



Westpac Banking Corporation's general short form disclosure statement

for the three months ended 31 December 2004

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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 Overseas Banking 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 Financial Services Group - NZ - Limited and its subsidiary companies - Holding 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 2004.

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:			
Extremely strong ability to repay principal and interest.	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.	B B B	Baa	B B B

The following grades have predominantly speculative characteristics:			
Significant uncertainties exist which could affect the payment of principal and interest on a timely basis.	B B	Ba	B B
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, free of charge, 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 in the three months prior to 31 December 2004.

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 2004 (30 September 2003 for comparatives).

	Peak end-of-day for the three months ended		Peak end-of-day for the three months ended	
	As at 31 December 2004 Unaudited \$m	31 December 2004 Unaudited \$m	As at 31 December 2003 Unaudited \$m	31 December 2003 Unaudited \$m
Aggregate interest rate exposure	123	199	91	104
As a percentage of the Overseas Banking Group's equity	0.71%	1.14%	0.56%	0.65%
Aggregate foreign currency exposure	2	3	1	3
As a percentage of the Overseas Banking Group's equity	0.01%	0.02%	0.01%	0.02%

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 (together 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.

The NZ Bank guarantors 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, 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 2004. 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:

	30 September 2004 Audited \$m	30 September 2003 Audited \$m
Westpac Capital - NZ - Limited	241	227
Westpac (NZ) Investments Limited	679	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, free of charge, 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 1959 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 1982 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 2004 amounted to \$27,137 million (31 December 2003: \$23,797 million; 30 September 2004: \$25,520 million).

The Overseas Bank is an ADI 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 on 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.

Local incorporation

The Reserve Bank of New Zealand's ("Reserve Bank") policy is that all systemically important banks must incorporate as a local entity rather than operate via a branch. In December 2004, the Overseas Bank's Board announced that the key operations in New Zealand would be locally incorporated. As legislation will probably be required to incorporate, it is likely this process will take some time. The NZ Bank is not yet in a position to fully quantify costs, but it is anticipated that the cost of local incorporation will not be material, in the context of the financial statements of the NZ Bank and NZ Banking Group.

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 are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
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 disappplied 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; and
 - (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 no appointment to the position of the New Zealand Chief Executive Officer of the Overseas Bank shall be made unless:
 - (i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (ii) the Reserve Bank has advised that it has no objection to that appointment.
5. That the Overseas Bank complies with the requirements imposed on it by the Australian Prudential Regulation Authority.
6. 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).

Registered bank: directorate

DIRECTORS

The Hon. Sir Llewellyn Roy Edwards, AC, MB, BS, FRACMA, LLD (h.c.), FAIM, who had been a director of the Overseas Bank for 16 years retired from the Board of Directors effective as at 16 December 2004.

The Directors of the Overseas Bank at the time this General Short Form Disclosure Statement was signed are:

Leonard Andrew Davis, AO, ASAIT, DSc (h.c.), FRACI, FAustIMM.

David Raymond Morgan, BEc, MSc, PhD.

Gordon McKellar Cairns, MA (Hons.).

David Alexander Crawford, BCom, LLB, FCA, FCPA.

Edward Alfred Evans, AC, BEcon.

Carolyn Judith Hewson, BEc (Hons.), MA (Econ.).

Helen Ann Lynch, AM.

Peter David Wilson, CA.

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 2004:

- (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, Westpac New Zealand.



Dated this the 7th day of February 2005.

Consolidated short form financial statements

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Consolidated statement of financial performance

For the three months ended 31 December 2004

NZ Banking Group				
	Note	Three months ended 31 December 2004 Unaudited \$m	Three months ended 31 December 2003 Unaudited \$m	Year ended 30 September 2004 Audited \$m
Interest income		732	603	2,596
Interest expense		(452)	(336)	(1,499)
Net interest income		280	267	1,097
Non-interest income		146	123	520
Trading income		21	18	71
Operating income		447	408	1,688
Non-interest expenses		(183)	(181)	(731)
Operating profit before bad and doubtful debts expense		264	227	957
Bad and doubtful debts expense	5	(10)	(4)	(39)
Operating profit before income tax expense		254	223	918
Income tax expense		(85)	(69)	(297)
Operating profit after income tax expense		169	154	621
Operating profit after income tax expense attributable to intragroup minority interests in subsidiary companies		(1)	(1)	(4)
Operating profit after income tax expense attributable to NZ Banking Group equity holders		168	153	617

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 2004

	NZ Banking Group		
	Three months ended 31 December 2004 Unaudited \$m	Three months ended 31 December 2003 Unaudited \$m	Year ended 30 September 2004 Audited \$m
Balance at beginning of the period	4,427	5,025	5,025
Operating profit after income tax expense attributable to NZ Banking Group equity holders	168	153	617
Operating profit after income tax expense attributable to intragroup minority interests in subsidiary companies	1	1	4
Total recognised revenue and expenses	169	154	621
Ordinary share capital:			
Issue of ordinary share capital	-	-	50
Convertible debentures:			
Dividends paid or provided for on convertible debentures (net of tax)	(10)	(42)	(138)
Redemption of convertible debentures ¹	-	-	(605)
NZ Class Shares:			
Dividends paid or provided for on NZ Class Shares	(26)	(25)	(50)
Purchase of NZ Class Shares – Treasury Stock	(1)	-	(19)
Other minority interests	(1)	(1)	(107)
Remittance to Overseas Bank	-	(350)	(350)
Balance at end of the period	4,558	4,761	4,427

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 proceeds from the convertible debentures which had previously been recognised net of issue costs and related tax of \$19 million.

Consolidated statement of financial position

As at 31 December 2004

NZ Banking Group				
	Note	31 December 2004 Unaudited \$m	31 December 2003 Unaudited \$m	30 September 2004 Audited \$m
ASSETS				
Cash		178	169	101
Due from other financial institutions		384	49	354
Trading securities	2	3,286	2,549	2,653
Loans	3	37,829	33,988	36,093
Due from related entities		1,281	547	750
Future income tax benefit		112	121	115
Property, plant and equipment		204	225	212
Intangible assets		552	599	564
Other assets		1,910	2,239	1,659
Total assets		45,736	40,486	42,501
Less:				
LIABILITIES				
Due to other financial institutions		911	657	1,071
Deposits	7	27,041	23,606	25,325
Bonds, notes and commercial paper		8,496	7,922	7,772
Due to related entities		976	601	569
Deferred tax liability		5	12	6
Other liabilities		3,018	2,877	2,546
Total liabilities excluding subordinated debt		40,447	35,675	37,289
Subordinated debt	8	731	50	785
Total liabilities		41,178	35,725	38,074
Net assets		4,558	4,761	4,427
Represented by:				
EQUITY				
Ordinary share capital		132	82	132
Convertible debentures	9	1,994	2,580	1,994
Property revaluation reserve		-	1	-
Retained earnings		1,197	741	1,065
Total NZ Banking Group equity		3,323	3,404	3,191
NZ Class Shares	10	578	598	579
Other minority interests		657	759	657
Total equity		4,558	4,761	4,427

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 2004

	NZ Banking Group		
	Three months ended 31 December 2004 Unaudited \$m	Three months ended 31 December 2003 Unaudited \$m	Year ended 30 September 2004 Audited \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received	716	652	2,579
Non-interest income received	164	75	516
Increase in trading securities and derivative financial instruments	(347)	(477)	(578)
Interest paid	(420)	(301)	(1,456)
Non-interest expenses paid	(215)	(310)	(645)
Income tax paid	(16)	(18)	(261)
Net cash flows from operating activities	(118)	(379)	155
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of property, plant and equipment	7	1	3
Purchase of property, plant and equipment	(17)	(15)	(58)
Increase in loans	(1,747)	(632)	(2,878)
Disposal of related entities	-	-	427
Movement in other assets	(9)	(83)	(85)
Net cash flows from investing activities	(1,766)	(729)	(2,591)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease/(increase) in due from other financial institutions – term	67	(251)	(67)
(Decrease)/increase in due to other financial institutions – term	(270)	404	832
Increase in deposits	1,716	1,064	2,783
Increase/(decrease) in bonds, notes and commercial paper	724	(327)	(477)
(Decrease)/increase in amounts due to and due from related entities	(116)	641	(16)
Decrease in other liabilities	(77)	-	(6)
Issue of ordinary share capital	-	-	50
Issue of subordinated debt (net of issue costs)	-	-	785
Redemption of convertible debentures	-	-	(605)
Redemption of subordinated debt	-	-	(50)
Movement in subordinated debt	(54)	-	-
Dividends paid on convertible debentures	(15)	(63)	(204)
Dividends paid on NZ Class Shares	(26)	(25)	(50)
Purchase of NZ Class Shares – Treasury Stock	(1)	-	(19)
Remittance to the Overseas Bank	-	(350)	(350)
Net cash flows from financing activities	1,948	1,093	2,606
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	64	(15)	170
Cash and cash equivalents at beginning of the period	208	38	38
Cash and cash equivalents at end of the period	272	23	208
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash	178	169	101
Due from other financial institutions – call	384	49	287
Due to other financial institutions – call	(290)	(195)	(180)
Cash and cash equivalents at end of the period	272	23	208

Consolidated statement of cash flows continued

For the three months ended 31 December 2004

	NZ Banking Group		
	Three months ended 31 December 2004 Unaudited \$m	Three months ended 31 December 2003 Unaudited \$m	Year ended 30 September 2004 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	168	153	617
Adjustments:			
Amortisation of intangible assets	12	12	47
Bad and doubtful debts expense	10	4	39
Depreciation/amortisation	18	16	70
Intragroup minority interests in subsidiary companies	1	1	4
Movement in accrued assets	(4)	9	(64)
Movement in accrued liabilities	(41)	(160)	57
Movement in income tax provisions	69	51	37
Movement in trading securities and derivative financial instruments	(351)	(465)	(652)
Net cash flows from operating activities	(118)	(379)	155

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 2004.

In these consolidated short form financial statements reference is made to the following 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.
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- 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 for the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2004.

Measurement Base

The 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, BT Financial Group (NZ) Limited and Westpac Financial Services Group - NZ - Limited and their subsidiary companies. For New Zealand entities acquired by the Overseas Banking Group, capital and reserves at acquisition date are 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. As a result of on-going analysis on hedges on structured finance transactions, the results of hedges have been reclassified from interest expense to interest income. This has resulted in a decrease of \$52 million in interest income and an increase in interest expense of \$52 million for the three months ended 31 December 2003 compared to that originally published. The impact on the operating profit of the NZ Banking Group for the three months ended 31 December 2003 was nil.

Notes to the consolidated short form financial statements continued

NOTE 01 ACCOUNTING POLICIES continued

Changes in accounting policies	A new accounting policy has been introduced relating to the accounting for the redemption of convertible debentures. There have been no other material changes in accounting policies used in the preparation of these consolidated short form financial statements for the three months ended 31 December 2004 and those used in the preparation of the General Short Form Disclosure Statement for the three months ended 31 December 2003 and the General Disclosure Statement for the year ended 30 September 2004.
New accounting policy – Redemption of convertible debentures	Convertible debentures reported as equity in the statement of financial position are reclassified as liabilities when the NZ Bank gives notice that they are going to be redeemed. The amount recognised as a liability is the amount payable on redemption. Issue costs, previously treated as a reduction in the equity amount recognised, are deducted from retained earnings. Distributions relating to the period the convertible debentures are classified as a liability are recognised as an interest expense in the statement of financial performance.
Adoption of International Financial Reporting Standards	The Institute of Chartered Accountants of New Zealand has announced that New Zealand entities will adopt International Financial Reporting Standards (“IFRS”) for financial years commencing on or after 1 January 2007. Entities may however, choose to adopt IFRS from 1 January 2005. The NZ Banking Group has chosen to adopt IFRS for the financial year commencing 1 October 2005. The adoption of these standards will be first reflected in the NZ Banking Group’s General Short Form Disclosure Statement for the three months ended 31 December 2005.

Notes to the consolidated short form financial statements continued

	NZ Banking Group		
	31 December 2004 Unaudited \$m	31 December 2003 Unaudited \$m	30 September 2004 Audited \$m
NOTE 02 TRADING SECURITIES			
Treasury bills	1,027	861	1,092
Certificates of deposit	1,405	1,179	1,147
Commercial paper	334	248	124
New Zealand Government stock	350	92	157
Other trading securities	170	169	133
Total trading securities	3,286	2,549	2,653

Trading securities as at 31 December 2004 included securities of \$333 million encumbered through repurchase agreements (31 December 2003: \$213 million; 30 September 2004: \$154 million).

	NZ Banking Group		
	31 December 2004 Unaudited \$m	31 December 2003 Unaudited \$m	30 September 2004 Audited \$m
NOTE 03 LOANS			
Overdrafts	1,168	1,061	1,046
Credit card outstandings	986	897	923
Overnight and at call money market loans	1,181	1,087	1,187
Term loans:			
Housing	19,426	16,650	18,835
Non-housing	10,400	8,775	9,566
Other	4,952	5,782	4,813
Total gross loans	38,113	34,252	36,370
Provisions for bad and doubtful debts	(284)	(264)	(277)
Total net loans	37,829	33,988	36,093

Movements in impaired assets and provisions for bad and doubtful debts are outlined in notes 4 and 5 respectively.

Notes to the consolidated short form financial statements continued

NZ Banking Group						
	Three months ended 31 December 2004		Three months ended 31 December 2003		Year ended 30 September 2004	
	Non-accrual assets Unaudited \$m	Total Unaudited \$m	Non-accrual assets Unaudited \$m	Total Unaudited \$m	Non-accrual assets Audited \$m	Total Audited \$m
NOTE 04 IMPAIRED ASSETS						
Gross impaired assets	50	50	72	72	58	58
Specific provisions	(7)	(7)	(14)	(14)	(8)	(8)
Net impaired assets	43	43	58	58	50	50
GROSS IMPAIRED ASSETS						
Balance at beginning of the period	58	58	71	71	71	71
Additions	10	10	170	170	221	221
Amounts written off	-	-	(4)	(4)	(14)	(14)
Returned to performing or repaid	(18)	(18)	(165)	(165)	(220)	(220)
Balance at end of the period	50	50	72	72	58	58
SPECIFIC PROVISIONS						
Balance at beginning of the period	8	8	8	8	8	8
Charge to statement of financial performance	1	1	9	9	17	17
Specific provisions no longer required	(3)	(3)	(2)	(2)	(10)	(10)
Bad debts recovered/(written off)	1	1	(1)	(1)	(7)	(7)
Balance at end of the period	7	7	14	14	8	8

NZ Banking Group			
	31 December 2004 Unaudited \$m	31 December 2003 Unaudited \$m	30 September 2004 Audited \$m
GENERAL PROVISION			
Balance at beginning of the period	269	258	258
Charge/(credit) to statement of financial performance	8	(8)	11
Balance at end of the period	277	250	269
PAST DUE ASSETS			
Balance at beginning of the period	31	197	197
Additions	9	7	37
Deletions	(14)	(174)	(203)
Balance at end of the period	26	30	31

There are no unrecognised impaired assets.

The NZ Banking Group does not have any real estate or other assets acquired through security enforcement. The NZ Banking Group does not have any restructured assets.

Notes to the consolidated short form financial statements continued

	NZ Banking Group		
	Three months ended 31 December 2004 Unaudited \$m	Three months ended 31 December 2003 Unaudited \$m	Year ended 30 September 2004 Audited \$m
NOTE 05 BAD AND DOUBTFUL DEBTS EXPENSE			
Specific provisions	1	9	17
Specific provisions no longer required	(3)	(2)	(10)
General provision	8	(8)	11
Write-offs direct	10	9	38
Recoveries	(6)	(4)	(17)
Total bad and doubtful debts expense	10	4	39

	NZ Banking Group		
	31 December 2004 Unaudited \$m	31 December 2003 Unaudited \$m	30 September 2004 Audited \$m
NOTE 06 INTEREST EARNING ASSETS AND INTEREST BEARING LIABILITIES			
Total interest earning assets	41,843	37,053	39,347
Total interest bearing liabilities	36,518	31,408	34,093

NOTE 07 DEPOSITS

Non-interest bearing	915	1,047	865
Certificates of deposit	3,873	2,836	3,311
Other interest bearing:			
At call	11,347	10,079	10,768
Term	10,906	9,644	10,381
Total deposits	27,041	23,606	25,325

NOTE 08 SUBORDINATED DEBT

Subordinated bonds	-	50	-
Subordinated debentures	731	-	785
Total subordinated debt	731	50	785

SUBORDINATED BONDS

The subordinated bonds previously on issue had a face value of \$50 million and carried a fixed rate coupon of 7.59%, which applied until 15 July 2004, at which time the NZ Bank redeemed the bonds in accordance with their terms (and following a notice given on 26 May 2004 of its intention to exercise an early repayment option). These bonds were issued at par value.

CONVERTIBLE DEBENTURES

On 5 April 2004, the NZ Bank issued US\$525 million of Junior Subordinated Convertible Debentures to JP Morgan Chase Bank as trustee of the Tavarua Funding Trust IV. Issue costs of NZ\$9 million have been capitalised as an asset and are being amortised over the period up to the first call date.

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 certain of the NZ Bank's obligations to its depositors and creditors, including other subordinated creditors, other than subordinated creditors holding subordinated indebtedness that ranks equally with, or junior to, the convertible debentures.

Notes to the consolidated short form financial statements continued

NOTE 08 SUBORDINATED DEBT continued

The convertible debentures will pay non-cumulative semi-annual distributions (31 March and 30 September) in arrears at the annual rate of 5.256% up to but excluding 31 March 2016. From, and including 31 March 2016, the convertible debentures will pay non-cumulative quarterly distributions (31 December, 31 March, 30 June and 30 September) in arrears at a floating rate equal to LIBOR plus 1.7675% 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 the Australian Prudential Regulation Authority ("APRA"). If certain other conditions exist a distribution is not permitted to be declared.

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 31 March 2053, or earlier in the event that a distribution is not made or certain other events occur.

With the prior written consent of APRA, if required, the Overseas Bank may elect to redeem the convertible debentures for cash before 31 March 2016 in whole upon the occurrence of certain specific events, and in whole or in part on any distribution date on or after 31 March 2016.

	NZ Banking Group		
	31 December 2004 Unaudited \$m	31 December 2003 Unaudited \$m	30 September 2004 Audited \$m
NOTE 09 CONVERTIBLE DEBENTURES			
Trust Originated Preferred Securities	-	586	-
Fixed Interest Resetable Trust Securities	715	715	715
Trust Preferred Securities	1,279	1,279	1,279
Total convertible debentures	1,994	2,580	1,994

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 I. They represented the proceeds (net of issue costs) of approximately US\$322 million of Trust Originated Preferred Securities ("TOPrSsm") issued by the Overseas Banking Group in the United States of America.

On 6 May 2004, the Overseas Bank announced that the Board of Directors decided to redeem the TOPrS on 16 July 2004. The redemption, which was approved by APRA, was funded from existing sources and completed on 16 July 2004 as scheduled.

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 Resetable 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.

Notes to the consolidated short form financial statements continued

NOTE 09 CONVERTIBLE DEBENTURES continued

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, such as where the ability of the Overseas Bank to acquire or redeem Westpac FIRsTS is threatened.

TRUST PREFERRED SECURITIES

During the year ended 30 September 2003, the NZ Bank 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 ("2003 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 certain of the NZ Bank's 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% 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% 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.

The convertible debentures have no stated maturity, but will automatically convert into 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 2003 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 2003 TPS. The dividend payment rate on the Overseas Bank preference shares will also be the same as that applicable to 2003 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 2003 TPS. The holders of the convertible debentures do not have an option to require redemption of these instruments.

Notes to the consolidated short form financial statements continued

	NZ Banking Group		
	31 December 2004 Unaudited \$m	31 December 2003 Unaudited \$m	30 September 2004 Audited \$m
NOTE 10 NZ CLASS SHARES			
NZ Class Shares on issue	598	598	598
NZ Class Shares held as Treasury Stock	(20)	-	(19)
Balance at end of the period	578	598	579

On 12 October 1999, a controlled entity, Westpac (NZ) Investments Limited ("WNZIL"), 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 2004, there were 52,569,931 NZ Class Shares on issue (31 December 2003: 53,694,931; 30 September 2004: 52,635,530) with 1,125,000 NZ Class Shares held as Treasury Stock (31 December 2003: nil; 30 September 2004: 1,059,401).

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 WNZIL 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 WNZIL, 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 WNZIL 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 WNZIL, earnings of WNZIL 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.

TREASURY STOCK

On 6 May 2004, WNZIL gave notice that it intended to commence an on-market buy-back of approximately 1 million NZ Class Shares for a period of six months from around 17 May 2004. The WNZIL board approved the buy-back with the intention that the WNZIL buy-back would be proportionally equivalent to the off-market ordinary share buy-back undertaken by the Overseas Bank in June 2004. Final calculations indicated that the percentage of Overseas Bank ordinary shares purchased was slightly higher than anticipated, and as a result on 29 July 2004, WNZIL elected to increase the size of its share buy-back to 1.125 million NZ Class Shares. During the buy-back period WNZIL acquired 1.125 million NZ Class Shares for a total amount of \$20 million. These shares are being held as Treasury Stock. As such, WNZIL has the right to reissue these shares at a later date. These shares represent 2.1% of the NZ Class Shares on issue at the commencement of the buy-back. As at 29 November 2004, the share buy-back scheme ceased.

On 9 May 2002, WNZIL 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 WNZIL acquired 698,375 NZ Class Shares for a total amount of \$12 million. These shares were initially held as Treasury Stock and on 7 May 2003, WNZIL cancelled the 698,375 NZ Class Shares, reducing the number of shares on issue to 53,694,931.

Notes to the consolidated short form financial statements continued

NOTE 10 NZ CLASS SHARES continued

EXCHANGE EVENT

The Overseas Bank has advised WNZIL that it has the option to trigger an Exchange Event as a consequence of the impact of new Australian tax rules (known as the New Business Tax System (Debt and Equity) Act 2001) becoming law and affecting some payments in the NZ Class Share structure. In the Exchange Deed made by the Overseas Bank in favour of each NZ Class Shareholder, the Overseas Bank has agreed to exchange NZ Class Shares for Overseas Bank ordinary shares upon the occurrence of an Exchange Event.

Under the new law, the Overseas Bank will be subject to franking debits in respect of some payments in the NZ Class Share structure. It is anticipated that franking debits will apply from July 2005. The Overseas Bank is considering its position, including ways to make the structure more efficient, and will provide further information when the position is clear. It is expected that this should occur no later than the half-year profit announcement of the Overseas Bank in May 2005 because of the need for detailed consultations with regulatory and tax authorities in Australia and New Zealand.

	NZ Banking Group		
	31 December 2004 Unaudited \$m	31 December 2003 Unaudited \$m	30 September 2004 Audited \$m
NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES			
CONTINGENT LIABILITIES			
Direct credit substitutes	371	210	372
Transaction related contingent items	554	573	535
Trade related contingent liabilities	625	604	628
Total contingent liabilities	1,550	1,387	1,535

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.

NEW ZEALAND INLAND REVENUE DEPARTMENT INVESTIGATION

As previously disclosed in the General Disclosure Statement for the year ended 30 September 2004, the New Zealand Inland Revenue Department ("NZIRD") is reviewing a number of structured finance transactions as part of its audit of the 1999 to 2002 tax years. This is part of a broader NZIRD investigation and review of structured finance transactions in the New Zealand market.

On 30 September 2004, the NZ Bank received assessments in relation to three transactions in respect of the 1999 tax year. The additional tax assessed in respect of the transactions for the 1999 tax year only, is \$18 million (or \$25 million with interest). The potential tax disputed for these transactions for the period 1999 to 2004 tax years is approximately \$97 million (or \$127 million with interest, calculated to 30 September 2004).

The NZ Bank is confident that the original tax treatment applied by it in all cases is correct. The NZ Bank sought a binding ruling from the NZIRD on an initial transaction in 1999 which, following extensive review by the NZIRD, was confirmed in early 2001. The principles underlying that ruling are applicable to, and have been followed in, all subsequent transactions.

The NZ Bank also received independent tax and legal opinions at the time, which confirmed that the transactions complied with New Zealand law. Legal counsel has confirmed that the relevant parts of these opinions remain consistent with New Zealand law.

On 21 September 2004, the New Zealand Government announced legislative proposals to address their concerns over the tax effect of transactions of this nature. The new rules will take effect from 1 July 2005. The NZ Bank, along with the rest of the industry, has worked cooperatively with the New Zealand authorities in the development of the new rules.

The NZIRD is also investigating other transactions undertaken by the NZ Bank, which have materially similar features to those for which assessments have been received. Should the NZIRD take the same position across all of these transactions, for the periods up to and including the year ended 30 September 2004, the overall primary tax in dispute will be approximately \$548 million (this includes the amounts noted above). With interest this increases to approximately \$647 million.

Based on the binding ruling received, the independent tax and legal advice obtained and the acknowledged need for future legislative change, the NZ Bank is confident that the original tax treatment applied by it in all cases is correct.

Notes to the consolidated short form financial statements continued

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES continued

OTHER CONTINGENT ASSETS AND LIABILITIES

The New Zealand Commerce Commission has indicated that it has decided to prosecute the NZ Bank and The Warehouse Financial Services Limited, a member of the NZ Banking Group, along with five major banks and two card services companies, under the Fair Trading Act 1986 in relation to disclosure of international currency conversion fees charged on foreign currency credit card and debit card transactions. As at the date of signing, no proceedings had been commenced by the Commerce Commission against the NZ Bank or The Warehouse Financial Services Limited. Penalties under the Fair Trading Act could include a refund of some or all of the international currency conversion fees collected by the NZ Bank or The Warehouse Financial Services Limited and a fine of up to \$200,000 per entity.

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 the members. Additionally, there are cross-guarantee obligations for the Asia-Pacific region. There are caps in respect of both 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 funding programs that provide funding to the NZ Banking Group.

The NZ Bank leases the majority of the properties it occupies. As is normal practice the lease agreements contain "make good" provisions, which require the NZ Bank, upon termination of the lease, to return the premises to the lessor in the original condition. The maximum amount payable by the NZ Bank upon vacation of all leased premises subject to these provisions is \$14 million. The NZ Bank believes that it is highly unlikely it would incur a material operating loss as a result of this in the normal course of its business operations.

The NZ Banking Group has a contingent asset in respect of \$2 million (31 December 2003: \$16 million; 30 September 2004: \$7 million) contributed to various funds managed by its wealth management subsidiaries. During the three months ended 31 December 2004, a sum of \$5 million was returned to the NZ Banking Group (31 December 2003: nil; 30 September 2004: \$20 million) and was recognised in other non-interest income. The repayment of the remaining sum is dependent on the future performance of these funds.

OTHER COMMITMENTS

As at 31 December 2004, 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 the exception of the following transaction where the carrying amount has been used:

- a debt/equity swap undertaken between Westpac (NZ) Investments Limited ("WNZIL") and the NZ Bank in which WNZIL will receive payments based on the dividend paid on Westpac Ordinary Shares. The purpose of this swap is to enable WNZIL to derive an income stream equivalent to the dividend payable on the NZ Class Shares.

Notes to the consolidated short form financial statements continued

NOTE 12 CREDIT RISK continued

NZ Banking Group 31 December 2004 – Unaudited					
CALCULATION OF ON-BALANCE SHEET EXPOSURES					
	Principal Amount \$m		Risk Weighting		Risk Weighted Exposure \$m
Cash and short term claims on government	1,763		0%		-
Long term claims on government	95		10%		10
Claims on banks and New Zealand local authorities	6,036		20%		1,207
Residential mortgages	19,495		50%		9,748
Other assets	16,587		100%		16,587
Non-risk weighted assets	1,760				-
Total on-balance sheet exposures	45,736				27,552
CALCULATION OF SECURITISED MORTGAGE EXPOSURES					
Securitised mortgages	725		50%		363
Total securitised mortgage exposures	725				363
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	371	100%	371	100%	371
Total direct credit substitutes	371		371		371
COMMITMENTS					
Commitments with certain drawdown	72	100%	72	100%	72
Housing loan commitments with certain drawdown	60	100%	60	50%	30
Transaction related contingent items	554	50%	277	100%	277
Short term, self liquidating trade related contingent liabilities	625	20%	125	100%	125
Other commitments to provide financial services which have an original maturity of one year or more	5,956	50%	2,978	100%	2,978
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	5,699	0%	-	-	-
Total commitments	12,966		3,512		3,482
MARKET RELATED CONTRACTS (DERIVATIVES)					
Foreign exchange contracts:					
Forwards	30,275		1,033	25%	263
Swaps	108		1	0%	-
Options	14,108		868	29%	256
Interest rate contracts:					
Forwards	6,977		2	50%	1
Futures	9,480		-	-	-
Options	2,054		7	43%	3
Swaps	89,081		885	35%	308
Total market related contracts (derivatives)	152,083		2,796		831
Total off-balance sheet exposures	165,420		6,679		4,684
Total risk weighted exposures					32,599

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		2,986		2,972

MARKET RELATED CONTRACTS (DERIVATIVES)

Foreign exchange contracts:					
Forwards	34,731		1,165	23%	270
Swaps	17,593		1,586	24%	376
Options	-		-	-	-
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		6,798		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
30 September 2004 – Audited

CALCULATION OF ON-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Risk Weighting	Risk Weighted Exposure \$m
Cash and short term claims on government	1,519	0%	-
Long term claims on government	100	10%	10
Claims on banks and New Zealand local authorities	4,592	20%	918
Residential mortgages	18,888	50%	9,444
Other assets	16,078	100%	16,078
Non-risk weighted assets	1,324		-
Total on-balance sheet exposures	42,501		26,450

CALCULATION OF SECURITISED MORTGAGE EXPOSURES

Securitised mortgages	757	50%	379
Total securitised mortgage exposures	757		379

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	372	100%	372	100%	372
Total direct credit substitutes	372		372		372

COMMITMENTS

Commitments with certain drawdown	44	100%	44	100%	44
Housing loan commitments with certain drawdown	49	100%	49	50%	25
Transaction related contingent items	535	50%	268	100%	268
Short term, self liquidating trade related contingent liabilities	628	20%	126	100%	126
Other commitments to provide financial services which have an original maturity of one year or more	5,205	50%	2,603	100%	2,603
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	5,675	0%	-	-	-
Total commitments	12,136		3,090		3,066

MARKET RELATED CONTRACTS (DERIVATIVES)

Foreign exchange contracts:					
Forwards	26,931		665	26%	174
Options	107		1	0%	-
Swaps	16,798		1,304	25%	332
Interest rate contracts:					
Forwards	11,673		8	50%	4
Futures	5,258		-	-	-
Options	3,503		8	50%	4
Swaps	79,923		727	30%	221
Total market related contracts (derivatives)	144,193		2,713		735
Total off-balance sheet exposures	156,701		6,175		4,173
Total risk weighted exposures					31,002

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 equal to or greater than 10% of the Overseas Banking Group's equity is shown below.

Individual Counterparties

	Peak end-of-day for the three As at months ended		Peak end-of-day for the three As at months ended		Peak end-of-day for the three As at months ended	
	31 December 2004	31 December 2004	31 December 2003	31 December 2003	30 September 2004	30 September 2004
10 - 20% of Overseas Banking Group's equity	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
Bank counterparties	-	-	-	-	-	-
Non-bank counterparties	-	-	-	-	-	-

Closely Related Counterparties

	Peak end-of-day for the three As at months ended		Peak end-of-day for the three As at months ended		Peak end-of-day for the three As at months ended	
	31 December 2004	31 December 2004	31 December 2003	31 December 2003	30 September 2004	30 September 2004
10 - 20% of Overseas Banking Group's equity	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
Bank counterparties	1	1	1	1	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 2004. The equity used in the 31 December 2003 comparatives was as at 30 September 2003. 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 if they are recorded 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.

Notes to the consolidated short form financial statements continued

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 are as at 30 September 2004, as shown below:

	Overseas Banking Group		
	30 September 2004 Audited %	30 September 2003 Audited %	Minimum Capital Adequacy Ratio as specified by APRA %
Tier One Capital, expressed as a percentage of risk weighted exposures	6.9	7.2	4.0
Capital, expressed as a percentage of risk weighted exposures	9.7	10.5	8.0

	Overseas Bank		
	30 September 2004 Audited %	30 September 2003 Audited %	Minimum Capital Adequacy Ratio as specified by APRA %
Tier One Capital, expressed as a percentage of risk weighted exposures	6.1	6.5	4.0
Capital, expressed as a percentage of risk weighted exposures	9.6	10.5	8.0

The Overseas Banking Group and Overseas Bank exceeded the minimum capital adequacy ratio requirement as specified by APRA as at 30 September 2004. The minimum capital adequacy requirements as specified by APRA are at least equal to those specified under the Basel framework.

