

Westpac Securities NZ Limited

Interim financial statements

For the six months ended 31 March 2008

Westpac Securities NZ Limited

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This interim financial report does not cover all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2007 and any public announcements made by Westpac Securities NZ Limited (the "Company") during the interim reporting period in accordance with the continuous disclosure requirements of the *Companies Act 1993*.

The financial report covers the Company as an individual entity.

The Company is limited by shares, incorporated and domiciled in New Zealand. Its registered office is:

Level 15
PwC Tower
188 Quay Street
Auckland

A description of the nature of the Company's operations and its principle activities is included in the Interim Management Report and Responsibility Statement on page 3.

The Directors of the Company at the date of this Interim Financial Report are:

Name	Principal activity outside the Company
Bradley John Cooper	Chief Executive Officer, Westpac New Zealand Limited
Royce Noel Brennan	General Manager, Risk, Westpac New Zealand Limited
Mariette Maria Bernadette van Ryn	General Counsel, Westpac New Zealand Limited
Geoffrey Neville Martin	Senior Manager, Funding, Westpac New Zealand Limited
Gavin William Street	Chief Financial Officer, Westpac New Zealand Limited

The financial report was authorised for issue by the directors on 1 May 2008. The Company has the power to amend and reissue the financial report.

Westpac Securities NZ Limited

Disclosure regarding forward-looking statements

This Interim Financial Report contains forward-looking statements which appear in a number of places and include statements regarding our intent, belief or current expectations with respect to Westpac Securities NZ Limited's ("WSNZL" or the "Company") business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. This Interim Financial Report uses words such as 'may', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', or other similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from the plans, objectives, expectations, estimates and intentions described in this Interim Financial Report as anticipated, believed, estimated, expected or intended.

The factors that may impact on forward-looking statements made in this Interim Financial Report include:

- Inflation, interest rate, exchange rate, market and monetary fluctuations;
- Market liquidity and investor confidence;
- The effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy;
- Changes in consumer spending, saving and borrowing habits in New Zealand;
- The effects of competition in the geographic and business areas in which Westpac New Zealand Limited (WNZL) 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;
- Demographic changes and changes in political, social or economic conditions in any of the major markets in which WNZL operates;
- Dislocation in global capital markets; and
- Various other factors beyond WNZL's control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made in this Interim Financial Report refer to the section on 'Principal risks and uncertainties' in the Interim Management Report. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and events.

The Company is under no obligation, and does not intend, to update any forward-looking statements contained in this Interim Financial Report, whether as a result of new information, future events or otherwise, after the date of this Interim Financial Report.

Westpac Securities NZ Limited

Interim Management Report and Responsibility Statement

Review and results of the Company's operations during the six months

The principal activity of the Company (acting through its London branch) is to raise and manage offshore wholesale funding for Westpac New Zealand Limited ("WNZL"), in respect of which entity the Company is a wholly owned, indirect subsidiary.

The profit after tax of the Company for the six months ended 31 March 2008 was \$449,000 compared with \$161,000 for the six months ended 31 March 2007, an increase of 178.88%.

Net interest income increased by 211.68% to \$614,000 compared to the six months ended 31 March 2007. The \$417,000 increase was due to an increased funding balance the Company raised for WNZL and as a result, the increase funding fee revenue reported as part of net interest income.

Non-interest income increased by 19.06% to \$581,000 for the six months ended 31 March 2008 and this was mainly due to increases in fees and commissions.

Operating expenses increased by 18.02% to \$524,000. The increase in operating expenses arose due to an increase in management fees and professional services fees paid during the six month period.

Income tax expense of \$222,000 increased by 177.50% due to the increase in profit before tax for the six month period.

For further information on the financial performance and position of WNZL, refer to the 31 March 2008 General Disclosure Statement ("GDS") available on WNZL's website at www.westpac.co.nz.

Significant events during the six months ended 31 March 2008

There have not been any significant events impacting the financial standing of the Company during the six month period ended 31 March 2008.

Principal risks and uncertainties

The Company's business activities are subject to risks that can adversely impact future performance and financial condition. As the Company is an indirect, wholly owned subsidiary of WNZL, it is consequently affected by the same principal risks and uncertainties which affect WNZL. The principal risks and uncertainties which affect WNZL are set forth below. There are no additional risk factors solely affecting the Company.

The principal risks and uncertainties described below are not the only ones we may face. Additional risks and uncertainties of which we may be unaware, or that we currently deem to be immaterial, may become important factors that affect us in the future. If any of the following risks actually occur, our business, results of operations or financial condition could be materially adversely affected.

WNZL's business is substantially dependent on the New Zealand economy

WNZL's revenues and earnings are dependent on the level of financial services its customers require. In particular, levels of borrowing are heavily dependent on customer confidence, the state of the economy, the home lending market and prevailing market interest rates from time to time in New Zealand.

WNZL conducts substantially all of its business in New Zealand. Consequently, its performance will be influenced by the level and cyclical nature of business and home lending activity in New Zealand, which in turn are impacted by both domestic and international economic and political events. There can be no assurance that a weakening in the New Zealand economy will not materially affect WNZL's financial condition and results of operations. Furthermore, weakness in the global capital market due to credit, liquidity or other problems could increase its cost of funding and decrease revenues.

Credit risk could adversely affect WNZL's results of operations and financial condition

The risk of financial loss resulting from the failure of customers to honour fully the terms of a contract with WNZL (credit risk) is WNZL's most significant risk and will arise primarily from its lending activities and other transactions. WNZL's home lending portfolio represents a significant proportion of its assets. A decrease in property valuations in New Zealand could decrease the amount of new mortgages WNZL is able to write or increase the losses it may experience from its existing mortgages which, in either case, could materially and adversely affect WNZL's financial condition and results of operations. In particular, a significant slowdown in the New Zealand housing market could adversely affect its results of operations. WNZL will hold collective and individual provisions to cover impaired loans. If these provisions prove inadequate either because of an economic downturn or a significant breakdown in its credit disciplines, then this could have a material adverse effect on its results of operations, financial performance or financial condition.

WNZL could suffer losses due to market volatility

WNZL is exposed to market risk due to volatility of market factors such as foreign exchange rates, interest rates, commodity prices and equity prices. Structural interest rate risk (WNZL's most significant market risk) may arise from lending and deposit taking activity in the normal course of business and through the investment of capital and other non-interest bearing liabilities. If WNZL were to suffer substantial losses due to any such market volatility it would adversely affect its results of operations and financial condition.

Westpac Securities NZ Limited

Interim Management Report and Responsibility Statement (cont'd)

Inability to meet payment obligations could affect WNZL's financial performance or financial condition

Liquidity risk is the potential inability to meet WNZL's payment obligations which could potentially arise as a result of mismatched cashflows generated by its business. Westpac Banking Corporation's Group Treasury department is ultimately responsible for liquidity management, including for WNZL, and is ultimately responsible for monitoring WNZL's funding base and ensuring that it is prudentially maintained and adequately diversified. Group Treasury manages group funding with oversight from Westpac Banking Corporation's Market Risk Committee and Board Risk Management Committee as well as the New Zealand Board Risk Committee.

The liquidity risk management framework models WNZL's ability to fund under both normal conditions and during a crisis situation. This approach seeks to ensure that WNZL's funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions.

WNZL could suffer losses due to operational risk

As a financial services organisation, WNZL could be exposed to a variety of other risks including those resulting from process error, fraud, system failure, security and physical protection, customer services, staff skills and performance, and product development and maintenance. Operational risk has the potential, as a result of the way business objectives are pursued, to negatively impact WNZL's financial performance, customer service and reputation in the community or cause other damage to the business.

WNZL's business is highly regulated and it could be adversely affected by changes in regulations and regulatory policy

Compliance risk arises from the regulatory standards that apply to WNZL as an institution. WNZL is subject to regulation and regulatory oversight. WNZL is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including changes to accounting standards) and industry codes of practice, as well as meeting ethical standards. WNZL's business and earnings are also affected by the fiscal or other policies adopted by various regulatory authorities of the New Zealand government, foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable and are beyond WNZL's control. Changes in regulations or regulatory policy could adversely affect WNZL's business and could require WNZL to incur substantial costs to comply. The failure to comply with applicable regulations could result in fines and penalties or limitations on WNZL's ability to do business. These costs, expenses and limitations could have a material adverse effect on WNZL's business, financial performance or financial condition.

Reputational damage could harm WNZL's business and prospects

Various issues may give rise to reputational risk and cause harm to WNZL's business and prospects. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering laws, trade sanctions legislation, privacy laws, information security policies, sales and trading practices. Failure to address these issues appropriately could give rise to additional legal risk, subject WNZL to regulatory enforcement actions, fines and penalties, or harm WNZL's reputation among its customers and investors in the marketplace.

WNZL faces intense competition in all aspects of its business

WNZL competes domestically with retail and commercial banks, non-bank mortgage brokers, private banking firms and other financial services firms. In addition, the trend towards consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. Locally, competition has also increased as a number of new entrants have entered the market which has added pricing pressure to consumer mortgages which in turn will put pressure on margins. In recent years, competition has also increased as large insurance and banking industry participants have sought to establish themselves in markets that are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships. WNZL expects these trends to continue.

Dislocation in global capital markets

Financial institutions are subject to changing conditions in global capital markets. Recently global capital markets have been exposed to particular instability influenced by factors such as the deterioration in the sub-prime mortgage market in the United States.

The current dislocation in global capital markets presents challenges for WNZL and other financial institutions that rely on regular access to the capital markets to fund their operations. As at 31 March 2008, approximately 64% of WNZL's funding was provided by retail deposits and 36% by wholesale funding from the global capital markets.

The challenges created by the current global capital markets dislocation include:

- Higher wholesale funding costs;
- Reduced availability of longer term funding; and
- Significant market volatility.

Through the normal course of its business, WNZL also has credit exposure to counterparties who may be impacted by the disruptions to markets, either through losses associated with the US sub-prime mortgage market, the reduced availability of funding or the higher cost of funding.

The duration and extent of dislocation in global capital markets are unknown and continuation of these conditions could adversely affect WNZL's financial performance or financial condition.

Westpac Securities NZ Limited

Interim Management Report and Responsibility Statement (cont'd)

Other risks

Other risks that can impact WNZL's performance include insurance risk, model risk and business risk.

Responsibility Statement

The Directors of Westpac Securities NZ Limited confirm to the best of their knowledge:

1. the condensed set of financial statements have been prepared in accordance with NZ IAS 34 'Interim Financial Reporting' and also complies with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board; and
2. the Interim Management Report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R of the United Kingdom Financial Services Authority.

Signed on behalf of the Board



Director
Auckland
1 May 2008

Westpac Securities NZ Limited

Directors' statement

Each Director of the Company believes, after due enquiry that, as at the date on which this set of financial statements is signed:

- (i) the financial statements and notes set out on pages 7 to 11 give a true and fair view of Westpac Securities NZ Limited 's financial position as at 31 March 2008;
- (ii) proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position and financial performance of the Company and facilitate compliance of the financial statements and notes set out on pages 7 to 11 with the Financial Reporting Act 1993; and
- (iii) there are reasonable grounds to believe that Westpac Securities NZ Limited will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Directors.

This Directors' Statement has been signed by two of the Directors:



Director



Director

Auckland

1 May 2008

Westpac Securities NZ Limited

Interim Financial Report

Income statement

for the periods ended

	Six months ended 31 March 2008 Unaudited \$'000	Six months ended 31 March 2007 Unaudited \$'000	Year ended 30 September 2007 Audited \$'000
Interest income	292,819	99,750	375,332
Interest expense	(292,205)	(99,553)	(374,589)
Net interest income	614	197	743
Non-interest income:			
Fees and commissions	581	488	1002
Total non-interest income	581	488	1002
Net operating income	1,195	685	1745
Operating expenses	(524)	(444)	(923)
Profit before income tax	671	241	822
Income tax expense	(222)	(80)	(271)
Profit for the period	449	161	551

Westpac Securities NZ Limited

Interim Financial Report

Statement of changes in equity

for the periods ended

	Six months ended 31 March 2008 Unaudited \$'000	Six months ended 31 March 2007 Unaudited \$'000	Year ended 30 September 2007 Audited \$'000
Total equity at beginning of the period	651	100	100
Net income recognised directly in equity	-	-	-
Profit after income tax for the period	449	161	551
Total recognised income for the period	449	161	551
Total equity at end of the period	1,100	261	651

Westpac Securities NZ Limited

Interim Financial Report

Balance sheet

as at

	Note	31 March 2008 Unaudited \$ '000	31 March 2007 Unaudited \$ '000	30 September 2007 Audited \$ '000
Assets				
Cash and cash equivalents		5,035	385	116
Income tax receivable		327	30	367
Due from related entities		10,630,173	6,783,211	11,682,858
Total assets		10,635,535	6,783,629	11,683,371
Liabilities				
Debt issues	2	10,544,801	6,730,252	11,064,740
Other liabilities		87,755	52,895	159,661
Due to related entities		1876	221	458,319
Total liabilities		10,634,435	6,783,368	11,682,720
Net assets		1,100	261	651
Equity				
Capital and reserves attributable to shareholders of the Company				
Share capital		100	100	100
Retained earnings		1000	161	551
Total equity		1,100	261	651

The above balance sheet should be read in conjunction with the accompanying notes.

Westpac Securities NZ Limited

Interim Financial Report

Cash flow statement

for the periods ended

	Six months ended 31 March 2008 Unaudited \$ '000	Six months ended 31 March 2007 Unaudited \$ '000	Year ended 30 September 2007 Audited \$ '000
Cash flows from operating activities			
Interest received	367,444	46,855	212,951
Interest paid	(366,870)	(46,658)	(212,169)
Management fees received - related entities	581	488	1,002
Income taxes paid	(182)	(10)	(638)
Management fees paid - related entities	(358)	(444)	(700)
Operating expenses paid	(166)	-	(223)
Net cash flows from operating activities	449	161	223
Cash flows from investing activities			
Net decrease/increase in due from related entities	978,060	(6,730,319)	(11,520,476)
Net cash inflow/outflow from investing activities	978,060	(6,730,319)	(11,520,476)
Cash flows from financing activities			
Net (decrease)/increase in due to related entities	(453,684)	221	455,559
Net (decrease)/increase in other borrowings	(519,936)	6,730,252	11,064,740
Net cash inflow/outflow used in financing activities	(973,620)	6,730,473	11,520,299
Net increase in cash and cash equivalents	4,889	285	46
Cash and cash equivalents at beginning of the period	116	100	100
Cash and cash equivalents at end of the period	5,035	385	146
Cash and cash equivalents comprise:			
Cash and cash equivalents	5,035	385	146
Cash and cash equivalents at end of the period	5,035	385	146

	Six months ended 31 March 2008 Unaudited \$ '000	Six months ended 31 March 2007 Unaudited \$ '000	Year ended 30 September 2007 Audited \$ '000
Reconciliation of profit after income tax to net cash flow from operating activities:			
Profit after income tax attributable to shareholders of the Company	449	161	551
Adjustments:			
Movement in accrued assets	74,626	(52,895)	(162,381)
Movement in accrued liabilities	(74,666)	52,895	162,420
Movement in income tax provisions	40	(30)	(367)
Net cash flows from operating activities	449	161	223

Westpac Securities NZ Limited

Notes to the financial statements

Note 1. Basis of preparation of six month report

This interim financial report for the six month reporting period ended 31 March 2008 has been prepared in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34)

As a result of complying with NZ IAS 34 this interim financial report also complies with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual financial statements for the year ended 30 September 2007 and any relevant public announcements made by Westpac Securities NZ Limited during the interim reporting period.

The accounting policies and method of computation adopted in this interim financial report are consistent with those of the previous financial year and corresponding interim reporting period.

Amounts in this interim financial report have been rounded to the nearest thousand.

Note 2. Debt issues

	As at 31 March 2008 Unaudited \$ '000	As at 31 March 2007 Unaudited \$ '000	As at 30 September 2007 Audited \$ '000
Short term debt			
Euro commercial paper	3,412,175	1,774,183	2,355,294
US commercial paper	4,346,778	4,356,069	6,994,089
Total short term debt	7,758,953	6,130,252	9,349,383
Long term debt			
Euro medium term notes	2,785,851	600,000	175,357
Total long term debt	2,785,851	600,000	175,357
Total debt issues	10,544,804	6,730,252	11,064,740

Movement on the debt issues during the six month period ended 31 March 2008

Opening balance	11,064,740
New deals	17,275,700
Matured deals	(17,795,636)
Closing balance	10,544,804

The reconciliation of the debt issues balance is not available for the comparative periods.

Note 3. Related entities

Nature of transactions

Loan finance, current account banking facilities and other financial products are provided by Westpac New Zealand Limited (WNZL) and the Westpac Banking Corporation (WBC) London branch to the Company on normal commercial terms.

Reimbursement of related entity expenses of \$358,000 (six months ended 31 March 2007: \$414,000 and the year ended 30 September 2007: \$700,000) are paid to WNZL and WBC for certain operating services received by the Company on their behalf.

The Company provides offshore wholesale funding to the NZ operations of WNZL. Management fees of \$581,000 (six months ended 31 March 2007: \$488,000 and the year ended 30 September 2007: \$1,002,000) are paid to the Company by WNZL for these services.

WNZL guarantees all payment obligations in respect to notes, bonds and commercial paper issued by the Company.

Revenue and expenses in relation to these related parties are arranged on an arms length basis.

Amounts owing to and by related parties are normally settled within 30 days.

Note 4. Events occurring after reporting date

The directors are not aware of any significant events since the reporting date.

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Accountants report to the shareholders of Westpac Securities NZ Limited

Auditors' Review Report

To the Directors of Westpac Securities NZ Limited

We have reviewed the financial statements on pages 7 to 11. The financial statements provide information about the past financial performance and cash flows of the Company for the period ended 31 March 2008 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 11.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company as at 31 March 2008 and its financial performance and cash flows for the period ended on that date.

Reviewers' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

Basis of opinion

A review is limited primarily to enquiries of company 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 Company for the period ended 31 March 2008 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interest in the Company other than in our capacity as auditors conducting this review. We carry out other assignments on behalf of the Westpac Banking Corporation New Zealand Division (the "NZ Banking Group") in the area of taxation advice. In addition, certain partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Banking Group. We have no other interests in the NZ Banking Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly the financial position of the Company as at 31 March 2008 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 1 May 2008 and our review opinion is expressed as at that date.



Chartered Accountants

Auckland

