid to minority shareholders	(4)	(2)	(2)
Net cash provided by financing activities	1,175	889	3,535
Net (decrease)/increase in cash and cash equivalents	(576)	(748)	980
Cash and cash equivalents at beginning of the period/year	1,792	812	812
Cash and cash equivalents at end of the period/year	1,216	64	1,792
Cash and cash equivalents comprise:			
Cash and balances with central banks	1,404	1,302	1,871
Due to other financial institutions – (net)	(188)	(1,238)	(79)
Cash and cash equivalents at end of the period/year	1,216	64	1,792
Reconciliation of profit after income tax expense to net cash provided by operating activities			
Profit after income tax expense	573	446	666
<i>Adjustments:</i>			
Impairment charges on loans	125	188	226
Computer software amortisation costs	29	33	42
Depreciation on property, plant and equipment	20	19	22
Loss/(gain) on disposal of property, plant and equipment	-	1	(7)
Loss on disposal of computer software	-	-	2
Share-based payments	5	14	18
Movement in other assets	(62)	(42)	4
Movement in other liabilities	(58)	(60)	15
Movement in current and deferred tax	(5)	45	132
Tax on cash flow hedge reserve	(25)	(2)	(20)
Tax on available-for-sale securities reserve	(14)	(7)	-
Tax on convertible debentures dividends	14	15	30
Movement in trading securities	(443)	(802)	(687)
Movement in trading liabilities	(915)	1,226	1,549
Movement in derivative financial instruments	884	176	(365)
Net cash provided by operating activities	128	1,250	1,627

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

Notes to the financial statements

Note 1 Statement of accounting policies

Statutory base

These consolidated 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, as appropriate for profit-oriented entities, and the New Zealand Equivalent to International Accounting Standard ('NZ IAS') 34 *Interim Financial Reporting* and should be read in conjunction with the Disclosure Statements for the year ended 30 September 2011 and periods ended 31 December 2011 and 31 March 2012.

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

As a result of the new and revised accounting standards which became operative for the annual reporting period commencing 1 October 2011, the following standards, interpretations and amendments have been adopted with effect from 1 October 2011:

- New Zealand Equivalent to International Financial Reporting Standard ('NZ IFRS') 7 *Financial Instruments: Disclosures* ('NZ IFRS 7'):
 - The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, certain disclosure requirements have been amended or removed.
 - *Amendments to NZ IFRS 7 Disclosures – Transfers of Financial Assets* – The amendments require additional disclosures about the transfer of financial assets, including in respect of the nature of the financial assets involved and the risks associated with them.
- NZ IAS 1 *Presentation of Financial Statements* – The amendments clarify that an analysis of other comprehensive income by item is required to be disclosed either in the statement of changes in equity or in the notes to the financial statements.
- NZ IAS 24 *Related Party Disclosures* – The main changes to the standard simplify the definition of a related party and clarify its intended meaning.
- NZ IAS 34 *Interim Financial Reporting* – The amendments add examples to the list of significant events or transactions that require disclosure under NZ IAS 34.
- New Zealand Equivalent to International Financial Reporting Interpretations Committee ('NZ IFRIC') 13 *Customer Loyalty Programmes* – The amendments clarify the fair value of award credits and take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.
- NZ IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – The amendments remove the unintended consequence arising from the treatment of prepayments when there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.
- *Amendments to NZ IFRS 7: Disclosure Amendments to Appendix E New Zealand-specific additional disclosure requirements applicable to financial institutions* – The amendments replace the term 'financial institutions' with the term 'deposit takers'. The amendments also remove registered banks from its scope as the disclosure requirements have been relocated to the Order.
- *Amendments to NZ IFRSs to Harmonise with IFRS and Australian Accounting Standards* – The amendments remove certain New Zealand-specific disclosures and relocate certain disclosure requirements to a new standard. The NZ Banking Group has chosen to continue disclosing certain information no longer required as a result of this joint Trans-Tasman Convergence project.
- Financial Reporting Standard 44 *New Zealand Additional Disclosures* – This new standard is applicable only to New Zealand and is a consequence of the joint Trans-Tasman Convergence project of the Australian Accounting Standards Board and Financial Reporting Standards Board. This standard relocates certain New Zealand specific disclosures from other NZ IFRS and also revises certain disclosures.

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 entities:

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

These financial statements were authorised for issue by the Board on 30 August 2012. 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

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 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 2011, 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.

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

Basis of aggregation

The NZ Banking Group as at 30 June 2012 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 ('St. GNZL') 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.

Note 2 Non-interest income

\$ millions	NZ Banking Group		
	Nine Months Ended 30-Jun-12 Unaudited	Nine Months Ended 30-Jun-11 Unaudited	Year Ended 30-Sep-11 Audited
Fees and commissions			
Transaction fees and commissions	181	176	238
Lending fees (loan and risk)	46	47	62
Insurance commissions received	11	9	12
Other non-risk fee income	3	6	7
Total fees and commissions	241	238	319
Wealth management revenue			
Fees from trust and other fiduciary activities	108	100	133
Net life insurance income and change in policy liabilities	(29)	(35)	(43)
Total wealth management revenue	79	65	90
Trading income			
Foreign exchange trading	65	53	76
Interest rate trading	22	(10)	(22)
Total trading income	87	43	54
Net ineffectiveness on qualifying hedges	(1)	4	3
Other non-interest income			
Net gains on derivatives held for risk management purposes	4	16	28
Dividend income	2	2	3
Rental income	1	1	1
(Loss)/gain on disposal of property, plant and equipment	-	(1)	7
Other	11	2	4
Total other non-interest income	18	20	43
Total non-interest income	424	370	509

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 2012 (Unaudited)				
Collectively assessed provisions	(1)	4	(40)	(37)
Individually assessed provisions	20	-	110	130
Bad debts written-off directly to the income statement	4	32	21	57
Interest adjustments	(2)	(7)	(16)	(25)
Total impairment charges on loans	21	29	75	125
Nine months ended 30 June 2011 (Unaudited)				
Collectively assessed provisions	(3)	(22)	(32)	(57)
Individually assessed provisions	66	-	164	230
Bad debts written-off directly to the income statement	3	32	14	49
Interest adjustments	(5)	(11)	(18)	(34)
Total impairment charges on loans	61	(1)	128	188
Year ended 30 September 2011 (Audited)				
Collectively assessed provisions	(14)	(35)	(30)	(79)
Individually assessed provisions	80	-	191	271
Bad debts written-off directly to the income statement	5	44	23	72
Interest adjustments	(6)	(12)	(20)	(38)
Total impairment charges on loans	65	(3)	164	226

Note 4 Trading securities

\$ millions	NZ Banking Group		
	30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Trading securities			
Listed:			
NZ Government securities	995	2,370	2,576
NZ corporate securities	10	29	16
Total listed securities	1,005	2,399	2,592
Unlisted:			
NZ corporate securities:			
Certificates of deposit	2,988	2,797	2,157
Commercial paper	216	381	282
Corporate bonds	387	219	328
Mortgage-backed securities	5	7	7
Offshore securities	1	105	2
NZ Government securities	202	-	10
Total unlisted securities	3,799	3,509	2,786
Securities purchased under agreement to resell	1,928	401	687
Total trading securities	6,732	6,309	6,065

As at 30 June 2012 the NZ Banking Group had \$540 million of trading securities (30 June 2011: \$1,134 million, 30 September 2011: \$507 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-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Overdrafts	1,218	1,114	1,258
Credit card outstandings	1,320	1,279	1,270
Money market loans	993	1,046	1,082
Term loans:			
Housing	35,869	34,709	35,044
Non-housing	19,571	18,854	19,163
Other	870	995	962
Total gross loans	59,841	57,997	58,779
Provisions for impairment charges on loans	(643)	(733)	(665)
Total net loans	59,198	57,264	58,114

As at 30 June 2012, the New Zealand dollar equivalent of the aggregate amount of covered bonds issued by Westpac Securities NZ Limited ('WSNZL') was \$2.0 billion (30 June 2011: \$1.8 billion, 30 September 2011: \$1.8 billion). Westpac NZ Covered Bond Limited ('WNZCBL') provides financial guarantees in respect of WSNZL's obligations under bonds issued from time to time by WSNZL under its Global Covered Bond Programme. As at 30 June 2012, the value of the assets held by WNZCBL (being the underlying collateral for those guarantees) was \$3.76 billion (30 June 2011: \$2.75 billion, 30 September 2011: \$2.75 billion). These assets have not been derecognised from Westpac New Zealand Limited's ('Westpac New Zealand') financial statements in accordance with the accounting policies outlined in Note 1 to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2011.

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

\$ millions	NZ Banking Group			
	Residential Mortgages	Other Loans for Consumer Purposes	Loans for Business Purposes	Total
Total neither past due nor impaired	34,486	1,666	20,945	57,097
Past due assets				
Less than 90 days past due	1,149	137	306	1,592
At least 90 days past due	83	17	96	196
Total past due assets	1,232	154	402	1,788
Individually impaired assets	151	-	805	956
Total gross loans	35,869	1,820	22,152	59,841
Individually assessed provisions	52	-	226	278
Collectively assessed provisions	65	73	262	400
Total provisions for impairment charges on loans and credit commitments	117	73	488	678
Provision for credit commitments	-	-	(35)	(35)
Total provisions for impairment charges on loans	117	73	453	643
Total net loans	35,752	1,747	21,699	59,198

Note 7 Deposits

\$ millions	NZ Banking Group		
	30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Deposits at fair value			
Certificates of deposits	973	1,469	1,556
Total deposits at fair value	973	1,469	1,556
Deposits at amortised cost			
Non-interest bearing, repayable at call	2,962	2,810	2,753
Other interest bearing:			
At call	16,013	13,768	14,386
Term	21,897	20,794	20,880
Total deposits at amortised cost	40,872	37,372	38,019
Total deposits	41,845	38,841	39,575

The NZ Branch held no retail deposits from individuals as at 30 June 2012 (30 June 2011: nil, 30 September 2011: nil).

Notes to the financial statements

Note 8 Trading liabilities

\$ millions	NZ Banking Group		
	30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Held for trading			
Securities sold short	379	353	779
Securities sold under agreements to repurchase	540	1,112	507
Total trading liabilities	919	1,465	1,286

Note 9 Debt issues

\$ millions	NZ Banking Group		
	30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Short-term debt			
Commercial paper	7,432	5,310	7,229
Total short-term debt	7,432	5,310	7,229
Long-term debt			
Non-domestic medium-term notes	6,384	8,235	8,803
Domestic medium-term notes	2,071	1,593	1,598
Total long-term debt	8,455	9,828	10,401
Total debt issues	15,887	15,138	17,630
Debt issues at amortised cost	8,423	9,368	9,903
Debt issues at fair value	7,464	5,770	7,727
Total debt issues	15,887	15,138	17,630

\$ millions	30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Unaudited
Movement in debt issues			
Balance at beginning of the period/year	17,630	15,439	15,439
Issuance during the period/year	11,107	13,859	17,788
Repayments during the period/year	(12,137)	(12,784)	(15,120)
Effect of foreign exchange movements during the period/year	(779)	(1,269)	(534)
Effect of fair value movements during the period/year	66	(107)	57
Balance at end of the period/year	15,887	15,138	17,630

As at 30 June 2012, the NZ Banking Group had New Zealand Government guaranteed debt of \$2,039 million on issue (30 June 2011: \$3,789 million, 30 September 2011: \$4,073 million). Refer to Guarantee arrangements in Westpac New Zealand's Disclosure Statement for the nine months ended 30 June 2012 for further information on Government guaranteed debt.

On 12 July 2012, Westpac New Zealand issued \$620 million of domestic unsecured medium term notes.

Note 10 Related entities

St.GNZL was struck off from the New Zealand Companies Register on 20 July 2012. St.GNZL did not have a significant impact on the NZ Banking Group's financial position as at 30 June 2012 or the results of operations for the nine months ended 30 June 2012.

TBNZ Investments (UK) Limited ceased to be a controlled entity of the NZ Banking Group on 4 January 2012. TBNZ Investments (UK) Limited was dissolved and removed from the Register of Companies for England and Wales on 27 December 2011. The entity did not have a significant impact on the NZ Banking Group's financial position as at 30 June 2012 or the results of operations for the nine months ended 30 June 2012.

On 1 November 2011, the NZ Branch transferred additional business activities and associated employees to Westpac New Zealand, which was accounted for as a discontinued operation (refer to Note 2 Discontinued operations and Note 43.1 Events after the reporting date – Transfer of operations to Westpac New Zealand in the notes to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2011 for further details).

There have been no other changes to the structure or composition of the NZ Banking Group since 30 September 2011. Controlled entities of the NZ Banking Group as at 30 September 2011 are set out in Note 28 to the financial statements included in the Overseas Bank's Disclosure Statement for the year ended 30 September 2011.

The total liabilities of the NZ Branch, net of amounts due to related entities as at 30 June 2012 amounted to \$6,729 million (30 June 2011: \$13,273 million, 30 September 2011: \$12,688 million).

Note 11 Commitments and contingent liabilities

\$ millions	NZ Banking Group		
	30-Jun-12 Unaudited	30-Jun-11 Unaudited	30-Sep-11 Audited
Commitments for capital expenditure			
Due within one year	1	12	2
Other expenditure commitments:			
One year or less	77	85	89
Between one and five years	285	38	306
Over five years	-	-	34
Total other expenditure commitments	362	123	429
Lease commitments (all leases are classified as operating leases)			
Premises and sites	211	257	230
Motor vehicles	6	8	8
Total lease commitments	217	265	238
Lease commitments are due as follows:			
One year or less	42	56	44
Between one and five years	108	120	104
Over five years	67	89	90
Total lease commitments	217	265	238
Other contingent liabilities and commitments			
Direct credit substitutes	334	336	333
Loan commitments with certain drawdown	192	140	164
Transaction related contingent items	803	677	700
Underwriting and sub-underwriting facilities	-	11	300
Short-term, self liquidating trade related contingent liabilities	386	443	443
Other commitments to provide financial services	19,181	16,750	17,336
Total other contingent liabilities and commitments	20,896	18,357	19,276

Note 12 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 are defined by the customers they serve and the services they provide. The NZ Banking Group has identified the following main operating segments:

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

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

Reconciling items primarily represent:

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

Net interest income and non-interest income have been included in the following table to align with the information provided to the 'chief operating decision maker'.

Comparative information for net operating income from external customers and net internal operating income has been changed to ensure consistent presentation with the current reporting period.

Notes to the financial statements

Note 12 Segment information (continued)

\$ millions	NZ Banking Group				Total
	Consumer Banking	Business Banking	Institutional Banking	Reconciling Items	
Nine months ended 30 June 2012 (Unaudited)					
Net operating income from external customers	1,121	785	296	(640)	1,562
Net internal operating income	(293)	(348)	(44)	685	-
Net operating income	828	437	252	45	1,562
Net interest income	609	373	124	32	1,138
Non-interest income	219	64	128	13	424
Net operating income	828	437	252	45	1,562
Operating expenses	(149)	(55)	(39)	(408)	(651)
Impairment charges on loans	(44)	(84)	3	-	(125)
Profit before income tax expense	635	298	216	(363)	786
Total gross loans	31,285	21,978	6,808	(230)	59,841
Total deposits	23,906	10,941	6,025	973	41,845
Nine months ended 30 June 2011 (Unaudited)					
Net operating income from external customers	1,150	808	343	(829)	1,472
Net internal operating income	(391)	(405)	(112)	908	-
Net operating income	759	403	231	79	1,472
Net interest income	548	343	120	91	1,102
Non-interest income	211	60	111	(12)	370
Net operating income	759	403	231	79	1,472
Operating expenses	(155)	(56)	(43)	(373)	(627)
Impairment charges on loans	(49)	(128)	(2)	(9)	(188)
Profit before income tax expense	555	219	186	(303)	657
Total gross loans	30,368	21,173	6,724	(268)	57,997
Total deposits	22,283	9,744	5,067	1,747	38,841
Year ended 30 September 2011 (Audited)					
Net operating income from external customers	1,548	1,079	457	(1,041)	2,043
Net internal operating income	(510)	(526)	(144)	1,180	-
Net operating income	1,038	553	313	139	2,043
Net interest income	755	472	164	143	1,534
Non-interest income	283	81	149	(4)	509
Net operating income	1,038	553	313	139	2,043
Operating expenses	(208)	(76)	(57)	(504)	(845)
Impairment charges on loans	(64)	(167)	(5)	10	(226)
Share of profit of associate accounted for using equity method	-	-	-	1	1
Profit before income tax expense	766	310	251	(354)	973
Total gross loans	30,625	21,421	6,998	(265)	58,779
Total deposits	22,908	10,387	4,689	1,591	39,575

Note 13 Insurance business

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

\$ millions	NZ Banking Group
	30-Jun-12 Unaudited
Total assets	194
As a percentage of total assets of the NZ Banking Group	0.25%

Note 14 Risk management

14.1 Credit risk

The NZ Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 30 June 2012 (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 not available for disclosure. 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-12 (Unaudited)			Total
	Does not Exceed 80%	Exceeds 80% and not 90%	Exceeds 90%	
On-balance sheet exposures	27,088	5,560	3,155	35,803
Undrawn commitments and other off-balance sheet exposures	5,833	387	216	6,436
Value of exposures	32,921	5,947	3,371	42,239

14.2 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-12 (Unaudited)	
	Implied Risk-weighted Exposure	Notional Capital Charge
End-of-period		
Interest rate risk	1,813	145
Foreign currency risk	71	6
Equity risk	67	5

14.3 Liquidity risk

Liquid assets

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

\$ millions	NZ Banking Group 30-Jun-12 Unaudited
Cash and balances with central bank	1,356
Supranational securities	410
NZ Government securities	4,064
NZ public securities	234
NZ corporate securities	3,275
Residential mortgage-backed securities	3,992
Total liquid assets	13,331

Notes to the financial statements

Note 15 Concentration of credit exposures to individual counterparties

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

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

- as at 30 June 2012 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2012 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 30 June 2012 was nil; and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2012 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 2012.

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 16 Overseas Bank and Overseas Banking Group capital adequacy

%	30-Jun-12 Unaudited	30-Jun-11 Unaudited
Overseas Banking Group¹		
Tier One Capital ratio	10.1	9.6
Total Capital ratio	10.7	11.0
Overseas Bank (Extended Licensed Entity)¹		
Tier One Capital ratio	10.1	9.7
Total Capital ratio	11.0	11.4

¹ The capital ratios represent information mandated by Australian Prudential Regulation Authority ('APRA').

Basel II came into force on 1 January 2008. The Overseas Banking Group received accreditation from APRA to apply the Advanced Internal Ratings Based ('Advanced IRB') and Advanced Measurement Approach ('AMA') methodologies for calculating regulatory capital (known as 'Advanced Accreditation') and is required by APRA to hold minimum capital at least equal to that specified under the Advanced IRB and AMA methodologies. Under New Zealand regulations, this methodology is referred to as 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 website (www.westpac.com.au). The aim is to allow the market to better assess the Overseas Banking Group's risk and reward assessment process and hence increase the scrutiny on these processes.

The Overseas Banking Group, and the Overseas Bank (Extended Licensed Entity as defined by APRA), exceeded the minimum capital adequacy requirements as specified by APRA as at 30 June 2012. APRA specifies a minimum prudential capital ratio for the Overseas Banking Group, which is not made publicly available.

Note 17 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 2012.

Profitability	31-Mar-12 Unaudited
Net profit after tax for the six months ended 31 March 2012 (A\$ millions)	3,001
Net profit after tax (for the 12 month period to 31 March 2012) as a percentage of average total assets	0.9%

Total assets and equity	As at 31-Mar-12 Unaudited
Total assets (A\$ millions)	653,932
Percentage change in total assets for the 12 months ended 31 March 2012	5.1%
Total equity (A\$ millions)	44,875

Asset quality	As at 31-Mar-12 Unaudited
Total individually impaired assets ^{1, 2} (A\$ millions)	4,014
As a percentage of total assets	0.6%
Total individual credit impairment allowance (A\$ millions)	1,482
As a percentage of total individually impaired assets	36.9%
Total collective credit impairment allowance (A\$ millions)	2,909

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 18 Events after the reporting date

On 12 July 2012, Westpac New Zealand issued \$620 million of domestic unsecured medium term notes.

St.GNZL was struck off from the New Zealand Companies Register on 20 July 2012. St.GNZL did not have a significant impact on the NZ Banking Group's financial position as at 30 June 2012 or the results of operations for the nine months ended 30 June 2012.

