We'll work together, so you don't have to work forever

Westpac New Zealand Staff Superannuation Scheme

2012 Annual Report

Highlights

A message from the Chairman

Welcome to this year's annual report for the Westpac New Zealand Staff Superannuation Scheme ("Scheme"). In between a volatile 12 months for the markets, a raft of legislative changes to KiwiSaver and other super schemes, and changes to the In-Tandem section of the Scheme, there was barely time to stop for a breather.

In last year's report, I mentioned that the coming 12 months were shaping up to be a rocky time, and that has certainly been the case. As you will know, Europe's debt crisis took centre stage and, with skittish investor sentiment, share markets swung back and forth between the positive and negative. Like most super schemes, our Scheme wasn't immune from these fluctuations as each of its portfolios holds some level of share investment.

The Scheme	12 months to 30 June 2012 (net of tax & investment manager fees)
High Growth Fund	-3.72%
Growth Fund	-0.75%
Moderate Balanced Fund	0.90%
Defensive Fund	3.11%
Defined Benefit	-0.88%

As you can see, the fund names above are slightly different this year. You'll find more details on page 5.

It is likely that the current tough investment environment will continue for some years. However, we're confident the Scheme's investments are well positioned to weather the storm. With the help of Mercer (the Scheme's investment consultant), we continue to keep a close eye on things and try and make sure our investments carry on delivering the best returns possible while remaining best suited to member needs.

On this note, the big news for In-Tandem is our new Cash Fund investment portfolio that will be available from 1 December 2012. The Scheme's fifth portfolio option means we can better cater to your investment needs, whatever life stage you're at or risk profile you are most comfortable with. More information will be available closer to the 1 December start date.

Several important changes to KiwiSaver and super schemes in general grabbed headlines during the year. As some of these changes could affect you, we have provided a summary of them on page 7, It is important that you fully understand the implications of these changes.

"Your super gives you a financial hand towards security for yourself and your family, now and in retirement."

I'd also encourage you to read this annual report thoroughly. It contains important information concerning your super which, for many of us, will be our single largest asset after our homes.

Finally, I'd like to take a moment to thank some of the Scheme's key supporters and advocates. A big thank you to Westpac for their continued support of the Scheme, and to my fellow Trustees for their ongoing commitment and hard work. I'd also like to recognise the great work the Scheme's providers do for us – for example, the Westpac People team and the Scheme's investment consultants, administrators, lawyers and insurers.

I hope you find this report an informative and interesting read. Please get in touch if you have any questions. I'd also love to hear any comments or suggestions you may have about the annual report and its content. You can contact me through the Scheme's secretary, whose contact details are available on page 22.

Bruce Kerr
Chairman

Scheme news
What's been happening this year?

Investment funds renamed

With effect from 1 July 2012, the names of the Scheme's four current investment funds were simplified to make it easier to identify each fund and, more specifically, its investment characteristics. The new names are:

Defensive Fund	Moderate Balanced Fund	Growth Fund	High Growth Fund
was previously	was previously	was previously	was previously
Capital Stable Fund - Defensive	Stable Balanced Fund - Moderate Balanced	Balanced Fund - Growth	Growth Fund - High Growth

While the names of the funds have changed, nothing else has, with the growth-to-defensive asset ratios, target asset allocations and objectives all remaining the same.

Enhancements to the Scheme's website

Further changes to the Scheme's website were rolled out during the year. Make sure you check out the following:

- The 'How long will I live?' calculator, which helps you estimate how long your retirement savings may need to last. You'll find this under the 'Planning tools' tab.
- The 'Understanding market volatility' webinar, which gives you a basic understanding of market volatility and how this relates to your super. You'll find this under the 'Multimedia' tab.
- The 'Understanding unit prices' webinar, which explains how unit pricing works within managed investment schemes like In-Tandem. You'll find this under the 'Multimedia' tab.

The website is also packed full of other useful tools to help you better understand and manage your super.

We're introducing a new investment fund

As mentioned earlier, the new Cash Fund will be added to the Scheme's investment options, effective from 1 December 2012, to give members greater investment choice. More information will be available closer to the 1 December start date.

New anti-money laundering and countering financing of terrorism laws

The Government's Anti-Money Laundering and Countering Financing of Terrorism Act 2009 is due to come into full force on 1 July 2013. Money laundering is how criminals disguise the illegal origins of their money. Financers of terrorism use similar techniques to money launderers to avoid detection by authorities and to protect the identity of those providing and receiving funds.

The legislation, which affects superannuation schemes such as the Scheme and KiwiSaver, will require you to provide a certified copy of photographic identification before any benefit can be paid.

You will be advised of these identification requirements at the time you take a benefit from the Scheme.

Hardship application form

As mentioned in last year's annual report, there is a new hardship application process in effect. If you are making a hardship application, please make sure you use the updated application form available on **www.westpacintandem.co.nz** in the 'Documents & forms' section or by calling the In-Tandem helpline **0508 INTANDEM** (0508 468 263) to have the form sent to you.

You can identify the new form because it now includes a statutory declaration section which must be signed by you and either a Justice of the Peace, solicitor, notary public or other person authorised to take a statutory declaration.

We're going green!

Did you know that New Zealanders use about 48,000 tonnes of paper every year?

This year, for the very first time, we've emailed the annual report to those of our members who have supplied us with their email addresses. We think it's a great step toward doing our piece for the environment, and reducing the amount of paper we use.

You can do your part by giving us your email address, if you haven't already. Aside from helping us to cut down the amount of paper we use to communicate with you, it also helps us to stay in touch so we can provide you with important information about the Scheme and your savings.

It's easy to do this – if you're an In-Tandem member, all you need to do is log on to the Scheme's website www.westpacintandem.co.nz. You'll need your member number, which you can find on your benefit statement, and your PIN. If you've forgotten this, simply call the Helpline on 0508 INTANDEM (0508 468 263). If you're not an In-Tandem member, or don't have access to the Scheme's website, you can also give us your email address by calling the Helpline.

Scheme news
Recent KiwiSaver changes may affect you

As you will be aware, a number of changes were made to KiwiSaver following the 2011 Budget announcement. If you are a member of both In-Tandem and a KiwiSaver scheme (either through In-Tandem's 'Combo' option or separate to this), you will need to consider carefully how these changes might affect you.

Important changes that came into effect during the year included:

- The maximum KiwiSaver member tax credit has been halved to approximately $521 per year.
- Westpac's contributions to KiwiSaver on your behalf are no longer exempt from tax (see the following section for more information).

In addition, changes to minimum KiwiSaver contribution rates (both your own and Westpac's) come into effect from 1 April 2013. We've summarised these opposite so you can see exactly how they will affect you. Again, we encourage you to take a look at your current arrangements in relation to this.

What's the Combo Option? The Combo option is available for all members of In-Tandem. The Combo option allows you to divert a portion of your own contributions and any contributions Westpac makes on your behalf to KiwiSaver, while the remainder continue to be directed to your In-Tandem account. This way, you get the benefit of both KiwiSaver and In-Tandem. For more information on the Combo Option call the In-Tandem Helpline on **0508 468 263.**

How will these changes affect you?

1 Your own contributions

Your minimum employee contributions to KiwiSaver will increase from 2% to 3% of your gross salary.

Who is affected?	Big picture What this means for you	The finer points
Members of the **Combo Option**	Your overall employee contribution rate will **stay the same**	However, from 1 April 2013 an additional 1% will go to KiwiSaver while your contribution to In-Tandem will decrease by 1%*
Members of In-Tandem and KiwiSaver **not using the Combo option**	Your employee contribution rate will **increase by 1%***	Your contributions to In-Tandem will remain the same, but from 1 April 2013 your additional contributions to KiwiSaver will increase by 1%*

* This only applies if you are contributing at the minimum rate of 2% of your salary to KiwiSaver. If you are contributing to KiwiSaver at a higher rate (i.e. 4% or 8% of your salary), your contributions to KiwiSaver will remain unchanged.

2 Westpac's contributions on your behalf

Minimum employer contributions to KiwiSaver on your behalf will increase from 2% to 3% of your gross salary.

Who is affected?	Big picture What this means for you	The finer points
Members of the **Combo Option** (excluding pre-management employees with less than two years' service)	Westpac's total contribution on your behalf will **stay the same.**	However, from 1 April 2013 an additional 1% of Westpac's contribution on your behalf will go to KiwiSaver while its contribution to In-Tandem will decrease by 1%.
Members of In-Tandem and KiwiSaver **not using the Combo option** (excluding pre-management employees with less than two years' service)	Westpac's total contribution to In-Tandem on your behalf will **stay the same**	Remember, if you're not using the Combo option, Westpac does not contribute to KiwiSaver on your behalf. Instead, all its contribution on your behalf goes to the Scheme.
Members of In-Tandem and KiwiSaver who are **pre-management employees with less than two years' service**	Westpac's total contribution to KiwiSaver on your behalf **will increase by 1%.**	From 1 April 2013 Westpac's contribution to KiwiSaver on your behalf will increase from 2% of salary to 3% of salary in line with set KiwiSaver minimums.

Employer contributions are now subject to tax

You may have noticed a reduction in the value of employer contributions being applied to your KiwiSaver account. This is because, since 1 April 2012, as already happens to the Bank's contributions to In-Tandem on your behalf, Employer Superannuation Contribution Tax (ESCT) has been deducted from employer contributions to KiwiSaver. The rate of taxation is based on this table.

Income & employer contributions in previous tax year[1]	ESCT deducted from employer contributions to your KiwiSaver Scheme
$16,800 or less	10.5%
$16,801 - $57,600	17.5%
$57,601 - $84,000	30.0%
$84,001 or more	33.0%

1 If you were not employed by your employer for all of the previous tax year, this calculation will be based on an estimate of those amounts during the current tax year.

Your Trustees
The faces behind the Scheme's management

At 30 June 2012 the Trustees of the Scheme were:

Richard Trounson
Director, Private Wealth & Insurance

Bruce Kerr
Independent Chairman of Trustees
Executive Director, Workplace Savings NZ – the voice of workplace super

Gai McGrath
General Manager of Retail Banking

Marc Proctor
Northern Region Area Manager – Investment Advisory Service

Ian New
Chief Actuary

As at 30 June 2012 David Watts was also a Trustee of the Scheme, however following year end, he resigned as a Trustee.

Changes among the Trustees

We'd like to welcome our three newest Trustees, who were appointed during the year.

Richard Trounson, elected 13 February 2012

Richard is an Authorised Financial Adviser in the Westpac Private Wealth Management team. He has 26 years' experience in the New Zealand financial markets through a variety of sales and risk management roles at Barclays/BZW, BNZ, BT/Deutsche and Westpac Institutional Bank. Richard is a member of INFINZ and the Institute of Directors, as well as being a qualified secondary school teacher.

Gai McGrath, appointed 26 March 2012

Gai is the General Manager, Retail Bank, Westpac New Zealand reporting to the Chief Executive and a member of the Executive Team. She leads over 2,200 staff across 208 branches and is responsible for all retail banking products as well as operational and sales and service teams. Prior to moving to Westpac New Zealand in late 2010, she was the General Manager, Customer Service for Westpac's BT Financial Group in Australia. Gai has over 10 years' experience as a director on the corporate trustee of some of Australia's largest superannuation and investment funds, and was also a lawyer for 20 years.

Ian New, appointed 19 June 2012

Ian is Chief Actuary, Westpac New Zealand and a member of the Westpac Private, Wealth and Insurance Leadership team. Ian is the Appointed Actuary to Westpac Life-NZ-Limited and a director of BT Funds Management (NZ) Limited. A graduate of London University, Ian has 28 years' experience in the life insurance and funds management sectors, including the UK and New Zealand. Ian is a Fellow of the NZ Society of Actuaries and has previously served as President of that organisation.

Trustee resignations

Lyn McMorran, Cameron Howell and Jo Avenell resigned as Trustees during the year. We'd like to thank them for their hard work and dedication to the smooth running and success of the Scheme during their time as Trustees, and wish them the very best for the future.

It's all about our members
What the Scheme means for some members

"What's not to like? I don't see the money leaving my bank account, and yet I have this growing nest egg."

Andrew Skilton

Private Adviser, Wellington. Scheme member since 1997.

Andrew joined the Scheme as soon as he was eligible and has been a member ever since. He likes the idea of building up his long-term savings by making small sacrifices in his salary and having Westpac also contribute on his behalf.

For Andrew, at this point in his life, the Scheme symbolises security for his family (through both insurance cover and his savings). As time progresses, he says the Scheme will become "an increasingly important cog in my retirement planning wheel".

Andrew has already given a lot of thought to his retirement, and says he now has a good sense of how much he'll need and what it will take to get there.

By the time he retires, he hopes to have the financial freedom to live in comfort doing the things he enjoys doing at the moment.

"I didn't even think about not joining, as I know how much of a help it was when I left the first time to have a family."

Barbara Lewis

Branch Manager, Wanaka. Scheme member since 1998.

While Barbara has been a member of the Westpac Scheme since 1998, her super membership dates back even further than that – she was a member of the Trust Bank superannuation scheme back in 1981. When she was able to re-join as part of the Westpac Scheme, she says she didn't stop to consider it.

Since then, her retirement savings have been steadily building up. Now she's a member of both KiwiSaver and In-Tandem through the 'Combo' option and says that being able to choose how her own and Westpac's contributions are split has been a big help.

Barbara says she is glad she has superannuation savings as without it she wouldn't have any long-term savings. And her savings will certainly come in handy, as she has some pretty big plans for her retirement – travelling the world.

"The Scheme also helps take away the temptation to save less now in favour of unnecessary indulgences."

Gareth Brown

Market Risk Manager, Auckland. Scheme member since 2012.

Gareth is one of our newer Scheme members, having only been a member of the Scheme for six months. He was a member of a pension scheme in the UK, and had always planned on joining a similar scheme upon starting employment in New Zealand.

Gareth says he values the generous employer contribution rate and good selection of investment strategies available to him as a member of the Scheme.

Retirement is something Gareth has begun to think more about as he approaches the big 4-0. By the time he retires, he aims to have enough money to cover "the necessary expenditures plus a few holidays and a few rounds of golf every now and again!" He sees the Scheme as the perfect tool to help him reach this goal.

The testimonials above reflect the views of the individuals and not the Trustees nor any party associated with the Scheme. It is not intended as financial advice or a recommendation. It is recommended that you read the Investment Statement and take financial advice before making any investment decisions.

Scheme investments
Market report

Against the backdrop of global political and financial shocks, the 2011/2012 Scheme year was a roller coaster ride for investors. Investors were initially unnerved by financial uncertainty about Greece and other European countries, and the first-ever US credit rating downgrade. There was some relief late in the year as Europe started to get to grips with its sovereign debt and banking woes and with signs of improvement in the US economy, but unfortunately this proved short-lived.

Share markets plunged once more in the final two months of the Scheme year following an inconclusive election in Greece and banking problems in Spain. Elsewhere, mixed economic data from the US and a continuing slowing of the Chinese economy all contributed to the downturn.

New Zealand bonds

Demand for New Zealand bonds remained solid and constant for most of the year, as ongoing concerns about the European debt crisis kept investors nervous. Despite a credit rating downgrade in September, New Zealand's economy is viewed as a relatively "safe zone", making the sector particularly attractive to those investors looking for a low-risk option. As a result, this sector was the Scheme's standout performer for the year.

Australasian shares

Australasian shares broadly followed the trend of international shares, though not quite to the same extremes as their international counterparts. The New Zealand market held up relatively well and emerged as one of the better performing markets over the year. However, in Australia, mining and resource stocks struggled, caught by fears of a slowdown in China, a strong Australian dollar and the softening domestic economy.

International bonds

International bonds benefitted from investor unease about Europe's debt crisis and an eagerness for the perceived safety that bonds can offer, which pushed prices up. However, the sector did flatten slightly in the third quarter when investor concerns about the debt crisis eased temporarily, before a final boost at the end of the year as Europe's debt crisis flared up again.

International shares

Not surprisingly, given the events described above, international shares had a tough year. After falling sharply in the first three months, there were tentative signs of improvement during the second and third quarters following the eagerly awaited Greek bailout and an agreement by euro zone finance ministers to boost their rescue fund. The sector finished the Scheme year on a low, losing ground again on the possibility of Greece exiting the eurozone and Spain's troubled financial system.

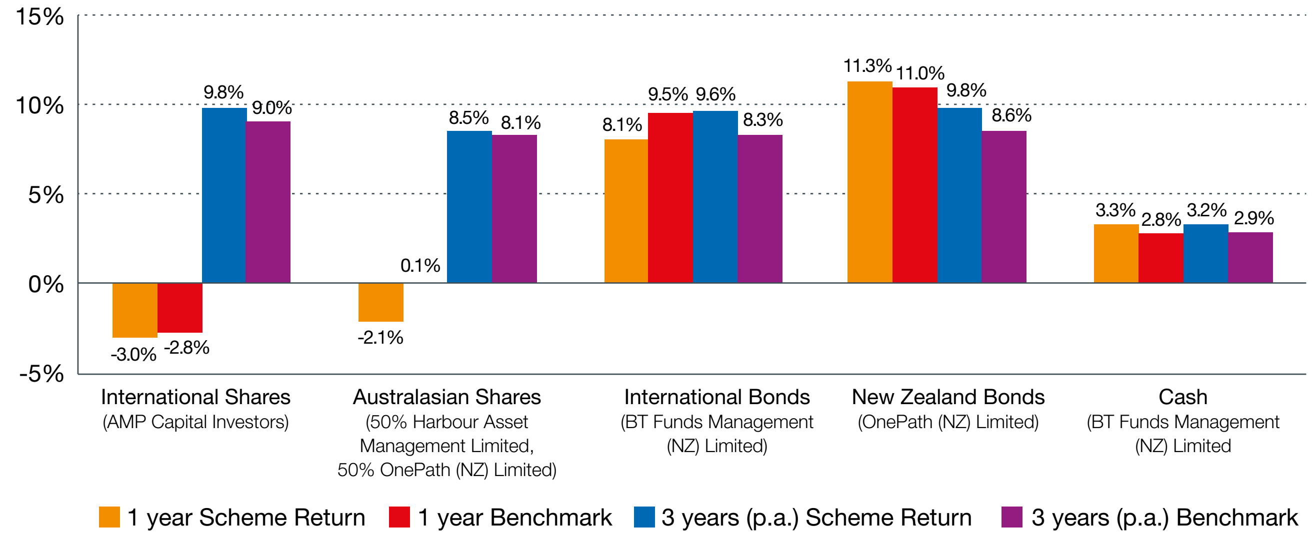
What's a bond? This is a debt security issued by a company or government for a defined period of time at a fixed interest rate. Bonds are used by companies and governments to finance a variety of projects and activities.

Cash

Cash posted a moderate return as the pace of the economic recovery fell short of expectations and the Reserve Bank left its official cash rate unchanged at 2.5%.

Scheme investments
The Scheme's performance

It's certainly been a tough grind for share markets this year. As the chart below shows, the Scheme's investments in international and Australasian shares posted negative returns for the year as a result of this challenging environment. Pleasingly, however, returns for all sectors over the three-year period remained positive.



So how did we go against the benchmarks?

As you can see, the majority of the Scheme's sectors performed broadly in line (1% either way) with the benchmarks for the year. The exception to this was Australasian shares, which underperformed by 2.2%, and international bonds, which underperformed by 1.4%.

The underperformance of the Australasian shares sector reflects weak relative returns from one of the sector's investment managers, Harbour Asset Management Limited. This was due to its decision to invest in more "cyclical" stocks than "defensive" stocks which, over the past 12 months, impacted on the sector's overall performance. The Trustees are keeping a close eye on Harbour Asset Management Limited's ongoing performance.

While two of the underlying managers for the international bonds sector, Standish Mellon and Wellington, both contributed positively to the performance of the sector, one of the two Franklin Templeton strategies detracted from performance, and this was reflected in the sector's underperformance this year. Franklin Templeton's underperformance came during the September 2011 and June 2012 quarters, as currency positioning and exposure to higher yielding credits meant it wasn't able to take full advantage of the current risk-off environment (in 'risk-off' periods shares tend to fall while bonds, which are normally considered to be a safer option especially in volatile investment environments, tend to rise). In late 2011, Advance Asset Management (which operates the sector's multi manager approach) reallocated assets from the Franklin Templeton Global Aggregate Core strategy component of the portfolio to the other two core managers, Standish Mellon and Wellington. This change occurred as a result of the view held by Advance Asset Management that the strategy did not suit the current investment environment.

Keep your eye on the prize

It's important to keep in mind that superannuation is a long-term investment, and there will always be short-term fluctuations or underperformances. As you can see from the longer-term three-year period, our returns remain competitive and above benchmark for all sectors. The Trustees continue to monitor the performance of investment managers against their respective agreed performance targets to ensure they fully contribute to the overall investment performance of the Funds.

What's the difference between cyclical and defensive stocks?

Cyclical stocks typically relate to companies that sell 'non-essential' items that consumers can afford to buy during a booming economy, but cut back on in a recession. In this way these stocks are affected by ups and downs, or cycles, in the economy. Defensive stocks, on the other hand, relate to goods and services we can't live without – power and water, for example. These stocks are 'defended' from slumps in the economy to a certain extent, but don't produce quite such spectacular returns during booms in the economy.

What's a benchmark? This is the return that could have been earned by investing in an index for a particular asset class, for example, the NZX 50 for Australasian shares.

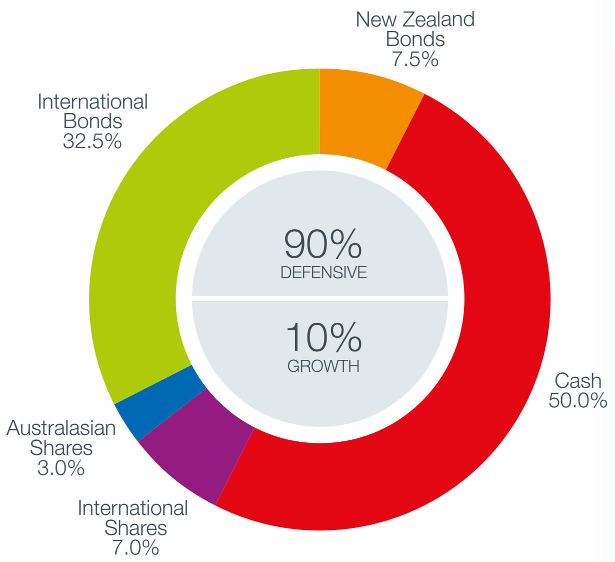
Scheme investments
Investment portfolios

Your superannuation savings are intended for your retirement and it's important you look at returns in relation to the longer-term targets set for each portfolio. The table below shows the make-up of each portfolio, its long-term objectives and its performance-compared goals. When looking at this table keep in mind that investment markets have been affected by some major downturns recently – for example, the 2007 sub-prime housing crisis, the 2008 global financial crisis and the 2011/2012 European sovereign debt crisis.

Make sure you check out the Scheme's website and the Investment Statement – you'll find a wealth of information to help you better understand your investments.

Defensive Fund

Generally most suitable where preservation of capital is more important than a higher long-term return.



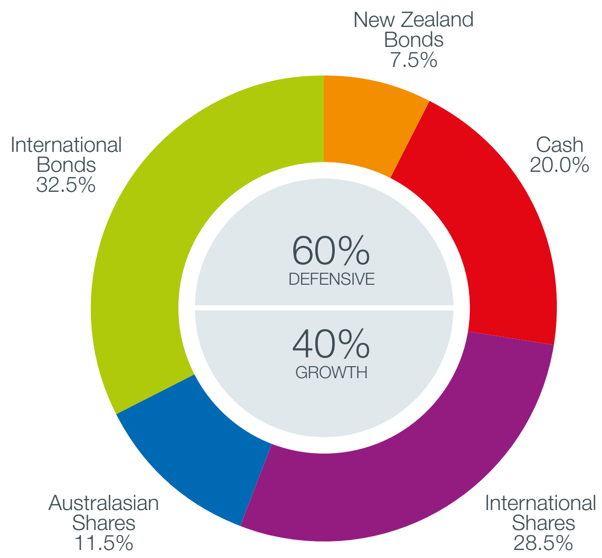
Level of risk*: Low

Performance to 30 June 2012

Return objective above increase in inflation (cpi)	2.0%
Period measured over*	5 years
Target return	4.7%
Actual return (after tax & investment expenses)	3.5% p.a. (over 5 year period)

Moderate Balanced Fund

Likely to suit **medium-term investments.** Can generally be expected to achieve higher long-term returns than the Defensive Fund, but more risk of a negative return in the shorter term.



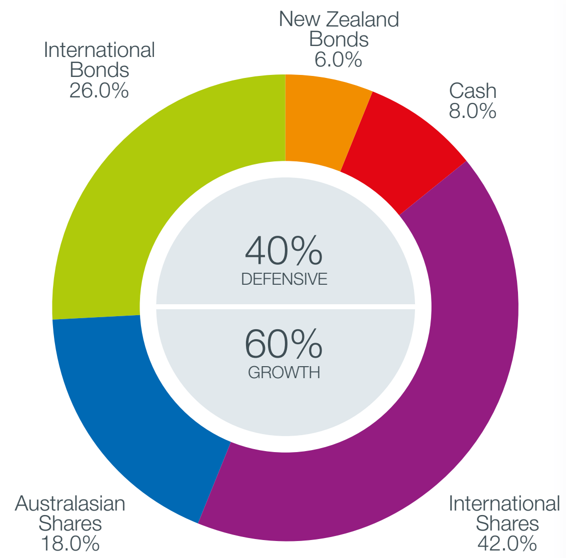
Level of risk*: Moderate

Performance to 30 June 2012

Return objective above increase in inflation (cpi)	2.5%
Period measured over*	10 years
Target return	5.1%
Actual return (after tax & investment expenses)	0.5% p.a.** (since inception)

Growth Fund & Defined Benefit Assets

Generally best suited to **medium to long-term investments.** Can generally be expected to achieve more moderate long-term returns than the High Growth Fund but with less risk of a negative return in the shorter term.



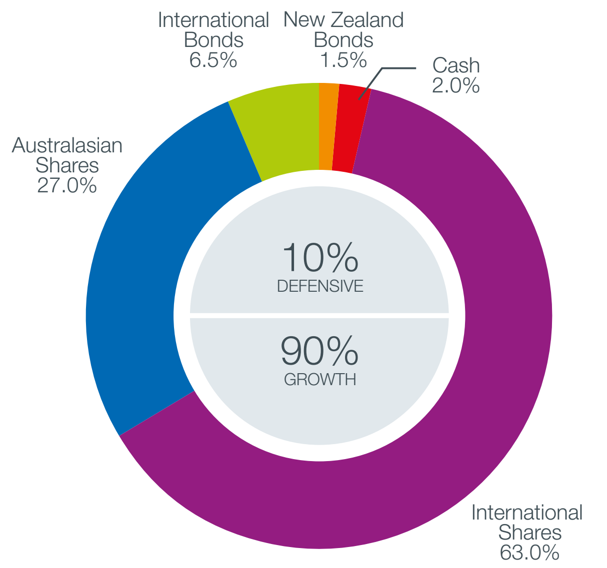
Level of risk*: Moderate to high

Performance to 30 June 2012

Return objective above increase in inflation (cpi)	3.5%***
Period measured over*	10 years***
Target return	6.1%***
Actual return (after tax & investment expenses)	2.9% p.a.*** (over 10 year period)

High Growth Fund

Likely to be suitable for **long-term investments**. Can generally be expected to achieve higher long-term returns compared with other portfolios, but also has the greatest risk of a negative return in the shorter term.



Level of risk*: High

Performance to 30 June 2012

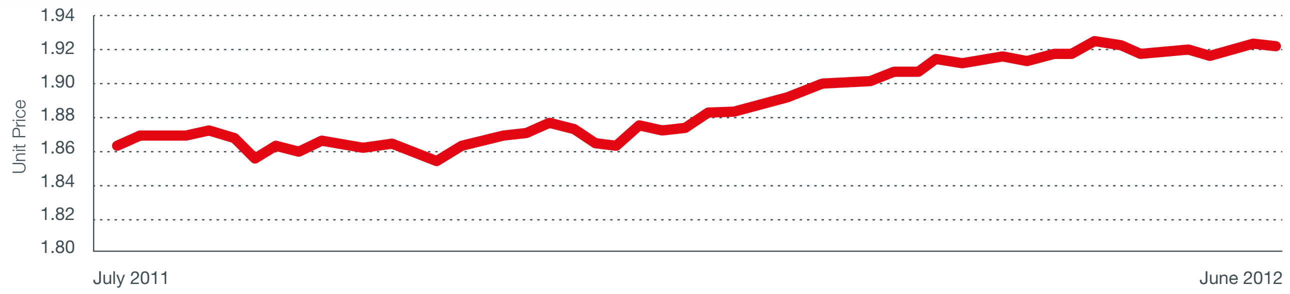
Return objective above increase in inflation (cpi)	4.0%
Period measured over*	15 years
Target return	6.4%
Actual return (after tax & investment expenses)	2.2% p.a. (over 15 year period)

* period varies , depending on a portfolio's level of risk (i.e. the likelihood of the portfolio achieving a negative return in the shorter term).
** commenced in November 2007, so data not available for full period.
*** performance measures apply to the Growth Fund only, Defined Benefit Assets do not apply.
Actual outcomes will be influenced by both domestic and global financial market conditions and the asset mix in each Fund.

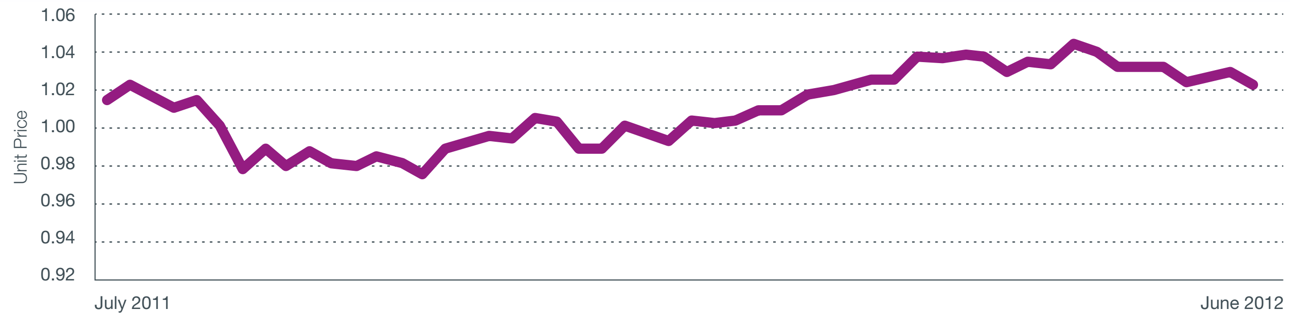
Scheme investments
Unit prices

Unit price movements give a good indication of how each In-Tandem portfolio progressed over the year. As you can see in the charts below, it was a particularly bumpy ride for unit prices in portfolios with more assets invested in shares.

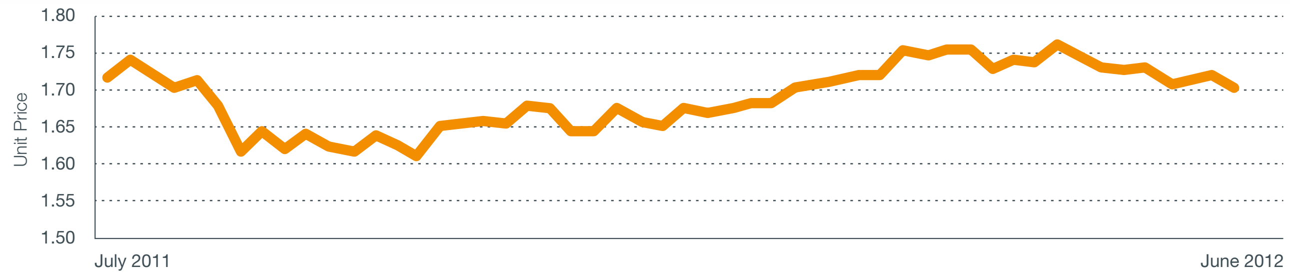
Defensive Fund



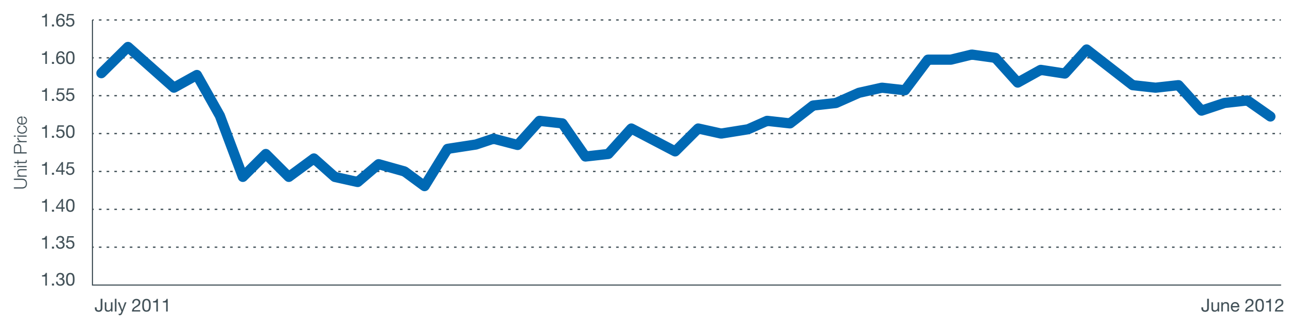
Moderate Balanced Fund



Growth Fund



High Growth Fund



Want to know more about unit prices? Check out the "Understanding unit prices" webinar on the In-Tandem website under the 'Multimedia' tab.

Please note that past performance is not a guarantee of future returns.

Scheme investments
The big picture

Showing unit price movements on an annual basis gives us a good idea of how our investments are progressing over the shorter term, but it's also important you view your investments over the long-term.

Take a look at the chart below, which tracks the progress of unit prices within each portfolio since the Scheme first started using unit prices. The important thing to take away here is that despite some major financial events hitting share markets in recent years, even unit prices in the High Growth Fund, with a 90% investment in shares, have increased in value when measured over the long-term.

As you can see, the Global Financial Crisis (GFC), brought on following the Sub-Prime Housing Collapse, has had a significant effect on investments, particularly the High Growth and Growth funds. Many economists have viewed this as the worst financial crisis since the Great Depression in the 1930s. This gives some indication of how infrequently events like this occur. As you can see, there have certainly been other periods of decline (which are to be expected) but none have had as drastic an effect as the GFC, even those considered to be other notable financial events in history.

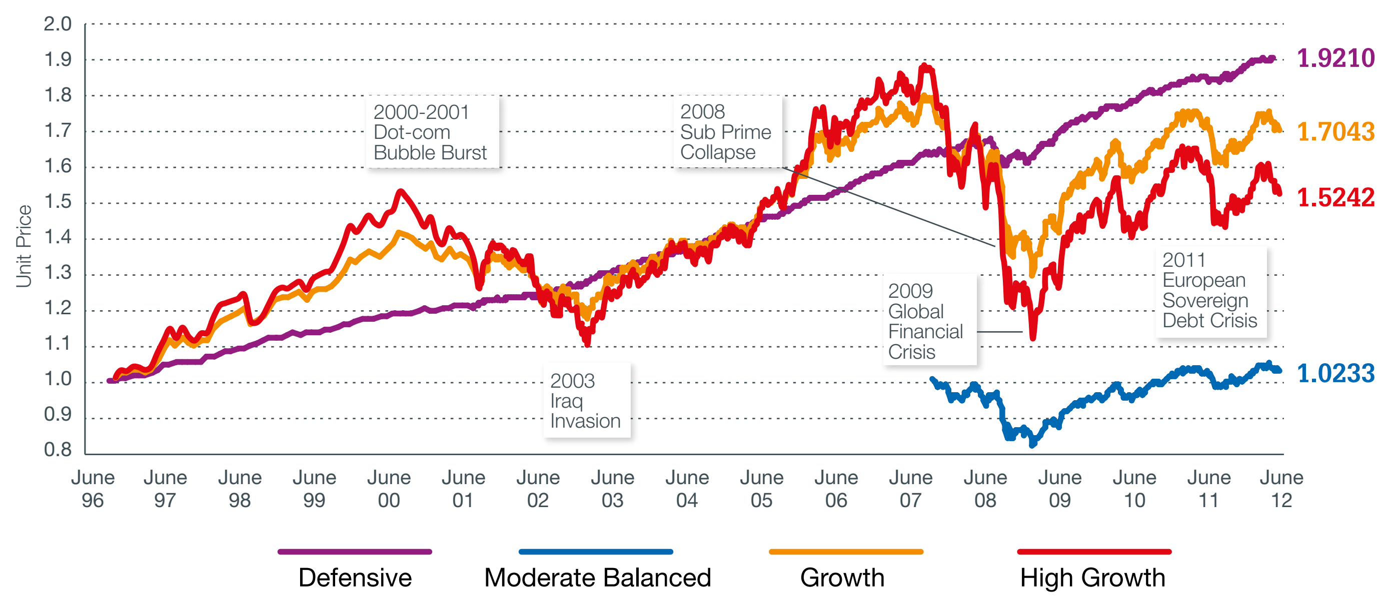
While the Defensive Fund is currently the 'lead performer', keep in mind that historically over the longer term, investments in shares are expected to outperform investments in more defensive assets like bonds and cash.

What this illustrates is that it's important you stick to your long-term strategy. In trying to chase better returns by jumping between portfolios you run the risk of locking in any losses and missing out on sudden, sharp periods of growth. You should also keep in mind that the figures below are only realised when you sell your investments, (that is, your units), for example when you switch between funds or withdraw your savings from the Scheme.

The growth of the Moderate Balanced fund is more modest as it was only established in November 2007.

"It's important you stick to your long-term strategy. In trying to chase better returns you run the risk of locking in any losses"

Unit price movements since introduction of unit prices



Compound Returns

This table shows returns over the one, three and five-year periods. The strongest performers and poorest performers for each period have been highlighted.

Years	Defensive	Moderate Balanced	Growth	High Growth
1	3.11%	0.90%	-0.75%	-3.72%
3	4.67%	5.70%	6.20%	6.30%
5	3.49%	n/a	-0.40%	-3.35%

Stongest performer   Poorest performer

Please note that past performance is not a guarantee of future returns.

Statutory information

Membership numbers

Active members		Pensioners and deferred pensioners	
Opening membership at 1 July 2011	**4,043**	**Opening membership at 1 July 2011**	**182**
New members (including transfers)	642	New pensioners	4
Retirements	-24	Deaths	-7
Redundancies	-60	Full commutation	-1
Withdrawals	-489		
Total and permanent disablements	-5		
Deaths	-2		
Transfers out	-78		
Closing membership at 30 June 2012	**4,027**	**Closing membership at 30 June 2012**	**178**

Trustees' report and certificates

The Trustees of the Westpac New Zealand Staff Superannuation Scheme provide members with the following information as required by the Second Schedule to the Superannuation Schemes Act 1989. The Trustees:

- Confirm that all contributions required to be made to the Scheme, in accordance with the terms of the Scheme's trust deed, have been made.
- Certify that all benefits required to be paid from the Scheme were in accordance with the terms of the Scheme's trust deed.
- Are unable to certify that the market value of the assets of the Scheme as at 30 June 2012 exceeded the value of the benefits that would have been payable had all members ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at 30 June 2012. (The Trustees are unable to make this certification because there is a past service deficit in the Defined Benefit section. The bank is making shortfall contributions in accordance with the actuary's recommendations to reduce this deficit. Further details are provided in the section headed Actuarial Report on page 18).
- Confirm that contributions are currently being made by Westpac in accordance with the most recent actuarial review of the Scheme.
- Confirm that more than 10% of the market value of the Scheme's assets (calculated in accordance with generally accepted accounting practice) was invested with employers (or associated entities), either directly or indirectly, who are parties to the Scheme:

International bonds

Approximately 25% of the Scheme's assets are invested in international bonds managed by BT Funds Management (NZ) Limited (in which Westpac Banking Corporation is the ultimate holding company). BT Funds Management (NZ) Limited invests in an Australian managed investment scheme issued by Advance Asset Management (a division of Westpac in Australia). Advance Asset Management operates a multi-manager approach for its scheme by appointing a number of sub-managers (namely, Standish Mellon, Franklin Templeton and Wellington).

New Zealand cash

Approximately 14% of the Scheme's assets are invested in New Zealand Cash through a segregated account with BT Funds Management (NZ) Limited (in which Westpac Banking Corporation is the ultimate holding company). BT Funds Management (NZ) Limited invests all of the Scheme's funds invested in cash directly into a range of short-term securities including commercial paper, treasury bills and term deposits.

Additional disclosures

Under current legislation, the Scheme is exempt from the requirement to maintain and file a prospectus. To qualify for the exemption, the Trustees are required to make the following disclosures:

The Trustees confirm that in their opinion, after due enquiry by them, neither of the following has materially and adversely changed since 30 June 2012:

- the value of the Scheme's assets relative to its liabilities (including contingent liabilities), and
- the ability of the Scheme to pay its debts as they become due in the normal course of business.

The Trustees also confirm that no person was required to incur costs for the year ended 30 June 2012 under the terms of the offer required by clause 7 of the Securities Act (Employer Superannuation Schemes) Exemption Notice 2009 relating to any funding shortfall.

Actuarial report

The most recent triennial actuarial review of the Scheme was carried out as at 30 June 2011. The purpose of the valuation was to determine the financial position of the Scheme and to determine the level of contributions required from the Bank to meet the benefits payable from the Scheme.

The results of the valuation show that there is a past service deficit, with the value of the accrued liabilities exceeding net assets by $10.123 million. This compares with a past service deficit of $10.854 million as at 30 June 2010. The improvement in the Scheme's financial position is mainly as a result of the Bank's lump sum deficit funding payment made during the year.

As noted in previous annual reports, the Trustees have agreed a formal funding policy with the Bank. Under this policy, the target funding ratio for the defined benefit section is 95% to 105%. If the defined benefit funding ratio falls below 95% then additional Bank contributions are payable in order to meet the shortfall over a four-year period. If the ratio exceeds 105%, then the Bank contribution required to meet the cost of the future service benefits can be reduced. The defined benefit funding ratio as at 30 June 2011 was 88.6%, which is below the 95% threshold. Consequently, the Bank is required to pay shortfall contributions of $2.8 million per annum over a four-year period.

The actuary recommended that contributions be paid by the Bank as follows:

- 12.0% of the salaries of defined benefit members;
- the actual credits to the employer accounts of In-Tandem members;
- the cost of the credits to the employer accounts of members who participate in the Superannuation Incentive Plan;
- by way of reimbursement, the actual administration expenses incurred by the Scheme;
- the expected cost of the group life premiums for In-Tandem members;
- an additional $2.8 million during the financial year ending 30 June 2012 in respect of the past service shortfall.

These amounts are exclusive of Employer Superannuation Contribution Tax.

The actuary also recommended that interim actuarial valuations be carried out as at 30 June 2012 and 30 June 2013 to assess the financial position of the Scheme at the time and in particular determine what contributions the Bank should pay to meet the benefits provided by the Scheme.

Interim actuarial valuation as at 30 June 2012

An interim actuarial valuation of the Scheme was carried out as at 30 June 2012 in order to determine the financial position of the Scheme and to determine the level of contributions required from the Bank to meet the benefits payable from the Scheme.

The results of the valuation show that there is a past service deficit, with the value of the accrued liabilities exceeding net assets by $13.664 million. This compares with a past service deficit of $10.123 million as at 30 June 2011. The deterioration in the Scheme's financial position is mainly as a result of the investment returns being less than the assumed return of 5.5% per annum. This has been partially offset by the Bank's lump sum deficit funding payment of $2.8 million made during the year.

The actuary also found that the defined benefit funding ratio as at 30 June 2012 was 83.8%, which is below the 95% threshold.

Following his review, the actuary recommended that the Bank continue to make contributions as recommended in his triennial actuarial valuation as at 30 June 2011 (these recommendations are summarised in the previous section), with the exception of the additional contribution figure of $2.8 million, which the actuary recommended be increased to $3.8 million per annum over a four-year period, as a result of a deteriorated funding position.

Westpac's contributions

Westpac contributed in accordance with the above recommendations during the year including making a one-off additional contribution of $2.8 million into the Scheme on 13 June 2012 on behalf of Defined Benefit members*.

* The Defined Benefit section includes members who joined the Scheme before January 1996 and pensioners.

Pension increases

On the actuary's recommendation, the Trustees approved an increase in pensions to help offset the cost of inflation and in line with the provisions of the Trust Deed. From the first pension payment after 1 October 2012 payments will increase by 0.95% (for Category 1 & 4 pensioners) and 1.5% (for Category 2 & 3 pensioners). This follows a 3.13% increase the previous year, which also covered the rise in inflation.

Trust deed amendments

There were no amendments made to the Scheme's Trust Deed in the year ending 30 June 2012, however a consolidated Trust Deed was executed with effect from 21 June 2012.

Summary of financials

For the year ended 30 June 2012

		2012 $	2011 $
Summary Statement of Changes in Net Assets			
Investment Activities			
	Net Investment Income	406,577	30,496,676
Other Income			
	Reimbursement of Expenses by Westpac	1,020,921	956,376
	Use of Money Interest	12,994	20,740
		1,033,915	977,116
Less			
Other Expenses			
	Administration Fees	312,871	304,997
	Actuarial and Consulting Fees	82,594	62,793
	Auditors' Remuneration - Audit Fees	39,675	38,640
	Auditors' Remuneration - Tax Agent Fees	22,801	33,857
	Investment Consultancy Fees - Retainer	179,442	178,512
	Legal Fees	71,523	64,362
	Group Life Premiums - Westpac Life-NZ-Limited	273,458	346,622
	Other Expenses	24,756	41,449
	Total Other Expenses	1,007,120	1,071,232
Change in Net Assets before Taxation and Membership Activities		433,372	30,402,560
	Income Tax Expense	(3,429,315)	(5,235,986)
Change in Net Assets after Taxation and before Membership Activities		(2,995,943)	25,166,574
Membership Activities			
	Member Contributions	13,037,447	12,980,673
	Employer Contributions	21,094,809	21,249,929
	Group Life Claims - Westpac Life-NZ-Limited	997,384	129,111
Less	Benefits Paid	(33,791,408)	(31,529,679)
	Net Membership Activities	1,338,232	2,830,034
Net (Decrease)/Increase in Net Assets During Year		(1,657,711)	27,996,608
Summary Statement of Net Assets			
Assets			
	Financial Assets - At Fair Value Through Profit or Loss	260,028,672	257,507,766
	Current Assets	21,566,558	27,318,883
	Total Assets	281,595,230	284,826,649
Less			
Liabilities			
	Benefits Payable	310,497	51,629
	PIE Tax Payable to Investment Manager	264,238	2,431,879
	Contributions Received in Advance - Member	500	429
	Contributions Received in Advance - Employer	3,333	563
	Current Tax Liability	308,057	-
	Trade and Other Payables	274,154	249,987
	Total Liabilities	1,160,779	2,734,487
Net Assets Available to Pay Benefits		280,434,451	282,092,162
Vested Benefits*		290,974,000	283,657,000
Summary Statement of Cash Flows			
Net Cash Flows from Operating Activities		1,858,627	1,709,373
Net Cash Flows from Investing Activities		(6,945,701)	(8,276,529)
Net Decrease in Cash Held		(5,087,074)	(6,567,156)
Cash at Beginning of Year		26,590,536	33,157,692
Cash at End of Year		21,503,462	26,590,536

*Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date.

Notes to the summary of financials

A summary of the Westpac New Zealand Staff Superannuation Scheme's (the "Scheme's") audited financial statements for the year ended 30 June 2012 which were authorised for issue on 7 November 2012 is shown on page 19 of the annual report. The summary financial statements have been extracted from the full audited financial statements which were authorised for issue by the Scheme's Trustees on 5 November 2012. The summary financial statements have been prepared in accordance with FRS-43 Summary Financial Statements.

The full financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZGAAP) and they comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The Scheme has made an explicit and unreserved statement of compliance with IFRS in note 2 of its full financial statements.

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements of the Scheme. A copy of the full financial statements can be obtained, free of charge, from the Scheme's administration manager. The Scheme is a profit orientated entity. The auditors' reports on the full financial statements for the years presented did not refer to a fundamental uncertainty and were not modified in any way.

The auditor has examined the summary financial statements for consistency with the audited financial statements and has issued an unmodified opinion.

One of the Scheme's investment managers is BT Funds Management (NZ) Limited, which is a wholly owned subsidiary of Westpac Banking Corporation, incorporated in Australia. Investment management fees paid to BT Funds Management (NZ) Limited during the year amounted to $428,887 (2011: $300,088). Of this amount, $85,777 was outstanding in accounts payable at balance date (2011: $83,000).

Expenses incurred by the Scheme during the year amounting to $1,020,921 (2011: $956,376) have been reimbursed by Westpac Banking Corporation and Westpac New Zealand Limited. Of this amount, $63,096 was included in accounts receivable at year end (2011: $69,875). The Scheme Trustees are employees of, or contractors to, Westpac Banking Corporation and Westpac New Zealand Limited.

Westpac New Zealand Limited provides banking and short-term investments services to the Scheme. An insurance policy issued by Westpac Life-NZ-Limited is held by the Scheme Trustees to provide cover for death and disability benefits. The Scheme does not hold any shares in Westpac Banking Corporation.

Decrease in Net Investment Income during the year

The summary of financials on page 19 shows that the Net Investment Income for the year to 30 June 2012 was $30,090,099 lower than the previous year (2012: $406,577, 2011: $30,496,676). This reflects the difficult economic environment in which the Scheme operated during the year, which has in turn resulted in some of the Funds producing negative investment results. In addition to this, the Scheme year to 2011 provided particularly high returns (in particular the shares sectors) which has made the variation between the two figures even more marked.

Central to the decrease in Net Investment Income was poor performance of the Scheme's international shares portfolio during the year. The sector reported the Gains on Financial Assets at Fair Value Through Profit or Loss figure as $23,680,552 lower in 2012 compared to 2011 (2012: ($4,607,690); 2011: $19,072,862). The sector was particularly vulnerable to the volatility in the markets during the year achieving a return of negative 3.0% (gross of tax and expenses) for the year compared with positive 21.1% (gross of tax and expenses) in the previous year.

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Independent Auditors' Report on Summary Financial Statements

to the members of Westpac New Zealand Staff Superannuation Scheme

We have audited the accompanying summary financial statements of Westpac New Zealand Staff Superannuation Scheme on pages 19 to 20, which comprise the summary statement of net assets as at 30 June 2012, the summary statement of changes in net assets and the summary statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information, which are extracted from the audited financial statements of Westpac New Zealand Staff Superannuation Scheme for the year ended 30 June 2012.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Westpac New Zealand Staff Superannuation Scheme.

Trustees' Responsibility for the Summary Financial Statements

The Trustees are responsible for the preparation of the summary financial statements in accordance with FRS-43: Summary Financial Statements.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

We have no relationship with, or interests in, Westpac New Zealand Staff Superannuation Scheme other than in our capacities as auditors and tax advisors. These services have not impaired our independence as auditors of the Scheme.

Opinion on the Financial Statements

Our audit of the financial statements for the year ended 30 June 2012 was completed on 6 November 2012 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures from the date of the completion of our audit.

Opinion on the Summary Financial Statements

In our opinion, the summary financial statements have been correctly extracted from the audited financial statements of Westpac New Zealand Staff Superannuation Scheme for the year ended 30 June 2012 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.

Restriction on Distribution or Use

This report is made solely to the members of Westpac New Zealand Staff Superannuation Scheme, as a body. Our audit work has been undertaken so that we might state to the members those matters which we are required to state to them in an auditors' 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 Westpac New Zealand Staff Superannuation Scheme and the members, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Auckland

7 November 2012

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Directory

Actuary and Administration Manager

Mercer (N.Z.) Limited

Auditor

PricewaterhouseCoopers

Solicitor

Simpson Grierson

Insurer

Westpac-Life-NZ-Limited

Investment managers

International shares
AMP Capital Investors

Australasian Shares
Harbour Asset Management Limited (50%)
OnePath (NZ) Limited (50%)

International bonds
BT Funds Management (NZ) Limited

New Zealand bonds
OnePath (NZ) Limited

Cash
BT Funds Management (NZ) Limited

Secretary

Andrew Taylor
Mercer (N.Z.) Limited
Level 18, 151 Queen Street
P O Box 105591
Auckland 1143
Phone: (09) 928 3237
Fax: (09) 928 3201
Email: andrew.taylor@mercer.com

Complaints Officer

Andrew Taylor
Mercer (N.Z.) Limited
Level 18, 151 Queen Street
Auckland
Phone: (09) 928 3237
Fax: (09) 928 3201
Email: complaints@westpacintandem.co.nz

Making a complaint

1. Call the helpline to discuss your concerns. Depending on the nature of your complaint, the helpline will direct you to the Complaints Officer.
2. Email the Complaints Officer at complaints@westpacintandem.co.nz.

The Trustees have 40 working days to respond to your complaint. If you are not satisfied by the response, you may refer the matter to Financial Services Complaints Limited by emailing info@fscl.org.nz or calling FSCL on 0800 347 257. Alternatively, you may write to FSCL at:

Financial Services Complaints Limited
101 Lambton Quay
P O Box 5967, Lambton Quay
Wellington 6145

Full details of how to access the FSCL scheme can be obtained from their website, www.fscl.org.nz.

Questions?

If you have any questions about your Scheme or would like more information, please call the In-Tandem helpline.

Freephone: 0508 INTANDEM (0508 468 263)

Internal Extn: 83995

Helpline hours are 9.00am to 7.00pm
Monday to Friday

All other correspondence about the Scheme or for the Trustees should be sent to the Scheme Secretary.