



Westpac Banking Corporation's
general short form **disclosure statement**



for the three months ended **31 December 2003**

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General Information and Definitions

The information contained in this General Short Form Disclosure Statement is as required by section 81 of the Reserve Bank of New Zealand Act 1989 and the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 1998 (New Zealand).

In this General Short Form Disclosure Statement reference is made to four main reporting groups:

- Westpac Banking Corporation Group (otherwise referred to as the “**Overseas Banking Group**”) – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities.
- Westpac Banking Corporation (otherwise referred to as the “**Overseas Bank**”) – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities.
- Westpac Banking Corporation New Zealand Division (otherwise referred to as the “**NZ Banking Group**”) – refers to the New Zealand operations of Westpac Banking Corporation Group including those subsidiaries whose business is required to be reported in financial statements for the Group’s New Zealand business. The NZ Banking Group includes the following subsidiary entities:
 - Westpac Group Investment - NZ - Limited – Holding company
 - Westpac Holdings - NZ - Limited – Holding company
 - Augusta (1962) Limited and its subsidiary companies – Holding company
 - BT Financial Group (NZ) Limited and its subsidiary company – Holding company
 - TBNZ Limited and its subsidiary companies – Holding company
 - The Home Mortgage Company Limited – Residential mortgage company
 - The Warehouse Financial Services Limited – Financial services company
 - Westpac Capital - NZ - Limited and its subsidiary companies – Holding company
 - Westpac Finance Limited – Finance company
 - Westpac Investment Management - NZ - Limited – Funds management company
 - Westpac Life - NZ - Limited – Life insurance company
 - Westpac Nominees - NZ - Limited – Custodial operations company
 - Westpac Superannuation Nominees - NZ - Limited – Custodial operations company
 - Westpac (NZ) Investments Limited – Property owning and capital funding company
 - WestpacTrust Securities NZ Limited and its subsidiary company – Funding company
 - BLE Capital (NZ) Limited – Finance company
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the “**NZ Bank**”) – refers to the New Zealand operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2003.

All amounts referred to in this General Short Form Disclosure Statement are in New Zealand dollars unless otherwise stated.

General Matters

REGISTERED BANK

The Overseas Bank is entered on the register maintained under the Reserve Bank of New Zealand Act 1989. However, for the purposes of this General Short Form Disclosure Statement, the registered bank is the NZ Bank. The NZ Bank's head office is situated at, and the address for service is, Level 15, 188 Quay Street, Auckland, New Zealand.

OVERSEAS BANK

The Overseas Bank was founded on 12 February 1817 and was incorporated on 23 September 1850 pursuant to the Bank of New South Wales Act 1850. In 1982 the Overseas Bank acquired The Commercial Bank of Australia Limited and the Overseas Bank changed its name to Westpac Banking Corporation. On 23 August 2002, the Overseas Bank registered as a public company limited by shares, under the Australian Corporations Act 2001 and as of this date the Bank of New South Wales Act 1850 ceased to apply.

The Overseas Bank's principal office is located at 60 Martin Place, Sydney, New South Wales 2000, Australia.

Credit Ratings

The Overseas Bank has the following credit ratings with respect to its long term senior unsecured obligations, including obligations payable in New Zealand, in New Zealand dollars. There have been no changes to these credit ratings in the two preceding years. These credit ratings are given without any qualifications:

Rating Agency	Current Credit Rating
Standard & Poor's	AA-
Moody's Investors Service Inc.	Aa3
Fitch IBCA	AA-

DESCRIPTIONS OF CREDIT RATING SCALES

	Standard & Poor's	Moody's Investors Service Inc.	Fitch IBCA
The following grades display investment grade characteristics:			
Ability to repay principal and interest is extremely strong. This is the highest investment category.	AAA	Aaa	AAA
Very strong ability to repay principal and interest.	AA	Aa	AA
Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.	A	A	A
Adequate ability to repay principal and interest. More vulnerable to adverse changes.	BBB	Baa	BBB

The following grades have predominantly speculative characteristics:			
Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.	BB	Ba	BB
Greater vulnerability and therefore greater likelihood of default.	B	B	B
Likelihood of default now considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.	CCC	Caa	CCC
Highest risk of default.	CC to C	Ca to C	CC
Obligations currently in default.	D	-	C

Credit ratings by Standard & Poor's and Fitch IBCA may be modified by the addition of a plus (higher end) or minus (lower end) sign. Moody's Investors Service Inc. apply numeric modifiers 1 (higher end), 2, 3 (lower end) to ratings from Aa to B to show relative standing within major categories.

Bold indicates the Overseas Bank's current approximate position within the Credit Rating Scales.

Financial Statements of the Overseas Bank and the Overseas Banking Group

Copies of the NZ Bank's most recent Supplemental Disclosure Statement, which contains a copy of the most recent publicly available financial statements of the Overseas Bank and the Overseas Banking Group, are available immediately, free of charge, to any person requesting a copy where the request is made at the NZ Bank's head office, Level 15, 188 Quay Street, Auckland or are available within five working days of any request made at any branch, agency, or any other staffed premises primarily engaged in the business of the NZ Bank to which its customers have access in order to conduct banking business.

The most recent publicly available financial statements for the Overseas Bank and the Overseas Banking Group can also be accessed at the internet address www.westpac.com.au.

Risk Management Policies

There have been no material changes to the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed to in the three months prior to 31 December 2003.

Market Risk

The NZ Banking Group's aggregate market risk exposure is derived in accordance with the eighth schedule (sub-clauses (1)(a), (8)(a) and (11)(a)) of the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 1998 (New Zealand).

The peak end-of-day exposure and as at exposures below have been calculated using the Overseas Banking Group's equity as at 30 September 2003 (30 September 2002 for comparatives).

	Peak end-of-day for the three As at months ended		Peak end-of-day for the three As at months ended	
	31 December 2003 Unaudited \$m	31 December 2003 Unaudited \$m	31 December 2002 Unaudited \$m	31 December 2002 Unaudited \$m
Aggregate interest rate exposure	91	104	86	108
As a percentage of the Overseas Banking Group's equity	0.56%	0.65%	0.76%	0.96%
Aggregate foreign currency exposure	1	3	1	4
As a percentage of the Overseas Banking Group's equity	0.01%	0.02%	0.01%	0.03%

The NZ Banking Group has no material exposure to equity risk.

Guarantee Arrangements

Certain material obligations of the Overseas Bank are subject to guarantees.

Westpac Capital - NZ - Limited and Westpac (NZ) Investments Limited (the "NZ Bank guarantors") have each unconditionally guaranteed the due and punctual payment of the Overseas Bank's liabilities under debt securities offered to the public (the "NZ Bank guarantees") in respect of which a prospectus was required under the Securities Act 1978 (New Zealand).

From 1 July 1996, the NZ Bank was no longer required to issue prospectuses for debt securities under the Securities Act 1978 (New Zealand). Therefore, the NZ Bank guarantees do not relate to debt securities offered after 30 June 1996.

Westpac Capital - NZ - Limited and Westpac (NZ) Investments Limited both gave notice, on 30 September 1998 and 23 October 1998 respectively, that they were cancelling the NZ Bank guarantees which they gave on 28 September 1990. Cancellation became effective from 30 June 1999 and 23 July 1999 respectively for subsequently incurred liabilities. Liabilities existing as at these dates are still covered by the guarantees issued by the NZ Bank guarantors.

The NZ Bank guarantors' address for service is Level 15, 188 Quay Street, Auckland and both are members of the NZ Banking Group.

The liabilities of the NZ Bank guarantors in respect of the above guarantees are unlimited. There are no material conditions applying to any of the guarantees other than non-performance by the applicable guaranteed party. There are no material legislative or regulatory provisions in New Zealand, which could subordinate claims under the guarantees to other claims on each of the guarantors.

The most recent audited financial statements of the NZ Bank guarantors are for the year ended 30 September 2003. There are no qualifications in the audit reports accompanying those financial statements. The net tangible assets of the guarantors, as shown by their most recent audited financial statements, were as follows:

	\$m
Westpac Capital - NZ - Limited	227
Westpac (NZ) Investments Limited	699

There is no credit rating applicable to the NZ Bank guarantors' long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

Copies of that part of the NZ Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contracts and the most recent financial statements of each of the guarantors, are available immediately, free of charge, to any person requesting a copy where the request is made at the NZ Bank's head office, Level 15, 188 Quay Street, Auckland, or are available within five working days of any request made at any branch, agency, or any other staffed premises primarily engaged in the business of the NZ Bank to which its customers have access in order to conduct banking business.

The NZ Banking Group has guarantee arrangements in place in relation to structured finance transactions.

Ranking of Local Creditors in a Winding-up

The Banking Act in Australia gives priority over Australian assets of the Overseas Bank to Australian depositors. Accordingly, New Zealand depositors (together with all other senior unsecured creditors of the Overseas Bank) will rank after Australian depositors of the Overseas Bank in relation to claims against Australian assets.

However, the Westpac Banking Corporation Act in New Zealand gives New Zealand depositors priority to the New Zealand assets of the Overseas Bank. Accordingly, New Zealand depositors will rank ahead of other unsecured creditors of the Overseas Bank in respect of claims against the New Zealand assets of the Overseas Bank. The following legislation is relevant to limitations on possible claims made by unsecured creditors of the NZ Bank on the assets of the Overseas Bank relative to those of any other class of unsecured creditors of the Overseas Bank, in the event of a winding-up of the Overseas Bank.

Section 13A (3) of the Banking Act 1959 (Australia) states:

"If an authorised deposit-taking institution ("ADI") becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to meet that ADI's deposit liabilities in Australia in priority to all other liabilities of the ADI."

Section 13A (3) of the Banking Act 1959 (Australia) affects all the unsecured deposit liabilities of the NZ Bank which as at 31 December 2003 amounted to \$23,797 million (31 December 2002: \$22,105 million; 30 September 2003: \$22,733 million).

The Overseas Bank is an "authorised deposit-taking institution" within the meaning of section 13A (3).

Section 23 of the Westpac Banking Corporation Act 1982 (New Zealand) states:

"Deposit liabilities –

- (1) Except as otherwise authorised by the Reserve Bank of New Zealand, the Continuing Bank shall at all times hold in New Zealand assets (other than goodwill) of not less than the value of the total of the Continuing Bank's deposit liabilities in New Zealand.
- (2) In the event of the Continuing Bank becoming unable to meet its obligations or suspending payment, the assets of the Continuing Bank in New Zealand shall be available to meet the Continuing Bank's deposit liabilities in New Zealand in priority to all other liabilities of the Continuing Bank.
- (3) Every person who acts in contravention of or fails to comply with subsection (1) of this section commits an offence and is liable on conviction or indictment to a fine not exceeding \$25,000 and, if the offence is a continuing one, to a further fine not exceeding \$2,000 for every day on which the offence has continued.
- (4) Nothing in this section limits the provisions of the Reserve Bank of New Zealand Act 1989."

The NZ Bank has at all times held in New Zealand assets (other than goodwill) of not less than the value of the NZ Bank's total deposit liabilities in New Zealand. The Overseas Bank is the "Continuing Bank" within the meaning of section 23.

Conditions of Registration

The conditions of registration imposed on the NZ Bank are as follows:

1. That the NZ Banking Group does not conduct any non-financial activities that in aggregate is material, relative to its total activities.
2. That the NZ Banking Group's insurance business is not greater than one percent of its total consolidated assets. For the purposes of this condition:
 - (i) insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Rating 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;
 - (ii) in measuring the size of the NZ Banking Group's insurance business:
 - (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
 - the total consolidated assets of the Group headed by that entity; or
 - 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;
 - (b) otherwise, the size of each insurance business conducted by any entity within the NZ 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;
 - (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the NZ Banking Group. All amounts in part (a) and (b) 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;
 - (d) 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.
3. That the business of the NZ Bank does not constitute a predominant proportion of the business of the Overseas Banking Group.
4. That the Overseas Bank complies with the requirements imposed on it by the Australian Prudential Regulation Authority.
5. That the Overseas Bank complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:
 - Tier One Capital of the Overseas Banking Group is not less than four percent of risk weighted exposures;
 - Capital of the Overseas Banking Group is not less than eight percent of risk weighted exposures.

Further information on the capital adequacy of the Overseas Bank is contained in note 14 to the financial statements.

For the purposes of these conditions of registration, the term "NZ Banking Group" means the New Zealand operations of Westpac Banking Corporation and all those subsidiaries of Westpac Banking Corporation whose business is required to be reported in financial statements for the Group's New Zealand business, prepared in accordance with section 9(2) of the Financial Reporting Act 1993 (New Zealand).

The Directors' Statement

Each Director of the Overseas Bank believes, after due enquiry, that, as at the date on which this General Short Form Disclosure Statement is signed:

- (a) the Short Form Disclosure Statement contains all information that is required by the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 1998 (New Zealand); and
- (b) the Short Form Disclosure Statement is not false or misleading.

Each Director of the Overseas Bank believes, after due enquiry, that, over the three months ended 31 December 2003:

- (a) the NZ Bank has complied with the conditions of registration imposed on it pursuant to section 74 of the Reserve Bank of New Zealand Act 1989; and
- (b) the NZ Bank had systems in place to monitor and control adequately the NZ Banking Group's material risks, including its credit risk and concentration of it, interest rate risk, currency risk, equity risk, liquidity risk and other business risks and those systems were being properly applied.

This Directors' Statement has been signed on behalf of the Directors by Ann Sherry who also signs in her personal capacity as Chief Executive Officer.



Dated this the 28th day of January 2004.

Consolidated Short Form Financial Statements

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Consolidated Statement of Financial Performance

For the three months ended 31 December 2003

NZ Banking Group				
Note	Three months ended 31 December 2003 Unaudited \$m	Three months ended 31 December 2002 Unaudited \$m	Year ended 30 September 2003 Audited \$m	
	655	648	2,558	Interest income
	(388)	(396)	(1,525)	Interest expense
	267	252	1,033	Net interest income
	123	118	453	Non-interest income
	18	23	85	Trading income
	408	393	1,571	Operating income
	(181)	(166)	(699)	Non-interest expenses
	227	227	872	Operating profit before bad and doubtful debts expense
4	(4)	(10)	(205)	Bad and doubtful debts expense
	223	217	667	Operating profit before income tax expense
	(69)	(68)	(203)	Income tax expense
	154	149	464	Operating profit after income tax expense
	(1)	-	(2)	Operating profit after income tax expense attributable to intragroup minority interests in subsidiary companies
	153	149	462	Operating profit after income tax expense attributable to NZ Banking Group equity holders

The following notes (numbered 1 to 14) form part of and should be read in conjunction with these consolidated short form financial statements.

Consolidated Statement of Movements in Equity

For the three months ended 31 December 2003

	NZ Banking Group		
	Three months ended 31 December 2003 Unaudited \$m	Three months ended 31 December 2002 Unaudited \$m	Year ended 30 September 2003 Audited \$m
Balance at beginning of the period	5,025	4,310	4,310
Operating profit after income tax expense attributable to NZ Banking Group equity holders	153	149	462
Operating profit after income tax expense attributable to intragroup minority interests in subsidiary companies	1	-	2
Total recognised revenue and expenses	154	149	464
Ordinary share capital:			
Dividends paid on ordinary share capital	-	(100)	(180)
Redemption of branch capital	-	-	(600)
Subordinated capital instruments – NZ Banking Group equity holders:			
Redemption of subordinated capital instruments	-	-	(900)
Dividends paid or provided for on subordinated capital instruments (net of tax)	-	(11)	(27)
Convertible debentures:			
Issue of convertible debentures	-	716	1,994
Dividends paid or provided for on convertible debentures (net of tax)	(42)	(8)	(64)
NZ Class Shares:			
Dividends paid on NZ Class Shares	(25)	(22)	(44)
Aggregation of new entities ¹	-	-	80
Other minority interests	(1)	(8)	(8)
Remittance to the Overseas Bank	(350)	-	-
Balance at end of the period	4,761	5,026	5,025

The following notes (numbered 1 to 14) form part of and should be read in conjunction with these consolidated short form financial statements.

1. This represents the net pre-acquisition capital contributed by the aggregation of BT Financial Group (NZ) Limited into the NZ Banking Group.

Consolidated Statement of Financial Position

As at 31 December 2003

		NZ Banking Group		
	Note	31 December 2003 Unaudited \$m	31 December 2002 Unaudited \$m	30 September 2003 Audited \$m
ASSETS				
Cash		169	190	103
Due from other financial institutions		1,228	1,305	1,006
Trading securities	2	1,370	1,280	1,329
Loans		33,987	32,290	33,361
Due from related entities		547	676	980
Future income tax benefit		121	43	119
Property, plant and equipment		225	186	227
Intangible assets		599	635	611
Other assets		2,240	2,304	1,956
Total assets		40,486	38,909	39,692
Less:				
LIABILITIES				
Due to other financial institutions		657	358	201
Deposits	6	23,606	21,863	22,542
Bonds, notes and commercial paper		7,922	7,659	8,249
Due to related entities		601	807	449
Deferred tax liability		12	33	23
Other liabilities		2,877	3,113	3,153
Total liabilities excluding subordinated bonds		35,675	33,833	34,617
Subordinated bonds	7	50	50	50
Total liabilities		35,725	33,883	34,667
Net assets		4,761	5,026	5,025
Represented by:				
EQUITY				
Ordinary share capital		82	3	82
Branch capital		-	600	-
Subordinated capital instruments:	8			
NZ Banking Group equity holders		-	900	-
Convertible debentures	9	2,580	1,301	2,580
Property revaluation reserve		1	1	1
Retained earnings		741	864	1,004
Total NZ Banking Group equity		3,404	3,669	3,667
NZ Class Shares	10	598	598	598
Other minority interests		759	759	760
Total equity		4,761	5,026	5,025

The following notes (numbered 1 to 14) form part of and should be read in conjunction with these consolidated short form financial statements.

Consolidated Statement of Cash Flows

For the three months ended 31 December 2003

	NZ Banking Group		
	Three months ended 31 December 2003 Unaudited \$m	Three months ended 31 December 2002 Unaudited \$m	Year ended 30 September 2003 Audited \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received	652	641	2,559
Non-interest income received	75	118	493
(Increase)/decrease in trading securities and derivative financial instruments	(477)	1,037	1,304
Interest paid	(301)	(325)	(1,431)
Non-interest expenses paid	(310)	(227)	(513)
Income tax paid	(18)	(20)	(180)
Net cash flows from operating activities	(379)	1,224	2,232
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of property, plant and equipment	1	6	11
Purchase of property, plant and equipment	(15)	(34)	(127)
Increase in loans	(632)	(859)	(2,194)
Acquisition of related entities (net of cash acquired)	-	(48)	(75)
Disposal of related entities	-	-	70
Movement in other assets	(83)	(23)	(82)
Net cash flows from investing activities	(729)	(958)	(2,397)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase)/decrease in due from other financial institutions – term	(251)	152	(187)
Increase/(decrease) in due to other financial institutions – term	404	(1,045)	(20)
Increase/(decrease) in deposits	1,064	(281)	399
(Decrease)/increase in bonds, notes and commercial paper	(327)	(185)	405
Increase/(decrease) in amounts due to and due from related entities	641	264	(373)
Issue of convertible debentures (net of issue costs)	-	716	1,994
Redemption of subordinated capital instruments	-	-	(900)
Redemption of branch capital	-	-	(600)
Dividends paid on ordinary share capital	-	(100)	(180)
Dividends paid on subordinated capital instruments	-	(16)	(40)
Dividends paid on convertible debentures	(63)	(13)	(96)
Dividends paid on NZ Class Shares	(25)	(22)	(44)
Remittance to the Overseas Bank	(350)	-	-
Net cash flows from financing activities	1,093	(530)	358
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period	38	508	(155)
Cash and cash equivalents at end of the period	23	244	38
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD COMPRISE			
Cash	169	190	103
Due from other financial institutions – call	49	259	77
Due to other financial institutions – call	(195)	(205)	(142)
Cash and cash equivalents at end of the period	23	244	38

Consolidated Statement of Cash Flows continued

For the three months ended 31 December 2003

	NZ Banking Group		
	Three months ended 31 December 2003 Unaudited \$m	Three months ended 31 December 2002 Unaudited \$m	Year ended 30 September 2003 Audited \$m
RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX EXPENSE TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit after income tax expense attributable to NZ Banking Group equity holders	153	149	462
Adjustments:			
Amortisation of intangible assets	12	11	47
General provision establishment	-	-	178
Bad and doubtful debts expense	4	10	27
Depreciation/amortisation	16	14	62
(Gain)/loss on sale of property, plant and equipment	-	-	-
Intragroup minority interests in subsidiary companies	1	-	2
Movement in accrued assets	9	(6)	87
Movement in accrued liabilities	(160)	(71)	(14)
Movement in income tax provisions	51	48	23
Movement in trading securities and derivative financial instruments	(465)	1,069	1,358
Net cash flows from operating activities	(379)	1,224	2,232

The following notes (numbered 1 to 14) form part of and should be read in conjunction with these consolidated short form financial statements.

Notes to the Consolidated Short Form Financial Statements

NOTE 01 ACCOUNTING POLICIES

STATUTORY BASE

These short form financial statements represent the consolidated financial statements of the NZ Banking Group and are prepared and presented in accordance with the Financial Reporting Act 1993 (New Zealand), the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 1998 (New Zealand), the Reserve Bank of New Zealand Act 1989, and all applicable financial reporting standards and other generally accepted accounting practices in New Zealand.

These consolidated short form financial statements have been prepared in accordance with Financial Reporting Standard No. 24 *“Interim Financial Statements”* and should be read in conjunction with the General Disclosure Statement for the year ended 30 September 2003.

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

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- Westpac Banking Corporation (otherwise referred to as the **“Overseas Bank”**) – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities.
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The most recently published financial statements for the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2003.

MEASUREMENT BASE

These financial statements are based on the general principles of historical cost accounting, as modified by the revaluation of certain assets. The going concern concept and the accrual basis of accounting have been adopted. All amounts are expressed in New Zealand currency unless otherwise stated.

BASIS OF AGGREGATION

The NZ Banking Group has been aggregated by combining the sum of capital and reserves of the NZ Bank, BLE Capital (NZ) Limited, and the consolidated capital and reserves of Westpac Group Investment - NZ - Limited and BT Financial Group (NZ) Limited and their subsidiary companies. For New Zealand entities acquired by the Overseas Banking Group, capital and reserves at acquisition date have been netted and recognised as capital contributed to the NZ Banking Group.

All transactions and balances between entities within the NZ Banking Group have been eliminated.

COMPARATIVE FIGURES

Certain comparative figures have been restated so as to enhance comparability with the current period.

CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies used in the preparation of these consolidated short form financial statements for the three months ended 31 December 2003 and those used in the preparation of the General Short Form Disclosure Statement for the three months ended 31 December 2002 and the General Disclosure Statement for the year ended 30 September 2003.

Notes to the Consolidated Short Form Financial Statements continued

	NZ Banking Group		
	31 December 2003 Unaudited \$m	31 December 2002 Unaudited \$m	30 September 2003 Audited \$m
NOTE 02 TRADING SECURITIES			
Treasury bills	861	963	987
Commercial paper	248	47	69
New Zealand Government stock	92	134	128
Other trading securities	169	136	145
Total trading securities	1,370	1,280	1,329

Trading securities as at 31 December 2003 included securities of \$213 million encumbered through repurchase agreements (31 December 2002: \$79 million; 30 September 2003: \$416 million).

	Three months ended 31 December 2003			Three months ended 31 December 2002			Year ended 30 September 2003		
	Non-accrual assets Unaudited \$m	Restructured assets Unaudited \$m	Total Unaudited \$m	Non-accrual assets Unaudited \$m	Restructured assets Unaudited \$m	Total Unaudited \$m	Non-accrual assets Audited \$m	Restructured assets Audited \$m	Total Audited \$m
NOTE 03 IMPAIRED ASSETS									
Gross impaired assets	72	-	72	77	1	78	71	-	71
Specific provisions	(14)	-	(14)	(15)	-	(15)	(8)	-	(8)
Net impaired assets	58	-	58	62	1	63	63	-	63
GROSS IMPAIRED ASSETS									
Balance at beginning of the period	71	-	71	91	1	92	91	1	92
Additions	170	-	170	15	-	15	47	-	47
Amounts written off	(4)	-	(4)	(2)	-	(2)	(10)	(1)	(11)
Deletions	(165)	-	(165)	(27)	-	(27)	(57)	-	(57)
Balance at end of the period	72	-	72	77	1	78	71	-	71
SPECIFIC PROVISIONS									
Balance at beginning of the period	8	-	8	15	-	15	15	-	15
Charge to statement of financial performance	9	-	9	5	-	5	15	-	15
Specific provisions no longer required	(2)	-	(2)	(4)	-	(4)	(15)	-	(15)
Bad debts written off	(1)	-	(1)	(1)	-	(1)	(7)	-	(7)
Balance at end of the period	14	-	14	15	-	15	8	-	8

	NZ Banking Group		
	31 December 2003 Unaudited \$m	31 December 2002 Unaudited \$m	30 September 2003 Audited \$m
GENERAL PROVISION			
Balance at beginning of the period	258	71	71
(Credit)/charge to statement of financial performance	(8)	-	187
Balance at end of the period	250	71	258
PAST DUE ASSETS	30	222	197

Notes to the Consolidated Short Form Financial Statements continued

	NZ Banking Group		
	Three months ended 31 December 2003 Unaudited \$m	Three months ended 31 December 2002 Unaudited \$m	Year ended 30 September 2003 Audited \$m
NOTE 04 BAD AND DOUBTFUL DEBTS EXPENSE			
Specific provisions	9	5	15
Specific provisions no longer required	(2)	(4)	(15)
General provision	(8)	-	9
Write-offs direct	9	13	44
Recoveries	(4)	(4)	(26)
Bad and doubtful debts expense before additional general provision	4	10	27
Additional general provision	-	-	178
Total bad and doubtful debts expense	4	10	205

There are no unrecognised impaired assets.

During the year ended 30 September 2003 the Overseas Bank derecognised a central general provision previously held in respect to the NZ Banking Group. This led to the NZ Banking Group recognising an additional general provision in New Zealand of \$178 million relating to its credit exposures.

The general provision in the NZ Banking Group as at 31 December 2003 was \$250 million (31 December 2002: \$71 million; 30 September 2003: \$258 million). The general provision held by the Overseas Bank in respect of the NZ Banking Group as at 31 December 2002 was A\$147 million. Therefore, the combined general provision held by both the Overseas Bank and the NZ Banking Group as at 31 December 2002 was \$229 million.

	NZ Banking Group		
	31 December 2003 Unaudited \$m	31 December 2002 Unaudited \$m	30 September 2003 Audited \$m
NOTE 05 INTEREST EARNING ASSETS AND INTEREST BEARING LIABILITIES			
Total interest earning assets	37,053	34,877	36,125
Total interest bearing liabilities	31,408	29,139	30,474
NOTE 06 DEPOSITS			
Secured deposits	-	1	-
Unsecured deposits	23,606	21,862	22,542
Total deposits	23,606	21,863	22,542

Secured deposits relate to Augusta (1962) Limited and are secured by a fixed charge over the deposits of that company.

NOTE 07 SUBORDINATED BONDS

The subordinated bonds on issue as at 31 December 2003 have a face value of \$50 million and carry a fixed rate coupon of 7.59%, which applies until 15 July 2004, at which time an early repayment option is exercisable by the NZ Bank. If the early repayment option is not exercised, the coupon rate will reset for a further five years on a three-month bank bill floating rate basis plus a margin until the maturity date of 15 July 2009. These bonds were issued at par. The subordinated bonds are subordinated to all other obligations of the NZ Banking Group with the exception of any equity instruments.

Notes to the Consolidated Short Form Financial Statements continued

NOTE 08 SUBORDINATED CAPITAL INSTRUMENTS

NZ BANKING GROUP EQUITY HOLDERS

In 1997, the NZ Bank issued \$1,300 million of subordinated capital instruments to Westpac Overseas Funding Pty Limited (an Australian incorporated subsidiary of the Overseas Bank).

The original terms of the issue provided that the capital instruments could be redeemed either in full or in part at the discretion of the Overseas Bank Board of Directors (the "Board") on 30 June and 31 December under the following conditions:

- the NZ Bank will be solvent post-redemption;
- there are no liabilities of the NZ Bank due and unpaid or unsatisfied in aggregate which exceed 0.5% of the NZ Bank's gross assets;
- notice is given to Westpac Overseas Funding Pty Limited; and
- if the proposed redemption is within ten years of issue, Westpac Overseas Funding Pty Limited consents.

In July 1999, an amendment to the terms of the capital instruments added an alternative redemption procedure. The amendment allowed the NZ Bank and Westpac Overseas Funding Pty Limited to agree any date at any time to a redemption date whether prior to the ten-year period, or after the ten-year period, provided the two solvency conditions noted above are satisfied.

In July 1999, the NZ Bank redeemed \$400 million of subordinated instruments.

On 14 May 2003, the remaining \$900 million of subordinated capital instruments issued by the NZ Bank were redeemed. The redemption was subject to the Board being satisfied on reasonable grounds on the redemption date that the redemption of the subordinated capital instruments would not breach the solvency conditions noted above. The redemption of the subordinated capital instruments was agreed to by the Board of Westpac Overseas Funding Pty Limited.

The redemption provided for the return of the maximum dividend payable (in respect of the final return period) to be distributed on the redemption date. The maximum rate on the redemption date was 7.125% (31 December 2002: 7.235%).

	NZ Banking Group		
	31 December 2003 Unaudited \$m	31 December 2002 Unaudited \$m	30 September 2003 Audited \$m
NOTE 09 CONVERTIBLE DEBENTURES			
Trust Originated Preferred Securities	586	586	586
Fixed Interest Resettable Trust Securities	715	715	715
Trust Preferred Securities	1,279	-	1,279
Total convertible debentures	2,580	1,301	2,580

TRUST ORIGINATED PREFERRED SECURITIES

In 1999, the NZ Bank issued 8% Junior Subordinated Convertible Debentures to the Chase Manhattan Bank as trustee of Tavarua Funding Trust 1 ("Funding Trust"). These debentures are convertible on 16 July 2049 into Overseas Bank preference shares. They represent the proceeds (net of issue costs) of approximately US\$322 million of Trusted Originated Preferred Securities ("TOPrSsm") issued by the Overseas Banking Group in the United States of America.

The convertible debentures are subordinated to the rights of all depositors and other creditors including subordinated creditors and the rights of the holders of any shares expressed to rank in priority to the preference shares. The convertible debentures will only pay a distribution to the extent it is declared by the Board of Directors, or an authorised committee of the Board. If certain conditions exist a distribution is not permitted to be declared unless approved by the Australian Prudential Regulation Authority ("APRA").

The convertible debentures will automatically convert into a fixed number of American Depositary Receipts ("ADRs") representing the Overseas Bank preference shares (8% non-cumulative preference shares in the Overseas Bank with a liquidation preference of US\$25 per share) on 16 July 2049, or earlier in the event that a distribution is not made or certain other events occur. The dividend payment dates on the Overseas Bank preference shares will be the same days of the year as the distribution payment dates of the TOPrS. The TOPrS will then be redeemed for ADRs. The NZ Bank has entered a currency swap with the Overseas Bank under which the NZ Bank has agreed to pay the Overseas Bank United States dollars using a fixed exchange rate in exchange for the New Zealand dollar distributions and redemption payments on the convertible debentures issued to the Funding Trust.

Notes to the Consolidated Short Form Financial Statements continued

NOTE 09 CONVERTIBLE DEBENTURES continued

The NZ Bank has guaranteed, on a subordinated basis, the payment in full of distributions or redemption amounts, the delivery of ADRs and other payments on the TOPrS to the extent that Funding Trust has funds available.

With the prior written consent of APRA, if required, the NZ Bank may elect to redeem the convertible debentures for cash before 16 July 2004 in whole upon the occurrence of certain specific events, and in whole or in part on one or more occasions any time on or after 16 July 2004. The proceeds received by Funding Trust from the redemption of the convertible debentures must be used to redeem the TOPrS. The holders of the convertible debentures do not have an option to require redemption of these instruments.

FIXED INTEREST RESETTABLE TRUST SECURITIES

During the year ended 30 September 2003, the NZ Bank issued Convertible Debentures to Westpac Financial Services Limited as responsible entity (a public company with an Australian financial services license to operate a registered managed investment scheme) of Westpac Second Trust. The investment in convertible debentures was ultimately sourced from the proceeds of approximately A\$655 million (net of issue costs) of Westpac Fixed Interest Resettable Trust Securities ("Westpac FIRsTS") issued by Westpac Funds Management Limited as responsible entity of the Westpac First Trust. Both the Westpac First Trust and the Westpac Second Trust are Australian registered managed investment schemes and are members of the Overseas Banking Group.

The convertible debentures are unsecured obligations and rank subordinate and junior in right of payment of principal and interest to obligations to depositors and creditors including other subordinated creditors, other than subordinated creditors holding subordinated indebtedness that is stated to rank equally with, or junior to the convertible debentures.

A distribution will only be paid on the convertible debentures if it is declared payable by a committee appointed by the Board of Directors. A distribution must not be declared if APRA has objected to it, or, if certain conditions exist, a distribution must not be declared payable unless approved by APRA. Distributions on the convertible debentures will be payable, if declared, on a quarterly basis on the last day of each quarter or the following business day, with the first payment having been made on 31 March 2003. Until 31 December 2007, distributions will be calculated based on a rate of 7.82%.

The Overseas Bank may reset certain terms of the convertible debentures on nominated rollover dates, the first of which is 31 December 2007. On these rollover dates the Overseas Bank may, subject to APRA guidelines, reset the next rollover date, the distribution rate, the frequency of distribution dates and the date of the next scheduled distribution.

These convertible debentures will automatically convert into a fixed number of Overseas Bank Preference Shares (or Alternative Securities if the Overseas Bank is under a legal impediment and cannot issue Preference Shares) on 19 December 2052 or where the NZ Bank fails to pay scheduled distributions on the convertible debentures and that failure continues unremedied for a period of 21 days. The convertible debentures will also automatically convert into the Overseas Bank Ordinary Shares based on a predetermined formula, if triggered by certain APRA regulatory actions affecting the Overseas Bank or in certain other limited circumstances (for example, if a proceeding is commenced for the Overseas Bank to be wound up or liquidated). The Overseas Bank may elect to convert the convertible debentures into Overseas Bank Ordinary Shares in certain limited circumstances, such as where its ability to acquire or redeem Westpac FIRsTS is threatened.

These convertible debentures must be redeemed for cash at any time where the Overseas Bank has acquired the Westpac FIRsTS from Holders and has required Westpac Funds Management Limited to redeem the Westpac FIRsTS. The convertible debentures may also be redeemed for cash in other limited circumstances.

TRUST PREFERRED SECURITIES

The NZ Bank has issued Junior Subordinated Convertible Debentures to JP Morgan Chase Bank as trustee of the Tavarua Funding Trust III ("Funding Trust III"). They represent the proceeds (net of issue costs) of approximately US\$750 million of Trust Preferred Securities ("TPS") issued by the Overseas Banking Group in the United States of America.

The convertible debentures are unsecured obligations of the NZ Bank and will rank subordinate and junior in the right of payment of principal and distributions to the NZ Bank's certain obligations to its depositors and creditors.

The convertible debentures will pay semi-annual distributions (31 March and 30 September) in arrears at the annual rate of 7.57% p.a. up to, but excluding 30 September 2013. From, and including, 30 September 2013 the convertible debentures will pay quarterly distributions (31 December, 31 March, 30 June and 30 September) in arrears at a floating rate equal to the New Zealand Bank Bill Rate plus 2.20% p.a. per year. The convertible debentures will only pay distributions to the extent they are declared by the Board of Directors, or an authorised committee of the Board. Any distribution is subject to the Overseas Bank having sufficient distributable profits unless approved by APRA. If certain other conditions exist a distribution is not permitted to be declared.

Notes to the Consolidated Short Form Financial Statements continued

NOTE 09 CONVERTIBLE DEBENTURES continued

The convertible debentures have no stated maturity, but will automatically convert into American Depositary Receipts (ADRs) each representing 40 Overseas Bank preference shares (non-cumulative preference shares with a liquidation amount of US\$25) on 30 September 2053, or earlier in the event that a distribution is not made or certain other events occur. The TPS will then be redeemed for ADRs. The dividend payment dates on the Overseas Bank preference shares will be the same as those otherwise applicable to TPS. The dividend payment rate on the Overseas Bank preference shares will also be the same as that applicable to TPS until 30 September 2013, after which the rate will be a floating rate equal to LIBOR plus a fixed margin.

Under the terms of the convertible debentures, the NZ Bank will make distributions in New Zealand dollars to Funding Trust III. Funding Trust III has entered into a currency swap with the Overseas Bank under which Funding Trust III has agreed to pay the Overseas Bank the New Zealand dollar distributions it receives on the convertible debentures in exchange for United States dollars. The NZ Bank has also entered into a netting agreement under which it has agreed to pay any New Zealand dollar distributions on the convertible debentures direct to the Overseas Bank.

With the prior written consent of APRA, if required, the NZ Bank may elect to redeem the convertible debentures for cash before 30 September 2013 in whole upon the occurrence of certain specific events, and in whole or in part on any distribution date on or after 30 September 2013. The proceeds received by Funding Trust III from the redemption of the convertible debentures must be used to redeem the TPS. The holders of the convertible debentures do not have an option to require redemption of these instruments.

	NZ Banking Group		
	31 December 2003 Unaudited \$m	31 December 2002 Unaudited \$m	30 September 2003 Audited \$m
NOTE 10 NZ CLASS SHARES			
NZ Class Shares issued	610	610	610
NZ Class Shares held as Treasury Stock	-	(12)	-
NZ Class Shares held as Treasury Stock now cancelled	(12)	-	(12)
Balance at end of the period	598	598	598

On 12 October 1999, a controlled entity, Westpac (NZ) Investments Limited ("WNZI"), issued 54,393,306 NZ Class Shares. A first instalment of \$7.20 per NZ Class Share was received on application and a second instalment of \$4.75 per NZ Class Share was received on 20 December 2000.

The NZ Class Shares were recorded at the total of the first instalment and the present value of the second instalment, net of issue costs.

As at 31 December 2003 there were 53,694,931 NZ Class Shares on issue (31 December 2002: 54,393,306; 30 September 2003: 53,694,931) with no NZ Class Shares held as Treasury Stock (31 December 2002: 698,375; 30 September 2003: nil).

Key features of these shares are:

- each NZ Class Share is entitled to dividends if declared. Any dividends paid on the NZ Class Shares will be the New Zealand dollar equivalent of the dividends paid on Westpac Banking Corporation ordinary shares (adjusted by the exchange fraction, if required);
- NZ Class Shareholder's voting rights in WNZI are limited to voting on major transactions, changes to the constitution where those changes affect the rights of the shares, and voting on special resolutions to terminate or amend the Exchange or Voting Deeds;
- NZ Class Shares are exchangeable into Westpac Banking Corporation ordinary shares upon the occurrence of certain events. In particular, in the event of liquidation of WNZI, the NZ Class Shares must be exchanged. Once this exchange occurs, the current holders of the NZ Class Shares are not entitled to participate in the residual net assets of WNZI in the event of a liquidation; and
- NZ Class Shares held as Treasury Stock have none of the features mentioned above as all their rights and obligations are suspended until they are reissued.

As the NZ Class Shares do not have any entitlement to earnings in priority to ordinary shareholders in WNZI, earnings of WNZI are not attributed to the NZ Class Shareholders in the statement of financial performance. Dividends on the NZ Class Shares are accounted for as distributions when declared.

Notes to the Consolidated Short Form Financial Statements continued

NOTE 10 NZ CLASS SHARES continued

EMPLOYEE SHARE OWNERSHIP

In March 2000, the NZ Bank established a staff share scheme and all permanent members of staff were allocated NZ Class Shares in WNZI. The shares were purchased by the NZ Bank on the market and have the same features as the NZ Class Shares outlined above. The second instalment payable on the shares was settled by the NZ Bank on 20 December 2000. Three further allocations of fully paid shares have been made to staff, occurring in December 2000, December 2001 and December 2002, on the same basis as the original allocation.

The NZ Bank may alter or cancel the staff share scheme at any time should it consider that the scheme is no longer appropriate.

TREASURY STOCK

On 9 May 2002, WNZI gave notice that it intended to commence an on-market buy-back of up to 1.5 million NZ Class Shares for a period of six months from 24 May 2002. During the buy-back WNZI acquired 698,375 NZ Class Shares for a total amount of \$12.2 million. These shares were not cancelled immediately and were held as Treasury Stock. As such, WNZI had the right to reissue these shares at a later date. These shares represented 1.28% of the NZ Class Shares on issue at the commencement of the buy-back. As at 14 August 2002 the share buy-back scheme ceased.

On 7 May 2003, WNZI cancelled the 698,375 NZ Class Shares that were being held as Treasury Stock, reducing the number of shares on issue to 53,694,931.

	NZ Banking Group		
	31 December 2003 Unaudited \$m	31 December 2002 Unaudited \$m	30 September 2003 Audited \$m
NOTE 11 CONTINGENT LIABILITIES AND OTHER COMMITMENTS			
CONTINGENT LIABILITIES			
Direct credit substitutes	210	150	192
Transaction related contingent items	573	302	541
Trade related contingent liabilities	604	219	617
Total contingent liabilities	1,387	671	1,350

The NZ Banking Group has indemnities from customers and others in respect of a major portion of the above contingent liabilities.

OTHER CONTINGENT LIABILITIES

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ Banking Group's likely loss in respect of these claims has been made on a case-by-case basis and provision has been made where appropriate. The NZ Bank has entered into six contracts with overseas companies for the provision of custodial services where the overseas companies are restricted to appointing custodians with a certain level of capital.

The New Zealand Inland Revenue Department ("NZIRD") is currently conducting a review of the structured finance transactions of the NZ Banking Group. This is part of an industry wide audit of structured finance transactions. The NZ Bank is in regular contact with the NZIRD as its review continues. Westpac is confident that the appropriate tax treatment has been applied and believes that the review will not result in a material adverse outcome.

The NZ Bank has a contingent liability which arises from it holding an investment in Visa New Zealand Limited ("Visa"). Visa, as a group member of Visa International is responsible for the obligations (including settlement) of its members. Additionally, there are cross guarantee obligations for the Asia Pacific region. There are caps in respect of both of these obligations and reserves are held by Visa to cover the non-performance of any of its members. It is not envisaged that any liability resulting in a material loss to the NZ Bank will arise from these contingencies.

The Overseas Bank guarantees certain obligations of WestpacTrust Securities NZ Limited under programs that provide funding to the NZ Banking Group.

The NZ Banking Group has a contingent asset in respect of \$16 million contributed to various funds managed by it's wealth management subsidiaries. The repayment of this sum is dependent on the future performance of these funds.

Notes to the Consolidated Short Form Financial Statements continued

NOTE 11 CONTINGENT LIABILITIES AND OTHER COMMITMENTS continued

OTHER COMMITMENTS

As at 31 December 2003, the NZ Banking Group had commitments in respect of forward purchases and sales of foreign currencies, interest rate and currency swap transactions, futures and options contracts, provision of credit, underwriting facilities and other engagements entered into in the normal course of business. The NZ Banking Group has management systems and operational controls in place to manage interest rate risk and currency risk. Accordingly, it is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from these transactions.

NOTE 12 CREDIT RISK

RISK WEIGHTED EXPOSURES

Risk weighted exposures are derived in accordance with the Reserve Bank of New Zealand's Capital Adequacy Framework (the "Framework") as required by the Registered Bank Disclosure Statement (Off-Quarter - Overseas Incorporated Registered Banks) Order 1998 (New Zealand).

On-balance sheet non-risk weighted assets consist of market related contracts (derivatives) and intangible assets. These items have been excluded from the calculation of on-balance sheet risk weighted exposures in accordance with the Framework. Derivatives have been included in the table of off-balance sheet exposures for the purposes of risk weighting.

While securitised mortgages are excluded from the statement of financial position, they are included in New Zealand risk adjusted exposures as required by the Framework.

The current exposure method has been used to calculate the credit equivalent of market related contracts with minor exceptions.

Notes to the Consolidated Short Form Financial Statements continued

NOTE 12 CREDIT RISK continued

NZ Banking Group
31 December 2003 – Unaudited

CALCULATION OF ON-BALANCE SHEET EXPOSURES	Principal Amount \$m		Risk Weighting	Risk Weighted Exposure \$m	
Cash and short term claims on government	992		0%	-	
Long term claims on government	430		10%	43	
Claims on banks and New Zealand local authorities	5,514		20%	1,103	
Residential mortgages	16,747		50%	8,374	
Other assets	14,648		100%	14,648	
Non-risk weighted assets	2,155			-	
Total on-balance sheet exposures	40,486			24,168	
CALCULATION OF SECURITISED MORTGAGE EXPOSURES					
Securitised mortgages	829		50%	415	
Total securitised mortgage exposures	829			415	
CALCULATION OF OFF-BALANCE SHEET EXPOSURES					
	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
DIRECT CREDIT SUBSTITUTES					
Standby letters of credit and financial guarantees	210	100%	210	100%	210
Total direct credit substitutes	210		210		210
COMMITMENTS					
Commitments with certain drawdown	55	100%	55	100%	55
Housing loan commitments with certain drawdown	28	100%	28	50%	14
Transaction related contingent items	573	50%	287	100%	287
Short term, self liquidating trade related contingent liabilities	604	20%	121	100%	121
Other commitments to provide financial services which have an original maturity of one year or more	4,989	50%	2,495	100%	2,495
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	4,998	0%	-	-	-
Total commitments	11,247		2,985		2,972
MARKET RELATED CONTRACTS (DERIVATIVES)					
Foreign exchange contracts:					
Forwards	34,731		1,165	23%	270
Swaps	17,593		1,586	24%	376
Options	-		-	0%	-
Interest rate contracts:					
Forwards	10,698		2	0%	-
Futures	15,709		-	-	-
Options	3,844		2	50%	1
Swaps	73,809		847	32%	267
Total market related contracts (derivatives)	156,384		3,602		914
Total off-balance sheet exposures	167,841		6,797		4,096
Total risk weighted exposures					28,679

Notes to the Consolidated Short Form Financial Statements continued

NOTE 12 CREDIT RISK continued

NZ Banking Group
31 December 2002 – Unaudited

CALCULATION OF ON-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Risk Weighting	Risk Weighted Exposure \$m
Cash and short term claims on government	1,160	0%	-
Long term claims on government	707	10%	71
Claims on banks and New Zealand local authorities	4,072	20%	814
Residential mortgages	14,642	50%	7,321
Other assets	16,318	100%	16,318
Non-risk weighted assets	2,010		-
Total on-balance sheet exposures	38,909		24,524

CALCULATION OF SECURITISED MORTGAGE EXPOSURES

Securitized mortgages	919	50%	460
Total securitized mortgage exposures	919		460

CALCULATION OF OFF-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
DIRECT CREDIT SUBSTITUTES					
Standby letters of credit and financial guarantees	150	100%	150	100%	150
Total direct credit substitutes	150		150		150

COMMITMENTS

Commitments with certain drawdown	14	100%	14	100%	14
Housing loan commitments with certain drawdown	2,202	100%	2,202	50%	1,101
Transaction related contingent items	302	50%	151	100%	151
Short term, self liquidating trade related contingent liabilities	219	20%	44	100%	44
Other commitments to provide financial services which have an original maturity of one year or more	1,244	50%	622	100%	622
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	7,385	0%	-	-	-
Total commitments	11,366		3,033		1,932

MARKET RELATED CONTRACTS (DERIVATIVES)

Foreign exchange contracts:					
Forwards	25,372		1,070	23%	250
Swaps	16,776		1,145	23%	262
Interest rate contracts:					
Forwards	7,134		1	0%	-
Futures	10,859		-	-	-
Options	913		3	33%	1
Swaps	58,363		835	26%	221
Total market related contracts (derivatives)	119,417		3,054		734
Total off-balance sheet exposures	130,933		6,237		2,816
Total risk weighted exposures					27,800

Notes to the Consolidated Short Form Financial Statements continued

NOTE 12 CREDIT RISK continued

NZ Banking Group
30 September 2003 – Audited

CALCULATION OF ON-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Risk Weighting	Risk Weighted Exposure \$m
Cash and short term claims on government	1,116	0%	-
Long term claims on government	489	10%	49
Claims on banks and New Zealand local authorities	5,294	20%	1,059
Residential mortgages	16,031	50%	8,016
Other assets	14,897	100%	14,897
Non-risk weighted assets	1,865		-
Total on-balance sheet exposures	39,692		24,021

CALCULATION OF SECURITISED MORTGAGE EXPOSURES

Securitized mortgages	846	50%	423
Total securitized mortgage exposures	846		423

CALCULATION OF OFF-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
DIRECT CREDIT SUBSTITUTES					
Standby letters of credit and financial guarantees	192	100%	192	100%	192
Total direct credit substitutes	192		192		192

COMMITMENTS

Commitments with certain drawdown	55	100%	55	100%	55
Housing loan commitments with certain drawdown	25	100%	25	50%	13
Transaction related contingent items	541	50%	271	100%	271
Short term, self liquidating trade related contingent liabilities	617	20%	123	100%	123
Other commitments to provide financial services which have an original maturity of one year or more	4,851	50%	2,426	100%	2,426
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	5,392	0%	-	-	-
Total commitments	11,481		2,900		2,888

MARKET RELATED CONTRACTS (DERIVATIVES)

Foreign exchange contracts:					
Forwards	23,838		777	24%	187
Options	25		1	0%	-
Swaps	17,985		1,180	23%	269
Interest rate contracts:					
Forwards	6,324		1	0%	-
Futures	28,285		-	-	-
Options	685		2	50%	1
Swaps	68,184		1,005	25%	255
Total market related contracts (derivatives)	145,326		2,966		712
Total off-balance sheet exposures	156,999		6,058		3,792
Total risk weighted exposures					28,236

Notes to the Consolidated Short Form Financial Statements continued

NOTE 13 CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

ANALYSIS OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

The number of counterparties to which the NZ Banking Group has a credit exposure greater than 10% of the Overseas Banking Group's equity is shown below.

Individual Counterparties

	Peak end-of-day for the three months ended		Peak end-of-day for the three months ended		Peak end-of-day for the three months ended	
	As at 31 December 2003	As at 31 December 2003	As at 31 December 2002	As at 31 December 2002	As at 30 September 2003	As at 30 September 2003
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
10 - 20% of Overseas Banking Group's equity						
Bank counterparties	-	-	-	-	-	-
Non-bank counterparties	-	-	-	-	-	-

Closely Related Counterparties

	Peak end-of-day for the three months ended		Peak end-of-day for the three months ended		Peak end-of-day for the three months ended	
	As at 31 December 2003	As at 31 December 2003	As at 31 December 2002	As at 31 December 2002	As at 30 September 2003	As at 30 September 2003
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
10 - 20% of Overseas Banking Group's equity						
Bank counterparties	1	1	2	2	1	1
Non-bank counterparties	-	-	-	-	-	-

The peak end-of-day exposure and as at exposures have been calculated using the Overseas Banking Group's equity as at 30 September 2003. The equity used in the 31 December 2002 comparatives was as at 30 September 2002. Credit exposure used in the above calculations is determined with reference to actual credit exposures. Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties do not include exposures to those counterparties outside New Zealand nor exposures to any OECD government. These calculations relate only to exposures held in the financial records of the NZ Banking Group and were calculated net of specific provisions.

The NZ Banking Group predominantly has its market related contracts (derivatives) with other financial institutions (which include other banks and corporates) and the Overseas Banking Group.

NOTE 14 CAPITAL ADEQUACY

The Overseas Bank and the Overseas Banking Group are subject to the capital adequacy requirements as specified by the Australian Prudential Regulation Authority ("APRA"). The capital adequacy requirements are based on the framework proposed by the Basel Committee on Banking Supervision, which has been endorsed by banking supervisory authorities in the G10 and other industrial countries. The most recently publicly available capital adequacy ratios of the Overseas Banking Group and the Overseas Bank were as at 30 September 2003, as shown below:

	Overseas Banking Group		
	30 September 2003 Audited %	30 September 2002 Audited %	Minimum Capital Adequacy Ratio as specified by APRA %
Tier One Capital, expressed as a percentage of risk weighted exposures	7.2	6.5	4.0
Capital, expressed as a percentage of risk weighted exposures	10.5	9.6	8.0
	Overseas Bank		
	30 September 2003 Audited %	30 September 2002 Audited %	Minimum Capital Adequacy Ratio as specified by APRA %
Tier One Capital, expressed as a percentage of risk weighted exposures	6.5	5.6	4.0
Capital, expressed as a percentage of risk weighted exposures	10.5	9.2	8.0

The Overseas Banking Group and Overseas Bank exceeded the minimum capital adequacy ratio requirement as specified by APRA as at 30 September 2003. The minimum capital adequacy requirements as specified by APRA are at least equal to those specified under the Basel framework.



Westpac is the New Zealand division of Westpac Banking Corporation, which is incorporated in New South Wales, Australia
ABN 33 007 457 141