Westpac New Zealand Limited
Disclosure Statement

For the six months ended 31 March 2011

Index

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 (New Zealand Incorporated Registered Banks) Order 2011 (‘**Order**’).

In this Disclosure Statement, reference is made to:

- Westpac New Zealand Limited (otherwise referred to as the ‘**Bank**’); and
- Westpac New Zealand Limited and its controlled entities (otherwise referred to as the ‘**Banking Group**’). Controlled entities of the Banking Group as at 30 September 2010 are set out in Note 26 to the Bank’s financial statements included in the General Disclosure Statement for the year ended 30 September 2010. Except as detailed in Note 9 to the financial statements included in this Disclosure Statement, there have been no other changes in the composition of the Banking Group since 30 September 2010.

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

General matters

Details of the Ultimate Parent Bank

The ultimate parent bank of the Bank is Westpac Banking Corporation (‘**Ultimate Parent Bank**’), a company incorporated in Australia. There has been no change in the Ultimate Parent Bank since 30 September 2010. There have been no changes to the name or address for service of the Ultimate Parent Bank since 30 September 2010.

Limits on material financial support by the Ultimate Parent Bank

Since 30 September 2010, there has been no material change in the regulations, legislation, or other restrictions of a legally enforceable nature that may materially inhibit the legal ability of the Ultimate Parent Bank to provide material financial support to the Bank.

Directors

The following changes in the composition of the Board of Directors of the Bank (the ‘**Board**’) have been effected since 30 September 2010:

- Elizabeth Blomfield Bryan resigned from the Board with effect from 21 October 2010; and
- Christopher John David Moller was appointed to the Board with effect from 12 November 2010.

Credit ratings

The Bank has the following credit ratings with respect to its long-term senior unsecured obligations, including obligations payable in New Zealand in New Zealand dollars as at the date the Directors signed this Disclosure Statement:

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

On 16 February 2011, Moody’s Investors Service placed the Bank’s Aa2 long-term, senior unsecured debt and deposit ratings, as well as its C+ Bank Financial Strength Rating (‘**BFSR**’), which reflects its stand alone credit profile, on review for possible downgrade. In addition, on 16 February 2011, the Ultimate Parent Bank was advised by Moody’s Investors Service that its long-term, senior unsecured debt rating and its BFSR were placed on review for possible downgrade.

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

Guarantee arrangements

Certain material obligations of the Bank are guaranteed as at the date the Directors signed this Disclosure Statement.

Government guarantees

As at the beginning of the six months ended 31 March 2011, the Bank had the following guarantees with the New Zealand Government (‘**Crown**’):

(i) a Crown Wholesale Funding Guarantee Facility Deed and Crown Wholesale Funding Guarantee, each dated 23 February 2009 (together the ‘**Wholesale Guarantee**’);

(ii) a Crown Deed of Guarantee dated 11 November 2008, amended by a supplemental deed dated 24 November 2008, under the New Zealand deposit guarantee scheme (‘**Deposit Guarantee**’); and

(iii) a Crown Deed of Guarantee dated 16 December 2009 under the revised deposit guarantee scheme (‘**Revised Deposit Guarantee**’).

The Bank’s Deposit Guarantee and Revised Deposit Guarantee expired on 11 October 2010. Therefore, as at the date the Directors signed this Disclosure Statement, no obligations of the Bank are guaranteed by the Crown under the Deposit Guarantee or the Revised Deposit Guarantee.

A description of the Wholesale Guarantee is set out below.

Further information about the Wholesale Guarantee, and the expired Deposit Guarantee and Revised Deposit Guarantee, is available from the Treasury internet site www.treasury.govt.nz.

Wholesale Guarantee

The guarantor of the Bank’s obligations under the Wholesale Guarantee is the Crown. The Crown’s address for service in relation to the Wholesale Guarantee is:

(i) Minister of Finance, Parliament Buildings, Wellington; or

(ii) New Zealand High Commissioner in London at the address of the New Zealand High Commission in London for the time being; or

(iii) New Zealand Consul and Trade Commissioner at the address of the New Zealand Consulate-General in New York for the time being;

in each case with a copy (with delivery made by hand or facsimile) to: The Treasurer, The New Zealand Debt Management Office, 1 The Terrace, Wellington, New Zealand.

Guarantee arrangements (continued)

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

Summary of obligations guaranteed

The obligations guaranteed by the Crown under the Wholesale Guarantee are obligations of the Bank to pay money to a Beneficiary (as defined below) under a Guaranteed Liability. A Guaranteed Liability is a liability to pay principal or interest in respect of which the Crown has issued a Guarantee Eligibility Certificate under the Wholesale Guarantee.

In this context, a Beneficiary means each person to whom a Guaranteed Liability is owed, excluding a 'Related Party' of the Bank as that term is defined in the Wholesale Guarantee and anyone acting as a nominee of, or trustee for, a Related Party.

The Crown has issued Guarantee Eligibility Certificates in respect of payment obligations of the Bank under certain notes issued by the Bank. The Crown has also issued Guarantee Eligibility Certificates in respect of payment obligations of the Bank as guarantor of certain notes issued by Westpac Securities NZ Limited, a controlled entity of the Bank. Copies of the Guarantee Eligibility Certificates issued, which provide further details of the obligations of the Bank guaranteed by the Crown under the Wholesale Guarantee, are available on the New Zealand Treasury internet site www.treasury.govt.nz.

Expiry and Withdrawal of the Wholesale Guarantee

The Wholesale Guarantee closed on 30 April 2010 from which date no new Guarantee Eligibility Certificates can be issued. Guaranteed Liabilities existing as at 30 April 2010 were not affected.

For each Guaranteed Liability the guarantee under the Wholesale Guarantee will expire at midnight on the date falling 30 days after the earlier of:

(i) the scheduled maturity date of the security under which that Guaranteed Liability arises; and

(ii) the date falling five years after the issue date of the security under which that Guaranteed Liability arises.

There is no provision for the withdrawal of the Wholesale Guarantee in respect of a Guaranteed Liability.

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

Pending proceedings or arbitration

There are no legal proceedings or arbitration pending as at the date this Disclosure Statement is signed that may have a material adverse effect on the Bank or the Banking Group, whether in New Zealand or elsewhere.

A description of the contingent liabilities of the Banking Group is set out in Note 10 to the financial statements.

Conditions of registration

The conditions of registration imposed on the Bank, which applied from 31 March 2011, are as follows:

1. That the Banking Group complies with the following requirements:
   (a) the Total Capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand ('**Reserve Bank**') document 'Capital adequacy framework (internal models based approach)' (BS2B) dated October 2010 is not less than 8%;
   (b) the Tier One Capital ratio of the Banking Group calculated in accordance with the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B) dated October 2010 is not less than 4%; and
   (c) the Capital of the Banking Group calculated in accordance with the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B) dated October 2010 is not less than $30 million.

   For the purposes of this condition of registration the scalar referred to in the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B) dated October 2010 is 1.06.

1A. That:
   (a) the Bank has an internal capital adequacy assessment process ('**ICAAP**') that accords with the requirements set out in the document 'Guidelines on a bank's internal capital adequacy assessment process ('ICAAP')' (BS12) dated December 2007;
   (b) under its ICAAP the Bank identifies and measures its 'other material risks' defined as all material risks of the Banking Group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document 'Capital adequacy framework (internal models based approach)' (BS2B) dated October 2010; and
   (c) the Bank determines an internal capital allocation for each identified and measured 'other material risk'.

1B. That the Banking Group complies with all requirements set out in the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B) dated October 2010.

2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.

3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets.

   For the purposes of this condition:
   (a) insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
   (b) in measuring the size of the Banking Group's insurance business:
      (i) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
         (A) the total consolidated assets of the group headed by that entity; or
         (B) if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
      (ii) otherwise, the size of each insurance business conducted by any entity within the Banking Group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;

Conditions of registration (continued)

(iii) the amounts measured in relation to subparagraphs (i) and (ii) shall be summed and compared to the total consolidated assets of the Banking Group. All amounts in subparagraphs (i) and (ii) shall relate to on-balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;

(iv) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating[1]	**Connected exposure limit (% of the Banking Group's Tier One Capital)**
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

1 Using the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Service (Fitch Ratings' scale is identical to Standard & Poor's).

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15% of the Banking Group's Tier One Capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank document entitled 'Connected exposures policy' (BS8) dated October 2010.

5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.

5A. Before and on 31 March 2012, that the Bank complies with the following corporate governance requirements:

(a) the Board of the Bank must contain at least two independent directors. In this context an independent director is a director who is not an employee of the Bank, and who is not a director, trustee or employee of any holding company of the Bank or any other entity capable of controlling or significantly influencing the Bank;

(b) the chairperson of the Bank's Board must not be an employee of the Bank; and

(c) the Bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).

6. On and after 1 April 2012, that the Bank complies with the following corporate governance requirements:

(a) the Board of the Bank must have at least five directors;

(b) the majority of the Board members must be non-executive directors;

(c) at least half of the Board members must be independent directors;

(d) an alternate director:

(i) for a non-executive director must be non-executive; and

(ii) for an independent director must be independent;

(e) at least half of the independent directors of the Bank must be ordinarily resident in New Zealand;

(f) the chairperson of the Board of the Bank must be independent; and

(g) the Bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).

For the purposes of this condition of registration, 'non-executive' and 'independent' have the same meaning as in the Reserve Bank document entitled 'Corporate Governance' (BS14) dated March 2011.

7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the Bank unless:

(a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

(b) the Reserve Bank has advised that it has no objection to that appointment.

8. On and after 1 April 2012, that a person must not be appointed as chairperson of the Board of the Bank unless:

(a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

(b) the Reserve Bank has advised that it has no objection to that appointment.

9. On and after 1 April 2012, that the Bank has a Board audit committee, or other separate board committee covering audit matters, that meets the following requirements:

(a) the mandate of the committee must include: ensuring the integrity of the Bank's financial controls, reporting systems and internal audit standards;

(b) the committee must have at least three members;

(c) every member of the committee must be a non-executive director of the Bank;

(d) the majority of the members of the committee must be independent; and

(e) the chairperson of the committee must be independent and must not be the chairperson of the Bank.

For the purposes of this condition of registration, 'non-executive' and 'independent' have the same meaning as in the Reserve Bank document entitled 'Corporate Governance' (BS14) dated March 2011.

Conditions of registration (continued)

10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

11. That the Bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:

    (a) that the Bank's clearing and settlement obligations due on a day can be met on that day;

    (b) that the Bank's financial risk positions on a day can be identified on that day;

    (c) that the Bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and

    (d) that the Bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

    For the purposes of this condition of registration, the term 'legal and practical ability to control and execute' is explained in the Reserve Bank document entitled 'Outsourcing Policy' (BS11) dated January 2006.

    Until 30 September 2011, services provided by Payments New Zealand Limited, and related settlement services provided to the Bank by Westpac Banking Corporation, are not covered by this condition.

12. (a) That the business and affairs of the Bank are managed by, or under the direction or supervision of, the Board of the Bank.

    (b) That the employment contract of the chief executive officer of the Bank or person in an equivalent position (together 'CEO') is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the Board of the Bank.

    (c) That by 31 December 2007 all staff employed by the Bank will have their remuneration determined by (or under the delegated authority of) the board or the CEO of the Bank and be accountable (directly or indirectly) to the CEO of the Bank.

13. That, for the purposes of calculating the Bank's capital ratios on a solo basis, a credit conversion factor of zero is only applied to a guarantee of a financing subsidiary's financial obligations if, in substance, the guarantee does not create a risk of loss for the Bank.

13A. That the Banking Group complies with the following quantitative requirements for liquidity-risk management with effect from 1 April 2010:

    (a) the one-week mismatch ratio of the Banking Group is not less than 0% at the end of each business day;

    (b) the one-month mismatch ratio of the Banking Group is not less than 0% at the end of each business day; and

    (c) the one-year core funding ratio of the Banking Group is not less than 65% at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank documents entitled 'Liquidity Policy' (BS13) dated March 2010 and 'Liquidity Policy Annex: Liquid Assets' (BS13A) dated March 2010.

    This condition does not apply on or after 1 April 2011.

13B. That, with effect from 1 April 2010, the Bank has an internal framework for liquidity risk management that is adequate in the Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:

    (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

    (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

    (c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and

    (d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

    This condition does not apply on or after 1 April 2011.

14. That the Banking Group complies with the following quantitative requirements for liquidity-risk management:

    (a) the one-week mismatch ratio of the Banking Group is not less than 0% at the end of each business day;

    (b) the one-month mismatch ratio of the Banking Group is not less than 0% at the end of each business day; and

    (c) the one-year core funding ratio of the Banking Group is not less than 65% at the end of each business day.

    For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank documents entitled 'Liquidity Policy' (BS13) dated March 2011 and 'Liquidity Policy Annex: Liquid Assets' (BS13A) dated March 2010.

    This condition applies on and after 1 April 2011.

15. That the Bank has an internal framework for liquidity risk management that is adequate in the Bank's view for managing the Bank's liquidity risk at a prudent level, and that, in particular:

    (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;

    (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;

    (c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and

    (d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.

    This condition applies on and after 1 April 2011.

16. That no more than 10% of total assets may be beneficially owned by a SPV.

    For the purposes of this condition:

    'total assets' means all assets of the Banking Group plus any assets held by any SPV that are not included in the Banking Group's assets:

    'SPV' means a person:

    (a) to whom any member of the Banking Group has sold, assigned, or otherwise transferred any asset;

    (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and

    (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the Banking Group under a covered bond:

    'covered bond' means a debt security issued by any member of the Banking Group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

    This condition applies on and after 1 April 2011.

Conditions of registration (continued)

For the purposes of these conditions of registration, the term 'Banking Group' means Westpac New Zealand Limited's financial reporting group as defined in section 2(1) of the Financial Reporting Act 1993. The Bank's conditions of registration were changed on 30 March 2011, with effect from 31 March 2011 (except as provided otherwise in the conditions of registration). These changes reflect:

- the imposition of new conditions to provide for a limit on the assets available as security for covered bonds;
- the new corporate governance requirements under the Reserve Bank document entitled 'Corporate Governance' (BS14) dated March 2011;
- the updated liquidity requirements under the Reserve Bank documents entitled 'Liquidity Policy' (BS13) dated March 2011 and 'Liquidity Policy Annex: Liquid Assets' (BS13A) dated March 2010; and
- the removal of the condition in relation to the calculation of the capital floor based on 90% of the Basel I capital.

Proposed transfer of additional banking operations to Westpac New Zealand Limited

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

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

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

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

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

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

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

In conjunction with the review and the proposed transfer of these business activities, the Bank has been reviewing its management and operational frameworks, including governance and risk management arrangements (such as board composition, board delegations, credit risk reporting and treasury risk reporting), financial and regulatory reporting processes, and settlement and payment systems and functions.

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

Other material matters

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

Auditors

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Auckland, New Zealand

Review of operations

Disclosure regarding forward-looking statements

This Disclosure Statement contains statements that constitute 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements appear in a number of places in this Disclosure Statement and include statements regarding the intent, belief or current expectations with respect to the business and operations, market conditions and results of operations and financial condition of the Banking Group. Words such as 'will', 'may', 'expect', 'intend', 'plan', 'seek', 'would', 'should', 'could', 'continue', 'estimate', 'anticipate', 'believe', 'probability', 'risk', or other similar words identify forward-looking statements. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. Factors that could cause results to differ from those reflected in forward-looking statements relating to the Banking Group's operations and business include, but are not limited to:

- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy in New Zealand, Australia or other jurisdictions in which the Banking Group and the Ultimate Parent Bank operate, do business or obtain funding;
- continuing impacts of the global financial crisis, including volatile conditions in funding, equity, currency and asset markets;

Review of operations (continued)

- changes to the credit ratings of the Banking Group or the Ultimate Parent Bank;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- market liquidity and investor confidence;
- changes in consumer spending, saving and borrowing habits in New Zealand;
- the effects of competition in the geographic and business areas in which the Banking Group conducts its operations;
- the ability to maintain or to increase market share and control expenses;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes and risks associated with changes to the Banking Group's technology systems;
- demographic changes and changes in political, social or economic conditions in any of the major markets in which the Banking Group or the Ultimate Parent Bank operate;
- stability of New Zealand, Australian and international financial systems and disruptions to financial markets and any losses the Banking Group may experience as a result; and
- various other factors beyond the Banking Group's control.

You should read this Disclosure Statement completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this Disclosure Statement are qualified by these cautionary statements.

Overview

The Bank is one of New Zealand's largest banking organisations and provides a wide range of consumer and business banking products and services to consumers, small to medium sized businesses and the New Zealand Government.

Until 1 November 2006, the Ultimate Parent Bank operated in New Zealand through its NZ Branch. The Bank was incorporated on 14 February 2006 as a limited liability company under the Companies Act 1993 of New Zealand. The Banking Group has conducted the consumer and business banking operations formerly conducted by the NZ Branch since 1 November 2006 (refer to page 1 of the General Disclosure Statement for the year ended 30 September 2010 for further details).

Presentation of financial information

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

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

In addition, these financial statements include supplementary information required by the Order.

The financial statements included within this Disclosure Statement are based on the general principles of historical cost accounting, as modified by fair value accounting for available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts. The going concern concept and the accruals basis of accounting have been adopted. All amounts are expressed in New Zealand dollars unless otherwise stated. Except as otherwise expressly indicated, average balance sheet amounts for the six months ended 31 March 2011 and 2010 are based on daily averages.

Certain comparative figures have been restated or reclassified to ensure consistent treatment with the current reporting period. As a result, comparatives may differ from that previously reported.

Currency of presentation, exchange rates and certain definitions

Items included within the Bank's financial statements are measured using the currency of the primary economic environment in which the respective entity operates (the '**functional currency**'). The financial statements of the Bank and the Banking Group are presented in New Zealand dollars, which is the Bank's functional and presentation currency.

Foreign currency monetary assets and liabilities have been translated into New Zealand dollars at the rate of foreign exchange prevailing as at the applicable balance sheet date. Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction.

Foreign exchange differences relating to monetary items and gains and losses arising from foreign exchange dealings by the Banking Group have been included in the income statement, except where deferred in equity as qualifying cash flow hedges.

Critical accounting estimates, judgments and assumptions

The application of the Bank's accounting policies necessarily requires the use of estimates, judgments and assumptions. Should different estimates, judgments or assumptions be applied, the resulting values would change, impacting the net assets and income of the Banking Group. The Bank's Board Audit Committee ('**NZBAC**') reviews the accounting policies which are sensitive to the use of estimates, judgments and assumptions as part of its review of the integrity of the Bank's financial statements and Disclosure Statement.

The estimates and assumptions used and the value of the resulting asset and liability balances as at 30 September 2010 are described in Note 1 to the Bank's financial statements included in the General Disclosure Statement for the year ended 30 September 2010. As at 30 September 2010 the judgments, apart from those involving estimations, that management has made in applying the Bank's accounting policies and that have the most significant impact on the amounts recognised in the Bank's financial statements are as described in Note 1 to the Bank's financial statements included in the General Disclosure Statement for the year ended 30 September 2010.

Selected consolidated financial and operating data

The following selected financial information as at and for the six months ended 31 March 2011 and 2010, and as at and for the financial year ended 30 September 2010 are derived from the Bank's financial statements. This information should be read together with the Bank's financial statements.

Review of operations (continued)

Summary of financial statements

	The Banking Group		
	Six Months Ended 31 March 2011 Unaudited $m	Six Months Ended 31 March 2010 Unaudited $m	Year Ended 30 September 2010 Audited $m
Income statement			
Interest income	**1,778**	1,742	3,501
Interest expense	**(1,143)**	(1,173)	(2,337)
Net interest income	**635**	569	1,164
Non-interest income	**151**	146	291
Net operating income	**786**	715	1,455
Operating expenses	**(382)**	(341)	(704)
Impairment charges on loans	**(125)**	(207)	(334)
Operating profit	**279**	167	417
Share of profit of associate accounted for using equity method	**-**	-	1
Profit before income tax expense	**279**	167	418
Income tax expense	**(88)**	(51)	(132)
Profit after income tax expense	**191**	116	286
Profit after income tax expense attributable to:			
Owners of the Banking Group	**189**	115	283
Non-controlling interests	**2**	1	3
	191	116	286
Dividends paid or provided	**(2)**	(3)	(4)
Balance sheet			
Total assets	**57,695**	56,254	55,179
Total impaired assets	**895**	730	742
Total liabilities	**53,486**	52,346	51,131
Total equity	**4,209**	3,908	4,048

The amounts for the six months ended 31 March 2011 and 2010 (unaudited) and the year ended 30 September 2010 (audited) have been extracted from the financial statements of the Banking Group.

Overview of performance – six months ended 31 March 2011 compared to six months ended 31 March 2010

Profit after income tax expense attributable to owners of the Banking Group increased by $74 million or 64.3% to $189 million for the six months ended 31 March 2011, compared to $115 million for the six months ended 31 March 2010. This increase primarily resulted from improved net interest income of $66 million and a continued decline in impairment charges on loans.

The Banking Group's financial performance for the six months ended 31 March 2011 reflected a gradual improvement in the New Zealand economy, with the benefit of higher commodity prices offset slightly by primary producers opting to pay down debt. Stability in the levels of housing delinquencies and a reduction in business lending stressed assets resulted in a decrease in impairment charges on loans from that recorded during the six months ended 31 March 2010. The Christchurch earthquake on 22 February 2011 has resulted in net increases to both individually and collectively assessed provisions for impairment charges on loans of $13 million and $43 million, respectively.

Shortly after the February earthquake, the Reserve Bank cut the Official Cash Rate ('**OCR**') by 50 basis points. The Banking Group passed on this rate reduction almost immediately to existing variable rate loans and to new customers taking up deposits and new variable rate loans. Net interest margin continued to improve due to the repricing of fixed rate lending and the sustained shift in consumer preference from fixed to variable rate housing loans, at higher margins.

Net interest income increased by $66 million or 11.6% to $635 million for the six months ended 31 March 2011, compared to $569 million for the six months ended 31 March 2010. This increase was primarily due to an increase in interest income of $36 million and a reduction in interest expense of $30 million. The increase in interest income was due to a $43 million increase in interest income earned on loans which was partially offset by an $11 million reduction in interest income received on trading securities. The decrease in interest expense was primarily due to a reduction in the amount of trading securities outstanding.

Operating expenses increased by $41 million or 12.0% to $382 million for the six months ended 31 March 2011, compared to $341 million for the six months ended 31 March 2010. Salaries and other staff expenses increased $21 million or 12.1% driven primarily by an increased number of frontline bankers. This investment is part of the Bank's focus on delivering service excellence to customers in their local community, which also included the opening of two new community branches during the six months ended 31 March 2011. Other expenses increased by $19 million or 15.7%, which was caused by an increase in head office charges and consultancy fees and other professional services charges.

Impairment charges on loans decreased by $82 million or 39.6% to $125 million for the six months ended 31 March 2011, compared to $207 million for the six months ended 31 March 2010. This decrease was primarily due to the gradual improvement in the New Zealand economy being reflected by a reduction in the collectively assessed provision during the six months ended 31 March 2011 compared to the six months ended 31 March 2010. A reduction in significant write-offs within the Business Banking division associated with large single name exposures also contributed to the reduction. The large improvement in the collectively assessed provision and reduced write offs was partially offset by a $56 million provision for impairment charges in connection with the Christchurch earthquake.

Dividends paid in the six months ended 31 March 2011 of $2 million represent amounts paid to non-controlling interests. No additional dividends were declared in the six months ended 31 March 2011, in order to preserve capital ahead of the proposed transfer to the Bank of the additional banking operations presently conducted by the NZ Branch by the end of the calendar year 2011. In the six months ended 31 March 2010 the $3 million of dividends paid was also paid to non-controlling interests.

Review of operations (continued)

Income statement review

Net interest income

	The Banking Group	
	Six Months Ended 31 March 2011 Unaudited $m	Six Months Ended 31 March 2010 Unaudited $m
Interest income	**1,778**	1,742
Interest expense	**(1,143)**	(1,173)
Net interest income	**635**	569
Increase/(decrease) in net interest income:		
Due to change in volume	**129**	(224)
Due to change in rate	**(63)**	93
Change in net interest income	**66**	(131)

Six months ended 31 March 2011 compared to six months ended 31 March 2010

Net interest income increased by $66 million or 11.6% to $635 million for the six months ended 31 March 2011, compared to $569 million for the six months ended 31 March 2010. This increase was due to an increase in interest income of $36 million and a reduction in interest expense of $30 million.

The increase in interest income was due to a $43 million increase in interest income earned on loans which was partially offset by an $11 million reduction in interest income received on trading securities. The increase in interest income on loans was due to increased lending volumes as the average balance of the loan book grew by $1.2 billion compared to the six months ended 31 March 2010. Loans in Consumer Banking grew 2.8% as at 31 March 2011 compared to 31 March 2010, against total system growth of 1.4%[1] primarily due to an increase in home lending. Business Banking levels remained flat as at 31 March 2011 compared to 31 March 2010.

The decrease in interest expense was due to a reduction in the amount of trading securities outstanding. Interest paid on deposits from customers increased by $101 million, however this was offset by a reduction of net interest expense paid to related entities. The increase in interest paid on customer deposits was due to growth in deposits as well as higher rates paid on at call and term deposits. Customer deposits grew 5.4% as at 31 March 2011 compared to 31 March 2010 across both Consumer and Business Banking against total system growth of 7.7%, as term deposits continued to be the preferred deposit product in the low interest rate environment.

Net interest income in the six months ended 31 March 2010 was also impacted by the additional cost associated with the Bank's participation in the Deposit Guarantee and Revised Deposit Guarantee schemes.

Interest spread and margin

	The Banking Group	
	Six Months Ended 31 March 2011 Unaudited $m	Six Months Ended 31 March 2010 Unaudited $m
Net interest income	**635**	569
Average interest earning assets	**54,412**	53,531
Average interest bearing liabilities	**48,349**	48,152
Average net non-interest bearing liabilities and equity	**6,063**	5,379
Interest spread[1] (%)	**1.83**	1.63
Benefit of net non-interest bearing liabilities and equity[2] (%)	**0.53**	0.49
Net interest margin[3] (%)	**2.34**	2.13

1 Interest spread (annualised) is the difference between the average yield on all interest earning assets and the average rate paid on all interest bearing liabilities.
2 The benefit of net non-interest bearing liabilities and equity (annualised) is determined by applying the average rate of interest paid on all interest bearing liabilities to the average level of net non-interest bearing funds (i.e. average non-interest bearing liabilities plus average equity less average non-interest earning assets) as a percentage of average interest earning assets.
3 Net interest margin is calculated by dividing net interest income (annualised) by average interest earning assets.

Six months ended 31 March 2011 compared to six months ended 31 March 2010

Net interest margin increased by 21 basis points to 2.34% for the six months ended 31 March 2011 compared to 2.13% for the six months ended 31 March 2010. Shortly after the February earthquake, the Reserve Bank cut the OCR by 50 basis points. The Banking Group passed on this rate reduction almost immediately to existing variable rate loans and to new customers taking up deposits and new variable rate loans. Net interest margin continued to improve due to the repricing of fixed rate term lending and the sustained shift in consumer preference from fixed to variable housing loans, at higher margins. Net interest margin in the six months ended 31 March 2010 was also impacted by the additional cost associated with the Bank's participation in the Deposit Guarantee and Revised Deposit Guarantee schemes.

Non-interest income

	The Banking Group	
	Six Months Ended 31 March 2011 Unaudited $m	Six Months Ended 31 March 2010 Unaudited $m
Fees and commissions	**147**	144
Gains on ineffective hedges	**1**	7
Other non-interest income	**3**	(5)
Total non-interest income	**151**	146

1 Reserve Bank, as at 31 March 2011

Review of operations (continued)

Six months ended 31 March 2011 compared to six months ended 31 March 2010

Non-interest income of $151 million for the six months ended 31 March 2011 was substantially unchanged from the six months ended 31 March 2010.

Operating expenses

	The Banking Group	
	Six Months Ended 31 March 2011 Unaudited $m	Six Months Ended 31 March 2010 Unaudited $m
Salaries and other staff expenses	**194**	173
Equipment and occupancy expenses	**48**	47
Other expenses	**140**	121
Total operating expenses	**382**	341

Six months ended 31 March 2011 compared to six months ended 31 March 2010

Operating expenses increased by $41 million or 12.0% to $382 million for the six months ended 31 March 2011, compared to $341 million for the six months ended 31 March 2010. Salaries and other staff expenses increased $21 million or 12.1% driven primarily by an increased number of frontline bankers. This investment is part of the Bank's focus on delivering service excellence to customers in their local community, which also included the opening of two new community branches during the six months ended 31 March 2011 on top of the eight opened in the 2010 financial year. Other expenses, which include outsourcing, consultancy and professional fees, software amortisation costs, advertising, training, travel and related entity management fees, increased by $19 million or 15.7%, which was caused primarily by an increase in head office charges as well as an increase in consultancy fees and other professional services charges.

Impairment charges on loans

	The Banking Group	
	Six Months Ended 31 March 2011 Unaudited	Six Months Ended 31 March 2010 Unaudited
Impairment charges on loans ($m)	**125**	207
Impairment charges to average gross loans[1] (%)	**0.50**	0.85

1 Impairment expense has been annualised in this calculation.

Six months ended 31 March 2011 compared to six months ended 31 March 2010

Impairment charges on loans decreased by $82 million or 39.6% to $125 million for the six months ended 31 March 2011, compared to $207 million for the six months ended 31 March 2010. This decrease was primarily due to the gradual improvement in the New Zealand economy being reflected by a reduction in the collectively assessed provision during the six months ended 31 March 2011 compared to the six months ended 31 March 2010. A reduction in significant write-offs within the Business Banking division associated with large single name exposures also contributed to the reduction. The large improvement in the collectively assessed provision and reduced write offs was partially offset by a $56 million provision for impairment charges on loans in connection with the second Christchurch earthquake.

The impairment charges on loans to average gross loans ratio decreased 0.35% to 0.50% as at 31 March 2011, compared to 0.85% as at 31 March 2010. This decrease was due to both the $82 million reduction in impairment charges on loans and the 2.4% growth in average gross loans.

Income tax expense

	The Banking Group	
	Six Months Ended 31 March 2011 Unaudited	Six Months Ended 31 March 2010 Unaudited
Income tax expense ($m)	**88**	51
Effective tax rate[1] (%)	**31.5**	30.5

1 Income tax expense as a percentage of profit before income tax expense.

Six months ended 31 March 2011 compared to six months ended 31 March 2010

Income tax expense increased by $37 million to $88 million for the six months ended 31 March 2011, compared to $51 million for the six months ended 31 March 2010. This increase was primarily driven by an increase in taxable income. The effective tax rate for the six months ended 31 March 2011 was 31.5%, which was higher than the New Zealand corporate tax rate of 30% and higher than the effective tax rate for the six months ended 31 March 2010 of 30.5%. This was primarily the result of the New Zealand Government enacting a reduction in the corporate tax rate from 30% to 28% in May 2010 which will apply to the Banking Group from 1 October 2011. Accordingly, deferred tax balances have been remeasured at 28% to the extent the underlying temporary differences are expected to reverse after 1 October 2011. The impact of this remeasurement in the six months ended 31 March 2011 is an additional deferred tax expense of $3 million which primarily relates to provisions for impairment charges on loans.

Review of operations (continued)

Balance sheet review

Consolidated Balance Sheet	The Banking Group 31 March 2011 Unaudited $m	31 March 2010 Unaudited $m	30 September 2010 Audited $m
Assets			
Cash and balances with central banks	**550**	239	522
Due from other financial institutions	**3**	3	3
Derivative financial instruments	**27**	18	17
Trading securities	**3,594**	4,609	2,587
Available-for-sale securities	**576**	56	44
Loans	**49,974**	49,369	50,034
Due from related entities	**1,800**	842	830
Current tax assets	**6**	-	-
Investment in associate	**48**	48	48
Goodwill and other intangible assets	**558**	573	567
Property, plant and equipment	**142**	104	127
Deferred tax assets	**277**	240	257
Other assets	**140**	153	143
Total assets	**57,695**	56,254	55,179
Liabilities			
Deposits at fair value	**1,577**	2,562	1,990
Deposits at amortised cost	**31,592**	29,973	30,476
Derivative financial instruments	**7**	-	-
Debt issues	**17,066**	16,810	15,439
Current tax liabilities	**-**	20	14
Provisions	**62**	73	73
Other liabilities	**629**	470	541
Total liabilities excluding perpetual subordinated notes and due to related entities	**50,933**	49,908	48,533
Perpetual subordinated notes	**970**	970	970
Total liabilities excluding due to related entities	**51,903**	50,878	49,503
Due to related entities	**1,583**	1,468	1,628
Total liabilities	**53,486**	52,346	51,131
Net assets	**4,209**	3,908	4,048
Equity			
Share capital	**3,470**	3,470	3,470
Retained profits	**737**	404	548
Available-for-sale securities reserve	**24**	37	25
Cash flow hedge reserve	**(28)**	(8)	(1)
Total equity attributable to owners of the Banking Group	**4,203**	3,903	4,042
Non-controlling interests	**6**	5	6
Total equity	**4,209**	3,908	4,048

The amounts as at 31 March 2011 and 2010 (unaudited) and 30 September 2010 (audited) have been extracted from the financial statements of the Banking Group.

Assets – 31 March 2011 compared to 30 September 2010

Total assets as at 31 March 2011 increased by $2.5 billion or 4.6% to $57.7 billion from $55.2 billion as at 30 September 2010.

Trading securities increased by $1.0 billion due to increases of $448 million and $559 million in holdings of New Zealand treasury bills and certificates of deposit, respectively.

Due from related entities increased by $970 million in relation to amounts due to the Bank from the NZ Branch, in respect of recent settlements completed by the NZ Branch on behalf of the Bank, cleared through a shared settlement account with the Reserve Bank.

There was also an increase of $532 million in available-for-sale securities as at 31 March 2011 to $576 million following the purchase of New Zealand Government bonds.

Loans decreased by $60 million due to a reduction in overdrafts, corporate loans and term lending of $106 million, $104 million and $72 million, respectively, partially offset by increased housing loans of $223 million. Loans grew at 0.8% within Consumer Banking for the six months ended 31 March 2011 compared to total system growth of 0.5% during the period.

Liabilities and equity – 31 March 2011 compared to 30 September 2010

Total liabilities as at 31 March 2011 increased by $2.4 billion or 4.6% to $53.5 billion from $51.1 billion as at 30 September 2010.

Deposits at amortised cost (customer deposits) as at 31 March 2011 increased by $1.1 billion as both term and call deposit products increased. Growth of 4.2% and 2.3% in the Consumer and Business Banking segments, respectively, were recorded in the six month period ended 31 March 2011 against total system growth of 6.1%.

Deposits at fair value decreased by $413 million, reflecting a continuing reduction in other banks' appetite for holding certificates of deposits, as they do not fulfil the Reserve Bank's BS13 liquidity requirements for liquid assets.

Review of operations (continued)

Debt issues increased by $1.6 billion. This change was primarily attributable to the issuance of non-government guaranteed commercial paper.

Other liabilities increased by $88 million due to unsettled liabilities relating to the purchase of available-for-sale securities in March 2011.

Total equity as at 31 March 2011 increased by $161 million to $4.2 billion, from $4.0 billion as at 30 September 2010. This was primarily due to profit after income tax expense attributable to owners of the Banking Group of $189 million for the six months ended 31 March 2011, as reflected in retained profits, partially offset by a $27 million decrease in the cash flow hedge reserve. No new share capital was issued during the six months ended 31 March 2011.

Asset quality

	The Banking Group		
	31 March 2011 Unaudited $m	31 March 2010 Unaudited $m	30 September 2010 Audited $m
Impaired assets			
Individually impaired assets:			
Gross	**895**	730	742
Impairment provisions	**(390)**	(216)	(301)
Net	**505**	514	441
Past due assets 90+ days:[1]			
Gross	**264**	312	397
Impairment provisions	**(32)**	(46)	(54)
Net	**232**	266	343
Net impaired assets	**737**	780	784
Provisions for impairment charges and credit commitments			
Individually assessed provisions	**390**	216	301
Collectively assessed provision	**401**	490	457
Total provisions for impairment charges and credit commitments	**791**	706	758
Less: provision for credit commitment	**(26)**	(34)	(29)
Total provisions for impairment charges	**765**	672	729
Asset quality			
Total impairment provisions to total impaired assets[1] (%)	**36.4**	25.1	31.2
Total impaired assets to gross loans[1] (%)	**2.28**	2.08	2.24
Total provisions for impairment charges to gross loans (%)	**1.51**	1.34	1.44
Total provisions for impairment charges to total impaired assets[1] (%)	**66.0**	64.5	64.0
Collectively assessed provision to non-housing non-performing loans (%)	**50.9**	82.2	61.8

1 Past due assets 90+ days with collectively assessed impairment provisions held against them are classified as impaired assets for US SEC reporting purposes. Under NZ IFRS, these assets are not included within impaired assets and the corresponding impairment provision on these assets is included within the collectively assessed provisions.

31 March 2011 compared to 30 September 2010

As at 31 March 2011 total impaired assets as a percentage of gross loans was 2.28%, a marginal increase from 2.24% as at 30 September 2010. This increase reflects the movement of identified stressed assets to impaired as the New Zealand economy remains fragile following the New Zealand recession and recent earthquake disasters in Christchurch. The Christchurch earthquake on 22 February 2011 has resulted in net increases to both individually and collectively assessed provisions for impairment charges on loans of $13 million and $43 million, respectively.

Total impairment provisions to total impaired assets coverage was 36.4% as at 31 March 2011 which was an increase from 31.2% as at 30 September 2010. This increase was primarily driven by an increase in individually assessed provisions against property exposures previously identified as stressed within the Business Banking sector. Total provisions for impairment charges to gross loans was 1.51% as at 31 March 2011, an increase from 1.44% as at 30 September 2010, reflecting the increase in individually assessed provisions against the level of gross loans, which have remained steady.

Potential problem loans, being those loans considered substandard but not yet impaired, were $498 million as at 31 March 2011, representing a net decrease of $366 million from 30 September 2010. The $366 million net decrease was primarily due to a decrease of $393 million attributable to property sector loans, of which a number deteriorated and shifted to individually impaired assets, offset by a $52 million increase attributable to three customer loans identified as new potential problem loans in the same period.

Loans are considered potentially problematic where are facilities are fully current as to interest and principal obligations; however, the customer demonstrates significant weakness in debt service or security coverage that jeopardises repayment of the debt within its current contractual terms. In the event these weaknesses are not rectified, possible loss of principal or interest could occur.

Directors' statement

Each Director of the Bank 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 Bank believes, after due enquiry, that, over the six months ended 31 March 2011:

(a) the Bank has complied with the conditions of registration imposed on it pursuant to section 74 of the Reserve Bank Act;

(b) credit exposures to connected persons were not contrary to the interests of the Banking Group; and

(c) the Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk and other business risks, and that those systems were being properly applied.

This Directors' statement has been signed by all the Directors:

Peter David Wilson

Philip Matthew Coffey

George Frazis

Christopher John David Moller

Harold Maffey Price

Ralph Graham Waters

Dated this 16th day of May 2011

Consolidated financial statements

Contents

Consolidated income statement for the six months ended 31 March 2011

	Note	The Banking Group Six Months Ended 31 March 2011 Unaudited $m	Six Months Ended 31 March 2010 Unaudited $m	Year Ended 30 September 2010 Audited $m
Interest income		**1,778**	1,742	3,501
Interest expense		**(1,143)**	(1,173)	(2,337)
Net interest income		**635**	569	1,164
Non-interest income:				
Fees and commissions	2	**147**	144	287
Gain on ineffective hedges	2	**1**	7	3
Other non-interest income	2	**3**	(5)	1
Total non-interest income		**151**	146	291
Net operating income		**786**	715	1,455
Operating expenses		**(382)**	(341)	(704)
Impairment charges on loans	3	**(125)**	(207)	(334)
Operating profit		**279**	167	417
Share of profit of associate accounted for using the equity method		**-**	-	1
Profit before income tax expense		**279**	167	418
Income tax expense		**(88)**	(51)	(132)
Profit after income tax expense		**191**	116	286
Profit after income tax expense attributable to:				
Owners of the Banking Group		**189**	115	283
Non-controlling interests		**2**	1	3
		191	116	286

The accompanying notes (numbered 1 to 17) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of comprehensive income for the six months ended 31 March 2011

	The Banking Group		
	Six Months Ended 31 March 2011 Unaudited $m	Six Months Ended 31 March 2010 Unaudited $m	Year Ended 30 September 2010 Audited $m
Profit after income tax expense	**191**	116	286
Other comprehensive income:			
Net unrealised (losses)/gains from changes in fair value of available-for-sale securities	**(1)**	19	7
Cash flow hedges:			
Net (losses)/gains from changes in fair value of cash flow hedges	**(42)**	7	16
Transferred to the income statement	**3**	3	6
Actuarial gains/(losses) on employee defined benefit superannuation schemes	**-**	7	(27)
Income tax relating to components of other comprehensive income[1]	**12**	(5)	-
Other comprehensive (expense)/income, net of tax	**(28)**	31	2
Total comprehensive income	**163**	147	288
Total comprehensive income attributable to:			
Owners of the Banking Group	**161**	146	285
Non-controlling interests	**2**	1	3
	163	147	288

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

	The Banking Group		
	Before Tax Amount $m	**Tax Benefit/ (Expense) $m**	**Net of Tax Amount $m**
For the six months ended 31 March 2011 (Unaudited)			
Net unrealised losses from changes in fair value of available-for-sale securities	**(1)**	**-**	**(1)**
Cash flow hedges:			
Net losses from changes in fair value of cash flow hedges	**(42)**	**13**	**(29)**
Transferred to the income statement	**3**	**(1)**	**2**
Other comprehensive expense	**(40)**	**12**	**(28)**
For the six months ended 31 March 2010 (Unaudited)			
Net unrealised gains from changes in fair value of available-for-sale securities	19	-	19
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	7	(2)	5
Transferred to the income statement	3	(1)	2
Actuarial gains on employee defined benefit superannuation schemes	7	(2)	5
Other comprehensive income	36	(5)	31
For the year ended 30 September 2010 (Audited)			
Net unrealised gains from changes in fair value of available-for-sale securities	7	-	7
Cash flow hedges:			
Net gains from changes in fair value of cash flow hedges	16	(6)	10
Transferred to the income statement	6	(2)	4
Actuarial losses on employee defined benefit superannuation schemes	(27)	8	(19)
Other comprehensive income	2	-	2

The accompanying notes (numbered 1 to 17) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity for the six months ended 31 March 2011

	The Banking Group						
	Share Capital $m	**Retained Profits $m**	**Available-for-sale Securities Reserve $m**	**Cash Flow Hedge Reserve $m**	**Total before Non-controlling Interests $m**	**Non-controlling Interests $m**	**Total $m**
As at 1 October 2009	3,470	284	18	(15)	3,757	7	3,764
Six months ended 31 March 2010							
Profit after income tax expense	-	115	-	-	115	1	116
Other comprehensive income	-	5	19	7	31	-	31
Total comprehensive income for the six months ended 31 March 2010	-	120	19	7	146	1	147
Transaction with owners:							
Dividends paid on ordinary shares	-	-	-	-	-	(3)	(3)
As at 31 March 2010 (Unaudited)	3,470	404	37	(8)	3,903	5	3,908
Year ended 30 September 2010							
Profit after income tax expense	-	283	-	-	283	3	286
Other comprehensive (expense)/income	-	(19)	7	14	2	-	2
Total comprehensive income for the year ended 30 September 2010	-	264	7	14	285	3	288
Transaction with owners:							
Dividends paid on ordinary shares	-	-	-	-	-	(4)	(4)
As at 30 September 2010 (Audited)	3,470	548	25	(1)	4,042	6	4,048
Six months ended 31 March 2011							
Profit after income tax expense	**-**	**189**	**-**	**-**	**189**	**2**	**191**
Other comprehensive expense	**-**	**-**	**(1)**	**(27)**	**(28)**	**-**	**(28)**
Total comprehensive income/(expense) for the six months ended 31 March 2011	**-**	**189**	**(1)**	**(27)**	**161**	**2**	**163**
Transaction with owners:							
Dividends paid on ordinary shares	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
As at 31 March 2011 (Unaudited)	**3,470**	**737**	**24**	**(28)**	**4,203**	**6**	**4,209**

The accompanying notes (numbered 1 to 17) form part of, and should be read in conjunction with, these financial statements.

Consolidated balance sheet as at 31 March 2011

	Note	31 March 2011 Unaudited $m	31 March 2010 Unaudited $m	30 September 2010 Audited $m
		The Banking Group		
Assets				
Cash and balances with central banks		**550**	239	522
Due from other financial institutions		**3**	3	3
Derivative financial instruments		**27**	18	17
Trading securities	4	**3,594**	4,609	2,587
Available-for-sale securities		**576**	56	44
Loans	5, 6	**49,974**	49,369	50,034
Due from related entities		**1,800**	842	830
Current tax assets		**6**	-	-
Investment in associate		**48**	48	48
Goodwill and other intangible assets		**558**	573	567
Property, plant and equipment		**142**	104	127
Deferred tax assets		**277**	240	257
Other assets		**140**	153	143
Total assets		**57,695**	56,254	55,179
Liabilities				
Deposits at fair value	7	**1,577**	2,562	1,990
Deposits at amortised cost	7	**31,592**	29,973	30,476
Derivative financial instruments		**7**	-	-
Debt issues	8	**17,066**	16,810	15,439
Current tax liabilities		**-**	20	14
Provisions		**62**	73	73
Other liabilities		**629**	470	541
Total liabilities excluding perpetual subordinated notes and due to related entities		**50,933**	49,908	48,533
Perpetual subordinated notes		**970**	970	970
Total liabilities excluding due to related entities		**51,903**	50,878	49,503
Due to related entities		**1,583**	1,468	1,628
Total liabilities		**53,486**	52,346	51,131
Net assets		**4,209**	3,908	4,048
Equity				
Share capital		**3,470**	3,470	3,470
Retained profits		**737**	404	548
Available-for-sale securities reserve		**24**	37	25
Cash flow hedge reserve		**(28)**	(8)	(1)
Total equity attributable to owners of the Banking Group		**4,203**	3,903	4,042
Non-controlling interests		**6**	5	6
Total equity		**4,209**	3,908	4,048
Interest earning and discount bearing assets		**57,069**	55,539	54,051
Interest and discount bearing liabilities		**48,839**	48,158	46,978

The accompanying notes (numbered 1 to 17) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows for the six months ended 31 March 2011

	The Banking Group		
	Six Months Ended 31 March 2011 Unaudited $m	Six Months Ended 31 March 2010 Unaudited $m	Year Ended 30 September 2010 Audited $m
Cash flows from operating activities			
Interest income received	**1,781**	1,744	3,499
Interest expense paid	**(1,167)**	(1,190)	(2,306)
Non-interest income received	**144**	141	306
Net (increase)/decrease in trading securities	**(1,007)**	(188)	1,834
Net decrease in trading liabilities and other financial liabilities designated at fair value	**-**	(1,885)	(1,880)
Operating expenses paid	**(338)**	(300)	(629)
Income tax paid	**(117)**	(59)	(125)
Net cash (used in)/provided by operating activities	**(704)**	(1,737)	699
Cash flows from investing activities			
Purchase of available-for-sale securities	**(432)**	-	-
Net loans advanced to customers	**(65)**	(1,402)	(2,200)
Net increase in due from related entities	**(970)**	(267)	(242)
Net decrease/(increase) in other assets	**2**	(1)	(8)
Purchase of capitalised computer software	**(14)**	(18)	(35)
Purchase of property, plant and equipment	**(28)**	(22)	(59)
Proceeds from disposal of property, plant and equipment	**-**	1	1
Net cash used in investing activities	**(1,507)**	(1,709)	(2,543)
Cash flows from financing activities			
Net increase/(decrease) in deposits	**703**	40	(29)
Net proceeds from debt issues	**1,627**	4,441	3,070
Net decrease in due to related entities	**(95)**	(959)	(834)
Net increase/(decrease) in other liabilities	**6**	(47)	(50)
Payment of dividends	**(2)**	(3)	(4)
Net cash provided by financing activities	**2,239**	3,472	2,153
Net increase in cash and cash equivalents	**28**	26	309
Cash and cash equivalents at beginning of the period/year	**525**	216	216
Cash and cash equivalents at end of the period/year	**553**	242	525
Cash and cash equivalents comprise:			
Cash and balances with central banks	**550**	239	522
Due from other financial institutions – at call	**3**	3	3
Cash and cash equivalents at end of the period/year	**553**	242	525
Reconciliation of profit after income tax expense to net cash (used in)/provided by operating activities			
Profit after income tax expense	**191**	116	286
Adjustments:			
Software amortisation costs	**23**	20	43
Impairment charges on loans	**125**	207	334
Depreciation on property, plant and equipment	**12**	9	23
Loss on disposal of property, plant and equipment	**1**	-	-
Share-based payments	**12**	1	2
Movement in accrued assets	**1**	(10)	7
Movement in accrued liabilities and provisions	**(30)**	(3)	43
Movement in current and deferred tax	**(40)**	(8)	7
Movement in trading securities	**(1,007)**	(188)	1,834
Movement in trading liabilities and other financial liabilities designated at fair value	**-**	(1,885)	(1,885)
Movement in derivative financial instruments	**8**	4	5
Net cash (used in)/provided by operating activities	**(704)**	(1,737)	699

The accompanying notes (numbered 1 to 17) 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 been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('**NZ GAAP**'), as appropriate for profit-oriented entities, and the New Zealand equivalent to International Accounting Standard ('**NZ IAS**') 34 *Interim Financial Reporting* and should be read in conjunction with the General Disclosure Statement for the year ended 30 September 2010.

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

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

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

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

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

- Westpac New Zealand Limited and its controlled entities (otherwise referred to as the '**Banking Group**'); and
- Westpac New Zealand Limited (otherwise referred to as the '**Bank**').

Controlled entities of the Banking Group as at 30 September 2010 are set out in Note 26 to the Banking Group's financial statements included in the General Disclosure Statement for the year ended 30 September 2010. Except as detailed in Note 9 to these financial statements, there have been no other changes to the composition of the Banking Group since 30 September 2010.

These financial statements were authorised for issue by the Board on 16 May 2011. The Board has the power to amend the financial statements after they are authorised for issue.

Basis of preparation

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

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

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries (including special purpose entities) controlled by the Bank and the results of those subsidiaries. The effects of all transactions between entities in the Banking Group are eliminated. Control exists when the parent entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

Subsidiaries are fully consolidated from the date on which control commences and are de-consolidated from the date on which control ceases.

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

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

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

Notes to the financial statements

Note 2 Non-interest income

	The Banking Group		
	Six Months Ended 31 March 2011 Unaudited $m	Six Months Ended 31 March 2010 Unaudited $m	Year Ended 30 September 2010 Audited $m
Fees and commissions			
Transaction fees and commissions	**105**	101	206
Lending fees (loan and risk)	**27**	23	46
Management fees received from related entities	**1**	1	2
Insurance commissions received	**9**	9	16
Other non-risk fee income	**5**	10	17
Total fees and commissions	**147**	144	287
Gains on ineffective hedges	**1**	7	3
Other non-interest income			
Net unrealised gains/(losses) on derivatives held for risk management purposes	**2**	(6)	(4)
Dividend income	**-**	-	2
Loss on disposal of property, plant and equipment	**(1)**	-	-
Other	**2**	1	3
Total other non-interest income	**3**	(5)	1
Total non-interest income	**151**	146	291

Note 3 Impairment charges on loans

	The Banking Group			
	Residential Mortgages $m	**Other Loans for Consumer Purposes $m**	**Loans for Business Purposes $m**	**Total $m**
Six months ended 31 March 2011 (Unaudited)				
Collectively assessed provisions	**-**	**(20)**	**(36)**	**(56)**
Individually assessed provisions	**47**	**-**	**127**	**174**
Bad debt write-off direct to the income statement	**-**	**20**	**8**	**28**
Interest adjustments	**(4)**	**(8)**	**(9)**	**(21)**
Total impairment charges on loans	**43**	**(8)**	**90**	**125**
Six months ended 31 March 2010 (Unaudited)				
Collectively assessed provisions	33	49	3	85
Individually assessed provisions	42	-	63	105
Bad debt write-off direct to the income statement	5	27	5	37
Interest adjustments	(2)	(7)	(11)	(20)
Total impairment charges on loans	78	69	60	207
Year ended 30 September 2010 (Audited)				
Collectively assessed provisions	38	44	(30)	52
Individually assessed provisions	83	-	172	255
Bad debt write-off direct to the income statement	9	54	6	69
Interest adjustments	(5)	(18)	(19)	(42)
Total impairment charges on loans	125	80	129	334

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

Note 4 Trading securities

	The Banking Group		
	31 March 2011 Unaudited $m	31 March 2010 Unaudited $m	30 September 2010 Audited $m
Trading securities			
Listed:			
NZ Government securities	**1,829**	2,432	1,381
Total listed securities	**1,829**	2,432	1,381
Unlisted:			
NZ corporate securities:			
Certificates of deposit	**1,765**	2,177	1,206
Total unlisted securities	**1,765**	2,177	1,206
Total trading securities	**3,594**	4,609	2,587

As at 31 March 2011 no trading securities in the Banking Group (31 March 2010: nil, 30 September 2010: nil) were encumbered through repurchase agreements.

Note 5 Loans

	The Banking Group		
	31 March 2011 Unaudited $m	31 March 2010 Unaudited $m	30 September 2010 Audited $m
Overdrafts	**897**	986	1,003
Credit card outstandings	**1,264**	1,225	1,250
Money market loans	**613**	652	590
Term loans:			
Housing	**34,472**	33,616	34,249
Non-housing	**13,236**	13,278	13,386
Other	**257**	284	285
Total gross loans	**50,739**	50,041	50,763
Provisions for impairment charges on loans	**(765)**	(672)	(729)
Total net loans	**49,974**	49,369	50,034

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

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

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

	The Banking Group			
	Six Months Ended 31 March 2011 (Unaudited)			
	Residential Mortgages $m	**Other Loans for Consumer Purposes $m**	**Loans for Business Purposes $m**	**Total $m**
Total neither past due nor impaired	**32,939**	**1,588**	**13,375**	**47,902**
Past due assets				
Less than 30 days past due	**937**	**104**	**294**	**1,335**
At least 30 days but less than 60 days past due	**147**	**24**	**64**	**235**
At least 60 days but less than 90 days past due	**78**	**11**	**19**	**108**
At least 90 days past due	**127**	**20**	**117**	**264**
Total past due assets[1, 2]	**1,289**	**159**	**494**	**1,942**
Individually impaired assets[2]				
Balance at beginning of the period	**302**	-	**440**	**742**
Additions	**156**	-	**321**	**477**
Amounts written off	**(33)**	-	**(65)**	**(98)**
Returned to performing or repaid	**(181)**	-	**(45)**	**(226)**
Balance at end of the period	**244**	-	**651**	**895**
Total impaired assets	**244**	-	**651**	**895**
Total gross loans[3]	**34,472**	**1,747**	**14,520**	**50,739**
Individually assessed provisions				
Balance at beginning of the period	**80**	-	**221**	**301**
Impairment charges on loans:				
New provisions	**58**	-	**134**	**193**
Reversal of previously recognised impairment charges on loans	**(11)**	-	**(8)**	**(19)**
Amounts written off	**(33)**	-	**(58)**	**(91)**
Recoveries of amounts written off in previous period	-	-	**1**	**1**
Interest adjustments	**3**	-	**2**	**5**
Balance at end of the period	**97**	-	**293**	**390**
Collectively assessed provisions				
Balance at beginning of the period	**80**	**104**	**273**	**457**
Impairment charges on loans	-	**(20)**	**(36)**	**(56)**
Balance at end of the period	**80**	**84**	**237**	**401**
Total provision for impairment charges and credit commitments	**177**	**84**	**530**	**791**
Less: Provision for credit commitments	-	-	**(26)**	**(26)**
Total impairment provisions on loans	**177**	**84**	**504**	**765**
Total net loans	**34,295**	**1,663**	**14,016**	**49,974**

As at 31 March 2011, the Banking Group had no other interest bearing assets that would be required to be disclosed as non-accrual[4], past due, restructured or potential problem loans[4], if such assets were loans.

1 Past due assets are not impaired assets under NZ IFRS.
2 The Banking Group has an undrawn balance of $2 million on individually impaired assets under loans for business purposes as at 31 March 2011.
3 The Banking Group does not have other assets under administration.
4 Loans with individually assessed impairment provisions held against them, excluding restructured loans, are classified as non-accrual for US SEC reporting purposes. Potential problem loans are facilities that are performing and no loss is expected, but the customer demonstrates significant weakness in debt servicing or security cover that could jeopardise repayment of debt on current terms if not rectified.

Notes to the financial statements

Note 7 Deposits

	The Banking Group		
	31 March 2011 Unaudited $m	31 March 2010 Unaudited $m	30 September 2010 Audited $m
Deposits at fair value			
Certificates of deposit	**1,482**	2,426	1,902
Term deposits	**95**	136	88
Total deposits at fair value	**1,577**	2,562	1,990
Deposits at amortised cost			
Non-interest bearing, repayable at call	**2,723**	2,516	2,410
Other interest bearing:			
At call	**10,722**	10,458	10,294
Term	**18,147**	16,999	17,772
Total deposits at amortised cost	**31,592**	29,973	30,476
Total deposits	**33,169**	32,535	32,466

Note 8 Debt issues

	The Banking Group		
	31 March 2011 Unaudited $m	31 March 2010 Unaudited $m	30 September 2010 Audited $m
Short-term debt			
Commercial paper	**8,265**	8,278	6,546
Total short-term debt	**8,265**	8,278	6,546
Long-term debt			
Non-domestic medium-term notes	**6,579**	6,281	6,711
Domestic medium-term notes	**2,222**	2,251	2,182
Total long-term debt	**8,801**	8,532	8,893
Total debt issues	**17,066**	16,810	15,439
Government guaranteed debt[1]	**4,082**	4,279	4,141
Non-government guaranteed debt	**12,984**	12,531	11,298
Total debt issues	**17,066**	16,810	15,439
Debt issues at amortised cost	**8,636**	8,532	8,893
Debt issues at fair value	**8,430**	8,278	6,546
Total debt issues	**17,066**	16,810	15,439
Movement in debt issues			
Balance at beginning of the period/year	**15,439**	12,369	12,369
Issuance during the period/year	**9,681**	15,997	22,961
Repayments during the period/year	**(7,623)**	(11,679)	(19,797)
Effect of foreign exchange movements during the period/year	**(289)**	138	(240)
Effect of fair value movements during the period/year	**(142)**	(15)	146
Balance at end of the period/year	**17,066**	16,810	15,439

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

Note 9 Related entities

Westpac NZ Covered Bond Holdings Limited (‘**WNZCBHL**’) and its wholly-owned subsidiary company, Westpac NZ Covered Bond Limited (‘**WNZCBL**’), were incorporated on 22 November 2010. The Banking Group, through its subsidiary, Westpac NZ Operations Limited, has a qualifying interest of 9.5% in WNZCBHL. As a consequence of the contractual arrangements in place, both WNZCBHL and WNZCBL are consolidated into the financial statements of the Banking Group. This change has no material impact on the Banking Group’s result or financial position.

There have been no other changes to the composition of the Banking Group since 30 September 2010. Controlled entities of the Banking Group as at 30 September 2010 are set out in Note 26 to the Banking Group’s financial statements included in the General Disclosure Statement for the year ended 30 September 2010.

Note 10 Commitments and contingent liabilities

	The Banking Group		
	31 March 2011 Unaudited $m	31 March 2010 Unaudited $m	30 September 2010 Audited $m
Commitments for capital expenditure			
Due within one year	**21**	58	30
Other expenditure commitments:			
One year or less	**86**	87	87
Between one and five years	**59**	145	102
Over five years	**-**	-	-
Total other expenditure commitments	**145**	232	189
Lease commitments (all leases are classified as operating leases)			
Premises and sites	**225**	188	205
Motor vehicles	**5**	4	6
Total lease commitments	**230**	192	211
Lease commitments are due as follows:			
One year or less	**48**	37	43
Between one and five years	**103**	77	94
Over five years	**79**	78	74
Total lease commitments	**230**	192	211
Other contingent liabilities and commitments			
Direct credit substitutes	**51**	43	52
Commitments with certain drawdown	**117**	143	105
Transaction related contingent items	**259**	253	254
Short-term, self liquidating trade related contingent liabilities	**620**	645	758
Other commitments to provide financial services which have an original maturity of one year or more	**6,375**	5,909	5,925
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	**4,609**	4,473	4,487
Total other contingent liabilities and commitments	**12,031**	11,466	11,581

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

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

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

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

The Banking Group is obliged to repurchase securitised loans:

(a) held by the Westpac Home Loan Trust ('**HLT**') where it is discovered within 120 days of sale that those loans were not eligible for sale when sold;

(b) held by the Westpac NZ Securitisation Limited securitisation programme where the securitised loans cease to conform to certain terms and conditions of the Westpac NZ Securitisation Limited securitisation programme;

(c) held by WNZCBL (pursuant to the Westpac Securities NZ Limited Global Covered Bond Programme) where:
  - (i) it is discovered that there has been a material breach of a sale warranty (or any such sale warranty is materially untrue);
  - (ii) the securitised loan becomes materially impaired or is enforced prior to the second monthly covered bond payment date falling after the assignment of such securitised loan; or
  - (iii) at the cut-off date relating to the securitised loan there were arrears of interest and that securitised loan subsequently becomes a delinquent loan prior to the second monthly covered bond payment date falling after the assignment of the securitised loan.

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

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

Note 10 Commitments and contingent liabilities (continued)

Other contingent liabilities

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

On 23 December 2009, the NZ Branch and relevant subsidiaries reached a settlement with the New Zealand Commissioner of Inland Revenue of the previously reported proceedings relating to nine structured finance transactions undertaken between 1998 and 2002. All proceedings have been discontinued and the terms of the settlement are subject to confidentiality. The payment of any tax under the settlement rests with the Ultimate Parent Bank.

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

Other commitments

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

Note 11 Segment information

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

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

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

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

- Business Banking provides financial services for small to medium sized enterprise customers, corporates and agricultural businesses. Business Banking also provides domestic transactional banking to the New Zealand Government;
- Retail Banking provides financial services for private individuals; and
- Wealth provides financial services for high net worth individuals, funds management and insurance distribution.

Retail Banking and Wealth have been aggregated and disclosed as the Consumer Banking reportable segment. Business Banking constitutes a separately reportable segment.

Reconciling items primarily represent:

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

Note 11 Segment information (continued)

	The Banking Group			
	Business Banking $m	Consumer Banking $m	Reconciling Items $m	Total Consolidated $m
Six months ended 31 March 2011 (Unaudited)				
Revenue from external customers[1]	**939**	**1,721**	**(731)**	**1,929**
Internal revenue	**2**	**1**	**(3)**	**-**
Total segment revenue	**941**	**1,722**	**(734)**	**1,929**
Profit before income tax expense	**143**	**369**	**(233)**	**279**
Income tax expense	**(43)**	**(104)**	**59**	**(88)**
Profit after income tax expense	**100**	**265**	**(174)**	**191**
Profit after income tax expense attributable to:				
Owners of the Banking Group	**100**	**263**	**(174)**	**189**
Non-controlling interests	**-**	**2**	**-**	**2**
	100	**265**	**(174)**	**191**
Total gross loans	**20,858**	**30,055**	**(174)**	**50,739**
Total deposits	**9,630**	**21,961**	**1,578**	**33,169**
Six months ended 31 March 2010 (Unaudited)				
Revenue from external customers[1]	864	1,628	(604)	1,888
Internal revenue	2	1	(3)	-
Total segment revenue	866	1,629	(607)	1,888
Profit before income tax expense	140	237	(210)	167
Income tax expense	(42)	(68)	59	(51)
Profit after income tax expense	98	169	(151)	116
Profit after income tax expense attributable to:				
Owners of the Banking Group	98	168	(151)	115
Non-controlling interests	-	1	-	1
	98	169	(151)	116
Total gross loans	20,944	29,232	(135)	50,041
Total deposits	9,320	20,654	2,561	32,535
Year ended 30 September 2010 (Audited)				
Revenue from external customers[1]	1,773	3,318	(1,299)	3,792
Internal revenue	3	2	(5)	-
Total segment revenue	1,776	3,320	(1,304)	3,792
Profit before income tax expense	271	558	(411)	418
Income tax expense	(82)	(156)	106	(132)
Profit after income tax expense	189	402	(305)	286
Profit after income tax expense attributable to:				
Owners of the Banking Group	189	399	(305)	283
Non-controlling interests	-	3	-	3
	189	402	(305)	286
Total gross loans	20,995	29,811	(43)	50,763
Total deposits	9,410	21,066	1,990	32,466

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

Notes to the financial statements

Note 12 Securitisation, funds management and other fiduciary activities

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

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

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

Risk management

Since 31 December 2010, there has been no material change in the Banking Group's risk management framework which has been put in place to help minimise the possibility that any difficulties arising from the above activities would impact adversely on the Banking Group.

Furthermore, during the six months ended 31 March 2011:

- financial services provided by any member of the Banking Group to entities which conduct the trust, custodial, securitisation, funds management and other fiduciary activities, or on whose behalf insurance products are marketed or distributed, have been provided on arm's length terms and conditions and at fair value; and
- assets purchased by any member of the Banking Group from entities which conduct the trust, custodial, securitisation, funds management and other fiduciary activities specified above, or on whose behalf insurance products are marketed or distributed, have been purchased on arm's length terms and conditions and at fair value.

Note 13 Insurance business

The Banking Group does not conduct any insurance business (as that term is defined in the Order).

Note 14 Capital adequacy

The information contained in this note has been derived in accordance with the Banking Group's conditions of registration which relate to capital adequacy and the document 'Capital adequacy framework (internal models based approach)' (BS2B) issued by the Reserve Bank.

The Banking Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Banking Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Reserve Bank in supervising the Banking Group.

During the six months ended 31 March 2011 the Banking Group complied in full with all its externally imposed capital requirements.

Summary of ICAAP

The Banking Group's Internal Capital Adequacy Assessment Process ('**ICAAP**') outlines the Banking Group's approach to ensuring it has sufficient available capital to meet minimum capital requirements, even under stressed scenarios. The Reserve Bank document 'Guidelines on a Bank's Internal Capital Adequacy Assessment Process (ICAAP)' (BS12) reinforces this internal discipline by incorporating a specific requirement that the board of a New Zealand incorporated bank has a duty to ensure that capital held by the bank is commensurate with the level and extent of its risks.

The Banking Group's ICAAP is founded on the core principle that its target level of capital is directly related to its risk appetite and corresponding risk profile. The connection between these two concepts is provided by economic capital. The economic capital requirement is calibrated to the Banking Group's target senior debt rating, which is one of the key parameters defined in the risk appetite statement. In addition to the economic capital based principles outlined above, the ICAAP also takes account of stress testing, minimum prudential capital ratios, thin capitalisation requirements and peer group comparatives.

Banking Group capital summary

	31 March 2011 Unaudited $m
Tier One Capital	
Paid up share capital	3,470
Revenue and similar reserves[1]	544
Current period's retained profits	189
Non-controlling interests	6
Less deductions from Tier One Capital	
Goodwill	(477)
Other intangible assets	(81)
Cash flow hedge reserve	28
Deferred tax assets deduction	(105)
Expected loss excess over eligible allowance	(25)
Total Tier One Capital	3,549
Tier Two Capital	
Upper Tier Two Capital	
Perpetual subordinated notes	970
B Voting shares	-
Total Upper – Tier Two Capital	970
Less deductions from Tier Two Capital	
Expected loss excess over eligible allowance	(25)
Lower Tier Two Capital	-
Total Tier Two Capital	945
Total Capital	4,494

1 Revenue and similar reserves consist of cash flow hedge reserve, available-for-sale securities reserve and prior periods' retained profits (refer to page 16).

Note 14 Capital adequacy (continued)

Capital structure

Ordinary shares

In accordance with the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B) ordinary share capital is classified as Tier One Capital.

Each ordinary share in the Bank confers on its holder the rights described in section 36 of the Companies Act 1993, i.e. subject to the constitution of the Bank, each share carries the right to one vote on a poll at a meeting of shareholders, the right to an equal share in dividends authorised by the Board and the right to an equal share in the distribution of the surplus assets of the Bank in the event of liquidation. The Board may authorise a dividend which is of a greater value per share for some shares than it is for others, so long as the amount paid is in proportion to the amount paid up on the shares.

B Voting shares

There are 20,000 B Voting shares on issue as at 31 March 2011 (31 March 2010: 20,000, 30 September 2010: 20,000) with a par value of $0.02 million (31 March 2010: $0.02 million, 30 September 2010: $0.02 million).

The B Voting shares are classified as Upper Tier Two Capital. The holder of each B Voting share is entitled to cast 31,250 votes at (which, as at the date of issue, carried an entitlement to 20% of the voting rights entitled to be cast on a poll at a meeting of shareholders of the Bank). No dividends are payable on B Voting shares. In the event of liquidation of the Bank, a holder of a B Voting share is entitled to receive the amount of the issue price of each B Voting share held, and in priority to amounts paid to holders of ordinary shares, but is not entitled to any further amount of any surplus assets.

Perpetual subordinated notes

Perpetual subordinated notes have been issued to Westpac New Zealand Group Limited and constitute Upper Tier Two Capital of the Banking Group. The notes have no final maturity date, but may be redeemed at par only at the option of the Bank. The notes pay quarterly distributions provided that at the time payment is made the Bank will be solvent immediately after payment. The notes are direct and unsecured obligations of the Bank and are subordinated to the claims of all creditors (including depositors) of the Bank other than those creditors whose claims against the Bank are expressed to rank equally with or after the claims of the note holder.

Priority of financial liabilities in the event of liquidation

In the unlikely event that the Bank was put into liquidation or ceased to trade, claims of secured creditors and those creditors set out in the Seventh Schedule of the Companies Act 1993 would rank ahead of the claims of unsecured creditors. Deposits from customers are unsecured and rank equally with other unsecured liabilities of the Bank, and such liabilities rank ahead of any subordinated instruments issued by the Bank.

Reserves

Available-for-sale securities reserve

The available-for-sale securities reserve comprises the changes in the fair value of available-for-sale securities, net of tax. These changes are recognised in the income statement as other income when the asset is either derecognised or impaired.

Cash flow hedge reserve

The cash flow hedge reserve comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

Basel II

The Basel II Framework is built on three mutually reinforcing pillars. Pillar 1 sets out the mechanics for minimum capital adequacy requirements for credit, traded market and operational risks. Pillar 2 relates to the internal assessment of capital adequacy and the supervisory review process. Pillar 3 deals with market disclosure and market discipline.

The table below is disclosed in accordance with Clause 15 of Schedule 11 to the Order and represents the capital adequacy calculation based on the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B).

	The Banking Group	
	31 March 2011 Unaudited %	31 March 2010 Unaudited %
Capital adequacy ratios		
Tier One Capital ratio	**10.3**	9.5
Total Capital ratio	**13.0**	12.4
Reserve Bank minimum ratios		
Tier One Capital ratio[1]	**4.0**	4.0
Total Capital ratio	**8.0**	8.0

1 Locally incorporated registered banks having the benefit of the Wholesale Funding Guarantee Facility are required to maintain an additional 2% Tier One Capital ratio buffer. Further information about the Wholesale Guarantee is included in the Bank's General Disclosure Statement for the year ended 30 September 2010.

Banking Group Pillar I total capital requirement

	The Banking Group					
	As at 31 March 2011 (Unaudited)			As at 31 March 2010 (Unaudited)		
	Total Exposure After Credit Risk Mitigation $m	**Risk-weighted Exposure or Implied Risk-weighted Exposure $m**	**Total Capital Requirement $m**	Total Exposure After Credit Risk Mitigation $m	Risk-weighted Exposure or Implied Risk-weighted Exposure $m	Total Capital Requirement $m
Total credit risk	**66,762**	**30,115**	**2,409**	66,349	28,621	2,288
Operational risk	**N/A**	**3,415**	**273**	N/A	3,128	250
Market risk	**N/A**	**1,084**	**86**	N/A	1,037	82
Supervisory adjustment	**N/A**	**-**	**-**	N/A	1,577	126
Total	**66,762**	**34,614**	**2,768**	66,349	34,363	2,746

Note 14 Capital adequacy (continued)

Pillar II capital for other material risk

The Banking Group's ICAAP identifies and measures all 'other material risk', which is a combination of business risk, liquidity risk and other asset risk. These risks are defined as:

- Business risk – reflects the risk associated with the vulnerability of a line of business to changes in the business environment.
- Liquidity risk – is the potential inability to meet payment obligations as they come due, without incurring unacceptable losses.
- Other asset risk – reflects the strategic risk associated with the composition of the balance sheet that is not reflected in other risk categories.

The Banking Group's internal capital allocation for 'other material risk' is:

	The Banking Group	
	31 March 2011 Unaudited $m	31 March 2010 Unaudited $m
Internal capital allocation		
Other material risk	**340**	349

Basel I

The table below is disclosed in accordance with Clause 16 of Schedule 11 to the Order and represents the capital adequacy calculation based on the Basel I Capital adequacy framework.

For the purposes of calculating the capital adequacy ratios for the Bank, wholly-owned and wholly-funded subsidiaries of the Banking Group are consolidated with the Bank. In this context, wholly-funded by the Bank means there are no liabilities (including off-balance sheet obligations) to anyone other than the Bank, the Inland Revenue or trade creditors, where aggregate exposure to trade creditors does not exceed 5% of the subsidiary's shareholders' equity. Wholly-owned by the Bank means that all equity issued by the subsidiary is held by the Bank.

	The Bank	
	31 March 2011 Unaudited %	31 March 2010 Unaudited %
Capital adequacy ratios		
Tier One Capital ratio	**7.7**	7.3
Total Capital ratio	**9.8**	9.5

Ultimate Parent Bank Group Basel II capital adequacy ratios

Basel II

	31 March 2011 Unaudited %	31 March 2010 Unaudited %
Ultimate Parent Bank Group[1]		
Tier One Capital ratio	**9.5**	8.6
Total Capital ratio	**11.0**	10.8
Ultimate Parent Bank (Extended Licensed Entity)[1,2]		
Tier One Capital ratio	**9.5**	8.9
Total Capital ratio	**11.3**	11.4

1 The capital ratios represent information mandated by Australian Prudential Regulation Authority ('**APRA**').
2 The capital ratios of the Ultimate Parent Bank (Extended Licensed Entity) are publicly available in the Ultimate Parent Bank Group's Basel II Pillar 3 report.

Basel II came into effect on 1 January 2008. The Ultimate Parent Bank Group is accredited by APRA to apply the Advanced Internal Ratings Based ('**Advanced IRB**') 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 Basel II (internal models based) approach. With this accreditation the Ultimate Parent Bank 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 Ultimate Parent Bank's website (www.westpac.com.au). The aim is to allow the market to better assess the Ultimate Parent Bank Group's risk and reward assessment process and hence increase the scrutiny of these processes.

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

Note 15 Risk management

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

15.1 Operational risk

The Banking Group's operational risk capital requirement

	The Banking Group	
	31 March 2011 (Unaudited)	
	Implied Risk-weighted Exposure $m	Total Operational Risk Capital Requirement $m
Methodology implemented		
Advanced measurement approach		
Operational risk	3,415	273

15.2 Credit risk

Credit risk mitigation

Risk reduction by way of current account set-offs is recognised for exposures to creditworthy customers domiciled in New Zealand only. Customers are required to enter into formal agreements giving the Banking Group the unfettered right to set-off gross credit and debit balances in their nominated accounts to determine the Bank's net exposure within New Zealand. Cross-border set-offs are not permitted.

Payment and close-out netting is undertaken for off-balance sheet financial market transactions with counterparties with whom the Banking Group has entered into legally enforceable master dealing agreements which allow such netting in specified jurisdictions. Payment netting allows the Bank to net settlements on any day to reduce cash flow exchanges between counterparties. Close-out netting effectively aggregates pre-settlement risk exposure at the time of default, thus reducing overall exposure.

The Banking Group also takes collateral where it is considered necessary to mitigate credit risk and evaluates each customer's credit risk on a case-by-case basis. The amount of collateral taken is based on management's credit evaluation of the counterparty. The collateral taken may vary, but could include cash deposits, receivables, inventory, plant and equipment, real estate and/or investments.

The Banking Group has not obtained any financial or non-financial assets by taking possession of collateral it holds as security or calling on other credit enhancements.

The Banking Group includes the effect of credit risk mitigation through eligible guarantees within the calculation applied to Loss Given Default. The value of the guarantee is not separately recorded, and therefore not available for disclosure, as required under Clause 7 of Schedule 11 to the Order.

Definitions of PD, LGD, EAD and TCE

(i) Probability of Default ('PD')
PD is a through the cycle assessment of the likelihood of a customer defaulting on its financial obligations within one year.

(ii) Loss Given Default ('LGD')
LGD represents an estimate of the expected severity of a loss to the Banking Group should a customer default occur during an economic downturn.

(iii) Exposure at Default ('EAD')
EAD represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default.

(iv) Total Committed Exposure ('TCE')
TCE represents the sum of on- and off-balance sheet exposures.

Note 15 Risk management (continued)

The Banking Group's credit risk exposures by asset class as at 31 March 2011 (Unaudited)

PD Band (%)	TCE $m	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
Residential mortgages							
0.00 to 0.10	-	-	-	-	-	-	-
0.10 to 0.25	2,198	1,903	-	22	8	162	13
0.25 to 1.0	18,526	17,759	1	22	19	3,441	275
1.0 to 2.5	14,466	14,117	1	22	36	5,044	404
2.5 to 10.0	4,018	3,972	5	22	69	2,734	219
10.0 to 99.99	-	-	-	-	-	-	-
Default	742	737	100	22	194	1,430	114
Total	39,950	38,488	3	22	33	12,811	1,025
Other retail (credit cards, personal loans, personal overdrafts)							
0.00 to 0.10	-	-	-	-	-	-	-
0.10 to 0.25	640	432	-	41	14	60	5
0.25 to 1.0	1,787	1,055	-	63	40	417	33
1.0 to 2.5	1,275	1,109	2	67	94	1,040	83
2.5 to 10.0	342	333	5	82	129	431	34
10.0 to 99.99	250	249	20	69	151	377	30
Default	37	32	100	67	380	120	10
Total	4,331	3,210	4	64	76	2,445	195
Small business							
0.00 to 0.10	-	-	-	-	-	-	-
0.10 to 0.25	265	192	-	74	26	50	4
0.25 to 1.0	728	724	1	23	22	160	13
1.0 to 2.5	-	-	-	-	-	-	-
2.5 to 10.0	2,011	1,979	3	20	29	579	46
10.0 to 99.99	43	44	20	26	60	27	2
Default	153	154	100	24	280	428	35
Total	3,200	3,093	8	24	40	1,244	100

PD Grade	TCE $m	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
Banking Group – Corporate							
AAA	-	-	-	-	-	-	-
AA	11	11	-	48	14	1	-
A	73	73	-	60	29	22	2
BBB	450	450	-	55	53	237	19
BB	1,104	1,104	1	47	99	1,089	87
B	58	58	3	65	177	103	8
Other	258	258	26	58	313	807	65
Default	160	248	100	48	115	284	22
Total	2,114	2,202	15	51	115	2,543	203
Business lending							
AAA	-	-	-	-	-	-	-
AA	10	10	-	60	22	2	-
A	90	90	-	59	32	29	2
BBB	833	833	-	36	29	239	19
BB	5,879	5,879	2	29	57	3,353	268
B	180	180	3	32	74	133	11
Other	830	830	21	34	147	1,218	97
Default	145	145	100	50	241	348	29
Total	7,967	7,967	5	31	67	5,322	426

Note 15 Risk management (continued)

PD Grade	TCE $m	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
Sovereign							
AAA	2,440	2,440	-	5	1	14	1
AA	-	-	-	-	-	-	-
A	474	474	-	16	7	34	3
BBB	176	176	-	20	11	19	1
BB	193	193	2	35	18	34	3
B	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-
Total	3,283	3,283	-	9	3	101	8
Bank							
AAA	-	-	-	-	-	-	-
AA	1,690	1,690	-	60	15	253	20
A	80	80	-	60	16	13	1
BBB	-	-	-	-	-	-	-
BB	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-
Total	1,770	1,770	-	60	15	266	21

	TCE $m	EAD $m	Average PD %	Average LGD %	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
Equity							
Equity holdings (not deducted from capital) that are publicly traded	40	40	-	-	300	120	10
All other equity holdings (not deducted from capital)	-	-	-	-	-	-	-

The following table summarises the Banking Group's credit risk exposures by asset class arising from undrawn commitments and other off-balance sheet exposures. These amounts are included in the previous tables.

	Undrawn Commitments and Other Off-balance Sheet Amounts		Market Related Contracts	
	Value $m	EAD $m	Value $m	EAD $m
Residential mortgages	5,647	4,183	-	-
Other retail (Credit cards, personal loans, personal overdrafts)	2,632	1,515	-	-
Small business	980	872	-	-
Corporate	617	617	-	-
Business lending	1,203	1,203	-	-
Sovereign	388	388	-	-
Bank	-	-	-	-
Total	11,467	8,778	-	-

The Banking Group's Specialised Lending: Project and property finance credit risk exposures as at 31 March 2011 (Unaudited)

Supervisory slotting grade	TCE $m	EAD $m	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
Strong	917	917	70	642	51
Good	1,503	1,503	90	1,353	108
Satisfactory	769	769	115	884	71
Weak	568	568	250	1,420	114
Default	350	350	-	-	-
Total	4,107	4,107	105	4,299	344

Note 15 Risk management (continued)

The following table summarises the Banking Group's Specialised Lending: Project and property finance credit risk exposures arising from undrawn commitments and other off-balance sheet exposures. These amounts are included in the above table.

	EAD $m	Average Risk Weight %	Risk-weighted Assets (scaled) $m	Required Regulatory Capital $m
Undrawn commitments and other off-balance sheet amounts	219	103	226	18

The Banking Group's credit risk exposures subject to the standardised approach as at 31 March 2011 (Unaudited)

	TCE $m	EAD $m	Average Risk Weight %	Risk-weighted Exposure $m	Required Regulatory Capital $m
Property, plant and equipment and other assets	282	282	100	282	23
Related parties	1,848	1,848	27	504	40
Total on-balance sheet exposures	2,130	2,130	37	786	63
	Total Principal Amount $m	**Credit Equivalent Amount $m**	**Average Risk Weight %**	**Risk-weighted Exposure $m**	**Required Regulatory Capital $m**
Market related contracts subject to the standardised approach					
Foreign exchange contracts	14,855	447	20	89	7
Interest rate contracts	45,430	167	20	34	3
Total market related contracts subject to the standardised approach	60,285	614	20	123	10
Total credit risk exposures subject to the standardised approach				909	73
After adjustment for scalar[1]				964	77

1 As disclosed in the Conditions of Registration, the value of the scalar used in determining the minimum capital requirement (Required Regulatory Capital) is 1.06. The full details of the Conditions of Registration are included on page 2.

The Banking Group's residential mortgages by loan-to-value ratio ('LVR') as at 31 March 2011 (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 bank 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 as required under Clause 4 of Schedule 11 to the Order. For these loans, the Bank utilises its dynamic LVR process to calculate an origination LVR. Exposures for which no LVR is available have been included in the 90% plus category in accordance with the requirements of the Order.

LVR range	Does not Exceed 60%	Exceeds 60% and not 70%	Exceeds 70% and not 80%	Exceeds 80% and not 90%	Exceeds 90%	Total
On-balance sheet exposures	12,754	5,590	7,657	5,188	3,114	34,303
Undrawn commitments and other off-balance sheet exposures (as disclosed on page 32)	3,498	817	791	335	206	5,647
Value of exposures ($m)	16,252	6,407	8,448	5,523	3,320	39,950

The Banking Group's reconciliation of residential mortgage-related amounts

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

	The Banking Group 31 March 2011 Unaudited $m
Term loans – Housing (as disclosed in Note 5) and Residential mortgages – total gross loans (as disclosed in Note 6)	34,472
Reconciling items:	
Fair value hedge adjustments	(169)
Value of undrawn commitments and other off-balance sheet amounts relating to residential mortgages	5,647
Residential mortgages by loan-to-value ratio	39,950

15.3 Market risk

Market risk notional capital charges

The Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B) and is calculated on a six monthly basis. The end-of-period aggregate market risk exposure is calculated from the period end balance sheet information. The peak end-of-day exposure is derived by taking the largest daily internal risk measure (Value-at-Risk ('**VaR**')) during the six-month period, comparing this to the current and previous period end VaRs and calculating the peak risk by using the ratio of the peak to the period ends. This method is approximate only as the two methods differ in the assumed repricing characteristics of the balance sheet. For each category of market risk, the Banking Group's peak end-of-day capital charge is the aggregate capital charge for that category of market risk derived in accordance with the Reserve Bank document 'Capital adequacy framework (internal models based approach)' (BS2B).

Note 15 Risk management (continued)

The following table provides a summary of the Banking Group's capital charges by risk type as at balance date and the peak end-of-day capital charges by risk type for the six months ended 31 March 2011:

	The Banking Group	
	31 March 2011 (Unaudited)	
	Implied Risk-weighted Exposure $m	Aggregate Capital Charge $m
End-of-period		
Interest rate risk	1,000	80
Foreign currency risk	42	3
Equity risk	42	3
Peak end-of-day		
Interest rate risk	1,388	111
Foreign currency risk	45	4
Equity risk	45	4

15.4 Interest rate sensitivity

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

The following table presents a breakdown of the earlier of the contractual repricing or maturity dates of the Banking Group's net asset position as at 31 March 2011. The Banking Group uses this contractual repricing information as a base which is then altered to take account of consumer behaviour to manage its interest rate risk.

	The Banking Group						
	31 March 2011 (Unaudited)						
	Up to 3 Months $m	Over 3 Months and Up to 6 Months $m	Over 6 Months and Up to 1 Year $m	Over 1 Year and Up to 2 Years $m	Over 2 Years $m	Non-interest Bearing $m	Total $m
Financial assets							
Cash and balances with central banks	399	-	-	-	-	151	550
Due from other financial institutions	3	-	-	-	-	-	3
Derivative financial instruments	-	-	-	-	-	27	27
Trading securities	3,115	359	120	-	-	-	3,594
Available-for-sale securities	-	-	-	-	534	42	576
Loans	31,240	3,938	6,057	7,190	2,314	(765)	49,974
Due from related entities	1,800	-	-	-	-	-	1,800
Other assets	-	-	-	-	-	140	140
Total financial assets	36,557	4,297	6,177	7,190	2,848	(405)	56,664
Non-financial assets							1,031
Total assets							57,695
Financial liabilities							
Deposits at fair value	1,498	78	1	-	-	-	1,577
Deposits at amortised cost	19,800	4,776	2,758	886	649	2,723	31,592
Debt issues	8,873	719	308	2,614	4,552	-	17,066
Derivative financial instruments	-	-	-	-	-	7	7
Other liabilities	-	-	-	-	-	582	582
Perpetual subordinated notes	970	-	-	-	-	-	970
Due to related entities	357	-	-	-	-	1,226	1,583
Total financial liabilities	31,498	5,573	3,067	3,500	5,201	4,538	53,377
Non-financial liabilities							109
Total liabilities							53,486
Off-balance sheet financial instruments							
Net interest rate contracts (notional):							
Receivable/(payable)	(2,976)	5,012	(4,280)	(1,045)	3,289	-	-

Note 15 Risk management (continued)

15.5 Liquid assets

The table below shows the Banking Group's holding of liquid assets and represents the key liquidity information provided to management. Liquid assets include high quality assets (including cash, government securities, registered certificates of deposit issued by other banks and residential mortgage-backed securities) readily convertible to cash to meet the Banking Group's liquidity requirements. In management's opinion, liquidity is sufficient to meet the Banking Group's present requirements.

	The Banking Group
	31 March 2011 Unaudited $m
Cash	1,322
NZ Government securities	2,976
NZ corporate securities	1,765
Residential mortgage-backed securities	3,991
Total liquid assets	**10,054**

15.6 Liquidity analysis

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

	The Banking Group						
	31 March 2011 (Unaudited)						
	On Demand $m	Less Than 1 Month $m	Over 1 Month to 3 Months $m	Over 3 Months to 1 Year $m	Over 1 Year to 5 Years $m	Over 5 Years $m	Total $m
Financial assets							
Cash and balances with central banks	550	-	-	-	-	-	550
Due from other financial institutions	3	-	-	-	-	-	3
Derivative financial instruments:							
Held for trading	19	-	-	-	-	-	19
Held for hedging purpose (net settled)	-	-	2	(8)	4	14	12
Trading securities	-	759	2,415	485	-	-	3,659
Available-for-sale securities	-	1	5	23	156	646	831
Loans	3,546	4,331	2,660	4,708	18,727	48,364	82,336
Due from related entities:							
Non-derivative balances	1,800	-	-	-	-	-	1,800
Other assets	-	140	-	-	-	-	140
Total undiscounted financial assets	5,918	5,231	5,082	5,208	18,887	49,024	89,350
Financial liabilities							
Deposits at fair value	-	511	993	80	-	-	1,584
Deposits at amortised cost	14,553	1,854	6,347	7,828	1,692	-	32,274
Debt issues	-	2,408	2,998	4,287	6,995	1,566	18,254
Derivative financial instruments:							
Held for hedging purposes (net settled)	-	-	3	1	4	(3)	5
Other liabilities	-	582	-	-	-	-	582
Perpetual subordinated notes	-	-	-	-	-	970	970
Due to related entities:							
Non-derivative balances	391	-	-	-	-	-	391
Derivative financial instruments:							
Held for trading	161	-	-	-	-	-	161
Held for hedging purposes (net settled)	-	18	55	121	76	-	270
Held for hedging purposes (gross settled):							
Cash outflow	-	24	49	213	6,257	1,575	8,118
Cash inflow	-	-	(25)	(154)	(5,192)	(1,453)	(6,824)
Total undiscounted financial liabilities	15,105	5,397	10,420	12,376	9,832	2,655	55,785
Total contingent liabilities and commitments							
Commitments with certain drawdown	117	-	-	-	-	-	117
Other commitments to provide financial services which have an original maturity of one year or more	6,375	-	-	-	-	-	6,375
Other commitments of original maturity of less than one year or which can be unconditionally cancelled at any time	4,609	-	-	-	-	-	4,609
Total undiscounted contingent liabilities and commitments	11,101	-	-	-	-	-	11,101

Note 16 Concentration of funding

	The Banking Group
	31 March 2011 Unaudited $m
Funding consists of	
Deposits at fair value	1,577
Deposits at amortised cost	31,592
Debt issues[1]	17,066
Perpetual subordinated notes	970
Due to related entities	1,583
Total funding	52,788
Analysis of funding by product	
Certificates of deposit	1,482
Savings accounts	6,125
Demand deposits	3,939
Other deposits	3,381
Term deposits	18,242
Debt issues	17,066
Perpetual subordinated notes	970
Subtotal	51,205
Due to related entities	1,583
Total funding	52,788
Analysis of funding by geographical areas[1]	
New Zealand	36,699
Australia	1,245
United States of America	7,658
Other	7,186
Total funding	52,788
Analysis of funding by industry sector	
Accommodation, cafes and restaurants	126
Agriculture, forestry and fishing	1,389
Construction	342
Finance and insurance	21,639
Government, administration and defence	903
Manufacturing	685
Mining	79
Property	2,870
Services	2,880
Trade	803
Transport and storage	309
Utilities	224
Retail	17,956
Other	1,000
Subtotal	51,205
Due to related entities	1,583
Total funding	52,788

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

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

Note 17 Concentration of credit exposures

	The Banking Group 31 March 2011 Unaudited $m
On-balance sheet credit exposures consist of	
Cash and balances with central banks	550
Due from financial institutions	3
Derivative financial instruments	27
Trading securities	3,594
Available-for-sale securities	576
Loans	49,974
Due from related entities	1,800
Other assets	140
Total on-balance sheet credit exposures	56,664
Analysis of on-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	521
Agriculture	5,495
Construction	1,434
Finance and insurance	2,868
Forestry and fishing	143
Government, administration and defence	3,240
Manufacturing	1,284
Mining	66
Property	8,562
Property services and business services	1,569
Services	2,272
Trade	2,430
Transport and storage	773
Utilities	211
Retail lending	24,679
Other	58
Subtotal	55,605
Provisions for impairment charges on loans	(765)
Due from related entities	1,800
Other assets	24
Total on-balance sheet credit exposures	56,664
Off-balance sheet credit exposures	
Contingent liabilities and commitments	12,031
Total off-balance sheet credit exposures	12,031
Analysis of off-balance sheet credit exposures by industry sector	
Accommodation, cafes and restaurants	80
Agriculture	453
Construction	451
Finance and insurance	516
Forestry and fishing	56
Government, administration and defence	287
Manufacturing	485
Mining	14
Property services and business services	866
Trade	866
Transport and storage	109
Utilities	63
Retail lending	7,785
Total off-balance sheet credit exposures	12,031

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

Note 17 Concentration of credit exposures (continued)

Analysis of credit exposures to individual counterparties

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

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

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

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

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

The peak end-of-day aggregate credit exposure to each individual counterparty or a group of closely related counterparties has 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 by the Banking Group's equity as at the end of the period.

Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties exclude exposures to connected persons, 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 Banking Group and were calculated net of individually assessed provisions.

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Independent Auditors' Review Report

To the shareholders of Westpac New Zealand Limited

Report on the financial statements

We have reviewed pages 14 to 37 of the half year Disclosure Statement of Westpac New Zealand Limited (the "Bank") and the entities it controlled at 31 March 2011 or from time to time during the period (the "Banking Group"), which consists of the financial statements required by Clause 25 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2011 (the "Order") and the supplementary information required by Schedules 5, 7, 11, 13, 16 and 18 of the Order. The financial statements comprise the balance sheet as at 31 March 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and a statement of accounting policies and other explanatory information for the Banking Group.

Directors' Responsibility for the Financial Statements

The Directors of Westpac New Zealand Limited (the "Directors") are responsible for the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 25 of the Order and that present fairly the financial position of the Banking Group as at 31 March 2011, and its financial performance and cash flows for the period ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible for including supplementary information in the half year Disclosure Statement which fairly states the matters to which it relates in accordance with Schedules 3, 5, 7, 11, 13, 16 and 18 of the Order.

Reviewers' Responsibility

We are responsible for reviewing the financial statements and the supplementary information, disclosed in accordance with Clause 25, Schedules 5, 7, 11, 13, 16 and 18 of the Order and presented to us by the Directors.

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

We are responsible for reviewing the supplementary information (excluding the supplementary information relating to capital adequacy) in order to report to you whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 13, 16 and 18 of the Order.

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

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(a) prepared in accordance with the Bank's Conditions of Registration;

(b) prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and

(c) disclosed in accordance with Schedule 11 of the Order.

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

We have reviewed the financial statements of the Banking Group for the six months ended 31 March 2011 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

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

Opinion

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

(a) the financial statements on pages 14 to 37 (excluding the supplementary information), which have been prepared in all material respects in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting, do not present fairly the financial position of the Banking Group as at 31 March 2011 and its financial performance and cash flows for the six months ended on that date;

(b) the supplementary information prescribed by Schedules 5, 7, 13, 16 and 18 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and

(c) the supplementary information relating to capital adequacy prescribed by Schedule 11 of the Order, is not, in all material respects:

   (i) prepared in accordance with the Bank's Conditions of Registration;

   (ii) prepared in accordance with the Bank's internal models for credit risk and operational risk as accredited by the Reserve Bank of New Zealand; and

   (iii) disclosed in accordance with Schedule 11 of the Order.

Restriction on Distribution or Use

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

PricewaterhouseCoopers

16 May 2011

Chartered Accountants — Auckland

Westpac New Zealand Limited