



Westpac Banking Corporation's general short form disclosure statement

for the nine months ended 30 June 2008

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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 2008.

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 entities whose business is required to be reported in financial statements for the Overseas Banking Group's New Zealand business. As at 30 June 2008 the NZ Banking Group included the following subsidiary entities:
 - Westpac New Zealand Group Limited and its subsidiary companies - Holding company
 - Westpac Group Investment - NZ - Limited - Holding company
 - Westpac Holdings - NZ - Limited - Holding company
 - Augusta (1962) Limited - Non-trading company
 - BT Financial Group (NZ) Limited and its subsidiary companies - Holding company
 - Westpac Equity Investments NZ Limited - Finance company
 - TBNZ Limited and its subsidiary companies - Holding 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
 - WestpacTrust Securities NZ Limited - Funding company
 - BLE Capital (NZ) Limited - Finance company
 - Hastings Forestry Investments Limited - Non-trading company
 - Tasman Funding No. 1 Limited and its jointly owned subsidiary company - Funding entity
 - Tasman Funding No. 2 Limited and its jointly owned subsidiary company - Funding entity
 - Westpac NZ Funding Limited - Funding entity
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – 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 six months ended 31 March 2008.

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 Branch. The NZ Branch'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 that date the Bank of New South Wales Act 1850 ceased to apply.

The Overseas Bank's principal office is located at 275 Kent Street, 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 has been no change to the credit rating issued by Fitch Ratings in the two years preceding 30 June 2008. On 4 May 2007, Moody's Investors Service raised its long term credit rating to 'Aa1' from 'Aa3'. On 22 February 2007, Standard & Poor's raised its long term credit rating to 'AA' from 'AA-'.
 These credit ratings are given without any qualifications:

Rating Agency	Current Credit Rating
Fitch Ratings	AA-
Moody's Investors Service	Aa 1
Standard & Poor's	AA

Descriptions of credit rating scales

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
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	Ca to C	CC to C
Obligations currently in default.	C	-	D

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

Ratings stated in **bold** indicate the Overseas Bank's current approximate position within the Credit Rating Scales.

Westpac in New Zealand

Until 1 November 2006, the Overseas Bank operated as a branch in New Zealand. On and from 1 November 2006 the Overseas Bank has operated in New Zealand through both the NZ Branch (a branch of the Overseas Bank carrying on wholesale banking and financial markets business) and Westpac New Zealand Limited (**'Westpac New Zealand'**) (a locally incorporated subsidiary of the Overseas Bank carrying on the Overseas Bank's New Zealand consumer and business banking operations). Westpac New Zealand is a member of the NZ Banking Group.

See Note 21 for further information.

As a registered bank, Westpac New Zealand is required to produce its own Disclosure Statement. Accordingly, further information on Westpac New Zealand is available in Westpac New Zealand's General Short Form Disclosure Statement for the nine months ended 30 June 2008.

Financial statements of the Overseas Bank and the Overseas Banking Group

A copy of the NZ Branch'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, will be provided immediately, free of charge, to any person requesting a copy where the request is made at the NZ Branch's head office, Level 15, 188 Quay Street, Auckland. They are also available, free of charge, within five working days of any request, at any branch of the NZ Branch and at any staffed premises of any agency of the NZ Branch, primarily engaged in the business of the NZ Branch, or other staffed premises of the NZ Branch to which its customers or potential 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.

Guarantee arrangements

No material obligations of the Overseas Bank are guaranteed.

Ranking of local creditors in liquidation

There are material legislative restrictions in the Overseas Bank's country of incorporation which subordinate the claims of a class of unsecured creditors of the Overseas Bank on the assets of the Overseas Bank to those of another class of unsecured creditors of the Overseas Bank, in liquidation of the Overseas Bank.

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.

The legislation described below is relevant to limitations on possible claims made by unsecured creditors of the NZ Branch 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 liquidation of the Overseas Bank.

The Overseas Bank is an authorised deposit-taking institution ('ADI') for the purposes of the Banking Act 1959 (Australia). Section 13A(3) of that Act states:

"If an 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 of the unsecured deposit liabilities of the NZ Branch which as at 30 June 2008 amounted to \$4,203 million (30 June 2007: \$4,249 million, 30 September 2007: \$5,017 million).

Section 13A(4) of the Banking Act 1959 (Australia) states that it is an offence for an ADI not to hold assets (other than goodwill) in Australia of a value that is equal to or greater than the total amount of its deposit liabilities in Australia, unless the Australian Prudential Regulation Authority has authorised the ADI to hold assets of a lesser value. The Overseas Bank has at all times during the nine months ended 30 June 2008, held assets (other than goodwill) in Australia of not less than the value of the Overseas Bank's total deposit liabilities in Australia.

The requirements of these sections have the potential to impact on the management of the liquidity of the NZ Banking Group.

Conditions of registration

The conditions of registration imposed on the NZ Branch, which applied from 26 November 2007, are as follows:

1. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
2. That the 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 (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
 - (ii) In measuring the size of the 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 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 banking group. All amounts in parts (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 registered bank does not constitute a predominant proportion of the business of Westpac Banking Corporation.
4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:
 - (i) the Reserve Bank of New Zealand has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (ii) the Reserve Bank of New Zealand has advised that it has no objection to that appointment.
5. That Westpac Banking Corporation complies with the requirements imposed on it by the Australian Prudential Regulation Authority.
6. That Westpac Banking Corporation complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:
 - Tier One Capital of Westpac Banking Corporation is not less than 4 percent of risk-weighted exposures;
 - capital of Westpac Banking Corporation is not less than 8 percent of risk-weighted exposures.
7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ\$15 billion.
8. That the retail deposits of the registered bank in New Zealand do not exceed \$200 million. For the purposes of this condition retail deposits are defined as deposits by natural persons, excluding deposits with an outstanding balance which exceeds \$250,000.

For the purposes of these conditions of registration, the term "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.

Registered bank: directorate

Directors

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

Edward Alfred Evans, AC, BEcon, (Hons.)

Gail Patricia Kelly, Dip. Ed, BA, MBA, Doctor of Bus (Charles Sturt University)

Elizabeth Blomfield Bryan, BA (Econ.), MA (Econ.)

Gordon McKellar Cairns, MA (Hons.)

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

Lindsay Phillip Maxsted, Dip. Bus (Gordon), FCA

Peter David Wilson, CA

There have been no changes to the composition of the Overseas Bank's Board of Directors since the publication of the 31 March 2008 General Disclosure Statement.

All the Directors named above have authorised in writing Bruce McLachlan, Chief Executive (Acting), Westpac New Zealand to sign this General Short Form Disclosure Statement on the Directors' behalf in accordance with section 82 of the Reserve Bank of New Zealand Act 1989.

Directors' and the Chief Executive Officer, NZ Branch's statement

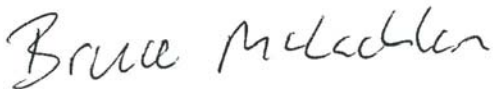
Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, as at the date on which this General Short Form Disclosure Statement is signed:

- a. the General Short Form Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2008; and
- b. the General Short Form Disclosure Statement is not false or misleading.

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, over the nine months ended 30 June 2008:

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

This Directors' Statement has been signed on behalf of the Directors by Bruce McLachlan and David McLean has signed in his personal capacity as Chief Executive Officer, NZ Branch.



Bruce McLachlan



David McLean

Dated this the 6th day of August 2008.

Consolidated short form financial statements

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Consolidated income statement for the nine months ended 30 June 2008

	NZ Banking Group		
	Nine Months Ended 30 June 2008 Unaudited \$m	Nine Months Ended 30 June 2007 Unaudited \$m	Year Ended 30 September 2007 Audited \$m
Note			
Interest income	3,989	3,344	4,603
Interest expense	(3,006)	(2,410)	(3,359)
Net interest income	983	934	1,244
Non-interest income:			
Fees and commissions	279	273	359
Wealth management revenue	54	56	74
Trading income	64	39	75
Gain on ineffective hedges	4	-	5
Share of net profits of associate	48	-	-
Other non-interest income	1	1	15
Total non-interest income	450	369	528
Net operating income	1,433	1,303	1,772
Operating expenses	(570)	(537)	(736)
Impairment charges on loans	(98)	(68)	(91)
	2		
Profit before income tax expense	765	698	945
Income tax expense	(228)	(223)	(295)
Profit after income tax expense	537	475	650
Profit after income tax expense attributable to minority interests	(2)	(3)	(4)
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group	535	472	646

The accompanying notes (numbered 1 to 21) form part of, and should be read in conjunction with, these Financial Statements.

Consolidated statement of changes in equity for the nine months ended 30 June 2008

	Head Office Account		NZ Banking Group NZ Banking Group Equity					Minority Interests \$m	Total \$m
	Branch Capital \$m	Retained Profits \$m	Share Capital \$m	Retained Profits \$m	Cash Flow				
					Hedge Reserve \$m	Available- for-sale \$m	Convertible Debentures \$m		
Opening balance as at 1 October 2006 (audited)	711	596	133	668	19	-	1,284	6	3,417
Nine months ended 30 June 2007									
Net gains from changes in fair value of cash flow hedges	-	-	-	-	109	-	-	-	109
Income tax effect	-	-	-	-	(36)	-	-	-	(36)
Transferred to income statement	-	-	-	-	(29)	-	-	-	(29)
Income tax effect	-	-	-	-	10	-	-	-	10
Profit after income tax expense	-	191	-	281	-	-	-	3	475
Total recognised income and expenses for the nine months ended 30 June 2007	-	191	-	281	54	-	-	3	529
Dividends:									
Dividends paid or provided for on convertible debentures (net of tax)	-	(33)	-	-	-	-	-	-	(33)
Share-based payments ¹	(13)	-	-	-	-	-	-	-	(13)
As at 30 June 2007 (unaudited)	698	754	133	949	73	-	1,284	9	3,900
Year ended 30 September 2007									
Net gains from changes in available-for-sale investments (net of tax)	-	-	-	-	-	1	-	-	1
Net gains from changes in fair value of cash flow hedges	-	-	-	-	64	-	-	-	64
Income tax effect	-	-	-	-	(21)	-	-	-	(21)
Transferred to income statement	-	-	-	-	-	(1)	-	-	(1)
Income tax effect	-	-	-	-	-	-	-	-	-
Profit after income tax expense	-	273	-	373	-	-	-	4	650
Total recognised income and expenses for the year ended 30 September 2007	-	273	-	373	43	-	-	4	693
Dividends:									
Dividends paid or provided for on convertible debentures (net of tax)	-	(69)	-	-	-	-	-	-	(69)
Dividends paid or provided for on ordinary shares	-	-	-	(31)	-	-	-	-	(31)
Share-based payments ¹	(13)	-	-	-	-	-	-	-	(13)
Remittance to the Overseas Bank	-	(137)	-	-	-	-	-	-	(137)
As at 30 September 2007 (audited)	698	663	133	1,010	62	-	1,284	10	3,860
Nine months ended 30 June 2008									
Net gains from changes in available-for-sale investments (net of tax)	-	-	-	-	-	22	-	-	22
Net gains from changes in fair value of cash flow hedges	-	-	-	-	(109)	-	-	-	(109)
Income tax effect	-	-	-	-	36	-	-	-	36
Transferred to income statement	-	-	-	-	6	-	-	-	6
Income tax effect	-	-	-	-	(2)	-	-	-	(2)
Profit after income tax expense	-	123	-	412	-	-	-	2	537
Total recognised income and expenses for the nine months ended 30 June 2008	-	123	-	412	(69)	22	-	2	490
Share capital issued	-	-	1,300	-	-	-	-	-	1,300
Dividends:									
Dividends paid or provided for on convertible debentures (net of tax)	-	(29)	-	-	-	-	-	-	(29)
Dividends paid or provided for on ordinary shares	-	-	-	(172)	-	-	-	-	(172)
Dividends paid or provided for on preference shares	-	-	-	(15)	-	-	-	-	(15)
Remittance to the Overseas Bank	(698)	(602)	-	-	-	-	-	-	(1,300)
Other minority interests	-	-	-	-	-	-	-	(5)	(5)
As at 30 June 2008 (unaudited)	-	155	1,433	1,235	(7)	22	1,284	7	4,129

The accompanying notes (numbered 1 to 21) form part of, and should be read in conjunction with, these Financial Statements.

¹ Branch capital relating to share-based payments has been reclassified to due to related entities.

Consolidated balance sheet as at 30 June 2008

		NZ Banking Group		
		30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
	Note			
Assets				
Cash and balances with central banks		1,302	1,355	1,387
Due from other financial institutions		743	834	591
Derivative financial instruments		2,571	2,895	2,945
Other trading securities	3	3,160	3,711	3,908
Other financial assets designated at fair value	3	-	-	-
Available-for-sale securities	4	55	13	-
Loans	5,6	54,560	48,559	50,357
Life insurance assets		104	90	81
Due from related entities		2,555	3,683	3,722
Investment in associate		48	-	-
Goodwill and other intangible assets		644	675	673
Property, plant and equipment		80	91	89
Income tax receivable		31	12	47
Deferred tax assets		102	85	92
Other assets		894	801	815
Total assets		66,849	62,804	64,707
<i>Less:</i>				
Liabilities				
Due to other financial institutions		669	805	870
Deposits at fair value	7	4,507	4,389	3,555
Deposits at amortised cost	7	31,477	28,598	30,010
Derivative financial instruments		2,616	3,654	3,309
Other trading liabilities at fair value	8	464	249	114
Debt issues	9	11,469	12,070	12,428
Current tax liabilities		-	-	-
Deferred tax liabilities		-	-	11
Life insurance liabilities		-	-	-
Provisions		65	63	68
Other liabilities		651	593	707
Total liabilities excluding subordinated debentures and due to related entities		51,918	50,421	51,072
Subordinated debentures	10	685	1,353	1,390
Total liabilities excluding due to related entities		52,603	51,774	52,462
Due to related entities		10,117	7,130	8,385
Total liabilities		62,720	58,904	60,847
Net assets		4,129	3,900	3,860
<i>Represented by:</i>				
Head office account				
Branch capital		-	698	698
Retained profits		155	754	663
Total head office account		155	1,452	1,361
NZ Banking Group equity				
Ordinary share capital		133	133	133
Preference share capital		1,300	-	-
Retained profits		1,235	949	1,010
Available-for-sale securities revaluation reserve		22	-	-
Cash flow hedge reserve		(7)	73	62
Convertible debentures	11	1,284	1,284	1,284
Total NZ Banking Group equity		3,967	2,439	2,489
Minority interests				
Minority interests		7	9	10
Total head office account and equity		4,129	3,900	3,860

The accompanying notes (numbered 1 to 21) form part of, and should be read in conjunction with, these Financial Statements.

Consolidated statement of cash flows for the nine months ended 30 June 2008

	NZ Banking Group		
	Nine Months Ended 30 June 2008 Unaudited \$m	Nine Months Ended 30 June 2007 Unaudited \$m	Year Ended 30 September 2007 Audited \$m
Cash flows from operating activities			
Interest received	3,972	3,303	4,539
Interest paid	(3,035)	(2,318)	(3,185)
Other non-interest income received	398	365	526
Net disposal/(acquisition) of other trading securities	794	(1,036)	(1,256)
Net acquisition/(disposal) of other trading liabilities	335	85	(35)
Net (acquisition)/disposal of derivative financial instruments	(420)	635	225
Operating expenses paid	(476)	(524)	(694)
Income tax paid	(145)	(259)	(335)
Net cash flows from operating activities	1,423	251	(215)
Cash flows from investing activities			
Net increase in due from other financial institutions – term	(210)	(525)	(224)
Net disposal of other financial assets designated at fair value	-	1,550	1,550
Net disposal of available-for-sale securities	15	459	472
Net loans advanced to customers	(4,301)	(6,836)	(8,657)
Net acquisition of life insurance assets	(23)	(15)	(6)
Net decrease/(increase) in due from related entities	1,112	(2,194)	(2,236)
Net increase in other assets	(105)	(228)	(195)
Purchase of capitalised computer software	(26)	(27)	(35)
Purchase of property, plant and equipment	(8)	(15)	(21)
Proceeds from disposal of property, plant and equipment	-	1	-
Proceeds from disposal of computer software	-	-	-
Net cash used in investing activities	(3,546)	(7,830)	(9,352)
Cash flows from financing activities			
Redemption of FIRsTS	(730)	-	-
Issue of preference share capital	1,300	-	-
Net decrease in due to other financial institutions – term	(7)	(1,993)	(1,993)
Net increase in deposits	2,419	2,624	3,202
Net (redemptions)/proceeds from debt issues	(959)	4,859	5,217
Net increase in due to related entities	1,730	3,000	4,225
Net decrease in other liabilities	(41)	(110)	(72)
Payment of dividends on convertible debentures	(46)	(49)	(98)
Payment of dividends on ordinary shares	(177)	-	-
Payment of dividends on preference shares	(15)	-	-
Remittance to the Overseas Bank	(1,300)	-	(137)
Net cash provided by financing activities	2,174	8,331	10,344

The accompanying notes (numbered 1 to 21) form part of, and should be read in conjunction with, these Financial Statements.

Consolidated statement of cash flows (continued) for the nine months ended 30 June 2008

	NZ Banking Group		
	Nine Months Ended 30 June 2008 Unaudited \$m	Nine Months Ended 30 June 2007 Unaudited \$m	Year Ended 30 September 2007 Audited \$m
Net increase in cash and cash equivalents	51	752	777
Cash and cash equivalents at beginning of the period/year	582	(195)	(195)
Cash and cash equivalents at end of the period/year	633	557	582
Cash and cash equivalents comprise			
Cash and balances with central banks	1,302	1,355	1,387
Due (to)/from other financial institutions – at call	(669)	(798)	(805)
Cash and cash equivalents at end of the period/year	633	557	582
Reconciliation of profit after income tax expense to net cash flows from operating activities			
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group	535	472	646
Adjustments:			
Amortisation of intangible assets	35	28	38
Impairment charges on goodwill	20	-	-
Impairment charges on loans	98	68	91
Depreciation/amortisation	17	20	27
Gain on sale of property, plant and equipment	-	-	1
Share of net profits of associates	(48)	-	-
Share-based payments	2	3	3
Intragroup minority interests in subsidiary companies	2	3	4
Movement in accrued assets	(23)	(35)	(53)
Movement in accrued liabilities	25	44	140
Movement in income tax provisions	(5)	(26)	(57)
Tax on convertible debentures dividends	24	16	32
Net disposal/(acquisition) of other trading securities	794	(1,036)	(1,256)
Net acquisition/(disposal) of other trading liabilities	335	85	(34)
Net (disposal)/acquisition of derivative financial instruments	(388)	609	203
Net cash flows from operating activities	1,423	251	(215)

The accompanying notes (numbered 1 to 21) form part of, and should be read in conjunction with, these Financial Statements.

Notes to the consolidated short form financial statements

Note 1 Statement of accounting policies

General accounting policies

Statutory base

These interim consolidated short form financial statements ('**Financial Statements**') 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 2008, the Reserve Bank of New Zealand Act 1989, New Zealand equivalent to International Financial Reporting Standard 34 *Interim Financial Reporting* ('**NZ IFRS 34**') and other authoritative pronouncements of the Accounting Standards Review Board, as appropriate for profit-oriented entities. Compliance with NZ IFRS 34 ensures that the financial report comprising the Financial Statements and accompanying notes of the NZ Banking Group comply with International Financial Reporting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

In these 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.
- Westpac Banking Corporation New Zealand Division (otherwise referred to as the '**NZ Banking Group**') – refers to the New Zealand operations of Westpac Banking Corporation including those entities whose business is required to be reported in Financial Statements for the Overseas Banking Group's New Zealand business.
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

These Financial Statements were authorised for issue by the Board of Directors on 6th August 2008.

Basis of preparation

These Financial Statements are based on the general principles of historical cost accounting, as modified by the fair value accounting for available-for-sale financial assets, financial assets and liabilities held for trading, and all derivative contracts. The going concern concept and the accrual basis of accounting have been adopted. All amounts are expressed in New Zealand dollars unless otherwise stated.

The same accounting policies have been followed in preparing these Financial Statements that were used in preparing the General Disclosure Statements for the year ended 30 September 2007 and for the six months ended 31 March 2008.

Basis of aggregation

The NZ Banking Group has been aggregated by combining the sum of the capital and reserves of the NZ Branch, BLE Capital (NZ) Limited, Hastings Forestry Investments Limited and the consolidated capital and reserves of Westpac New Zealand Group Limited, Westpac Group Investment - NZ - Limited, BT Financial Group (NZ) Limited, Tasman Funding No. 1 Limited, Tasman Funding No. 2 Limited, Westpac NZ Funding 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 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.

Notes to the consolidated short form financial statements

Note 2 Impairment on loans

	NZ Banking Group		
	Nine Months Ended 30 June 2008 Unaudited \$m	Nine Months Ended 30 June 2007 Unaudited \$m	Year Ended 30 September 2007 Audited \$m
Collectively assessed provision	33	51	56
Collective write-off	40	23	36
Individually assessed provisions	33	5	15
Individually assessed write-off	6	2	2
Interest adjustments	(14)	(13)	(18)
Total impairment charges on loans	98	68	91

	NZ Banking Group			
	Nine Months Ended 30 June 2008 – Unaudited			Total
	Housing \$m	Retail \$m	Corporate \$m	\$m
Collectively assessed provision	9	9	15	33
Collective write-off	-	40	-	40
Individually assessed provisions	13	-	20	33
Individually assessed write-off	1	-	5	6
Interest adjustments	(1)	(7)	(6)	(14)
Total impairment charges on loans	22	42	34	98

	NZ Banking Group			
	Nine Months Ended 30 June 2007 – Unaudited			Total
	Housing \$m	Retail \$m	Corporate \$m	\$m
Collectively assessed provision	8	4	39	51
Collective write-off	-	23	-	23
Individually assessed provisions	2	-	3	5
Individually assessed write-off	1	-	1	2
Interest adjustments	(1)	(4)	(8)	(13)
Total impairment charges on loans	10	23	35	68

	NZ Banking Group			
	Year Ended 30 September 2007 – Audited			Total
	Housing \$m	Retail \$m	Corporate \$m	\$m
Collectively assessed provision	7	9	40	56
Collective write-off	-	36	-	36
Individually assessed provisions	12	-	3	15
Individually assessed write-off	-	-	2	2
Interest adjustments	(1)	(7)	(10)	(18)
Total impairment charges on loans	18	38	35	91

Notes to the consolidated short form financial statements

Note 3 Other trading securities and other financial assets designated at fair value

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Other trading securities			
Trading securities	2,787	3,426	3,784
Securities purchased under agreement to resell	373	285	124
Total other trading securities	3,160	3,711	3,908
Other financial assets at fair value	-	-	-
Total other trading securities and other financial assets designated at fair value	3,160	3,711	3,908
Trading securities			
Listed			
NZ Government securities	184	203	183
NZ corporate securities	27	71	45
Other	47	37	63
Total listed trading securities	258	311	291
Unlisted trading securities			
NZ Government securities	-	2	-
NZ corporate securities:			
Certificates of deposit	2,481	1,192	3,391
Corporate bonds	-	200	-
Commercial paper	48	470	102
Mortgage-backed securities	-	1	-
Other	-	1,250	-
Total unlisted trading securities	2,529	3,115	3,493
Total trading securities	2,787	3,426	3,784

Note 4 Available-for-sale securities

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Listed securities			
Overseas public securities	42	-	-
NZ corporate securities	13	13	-
Total available-for-sale securities	55	13	-

Note 5 Loans

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Overdrafts	1,414	1,332	1,401
Credit card outstandings	1,117	1,051	1,062
Money market loans	2,125	2,019	2,085
Term loans:			
Housing	30,929	28,347	29,019
Non-housing	17,996	15,215	16,198
Other	1,239	795	806
Total gross loans	54,820	48,759	50,571
Provisions for impairment charges on loans	(260)	(200)	(214)
Total net loans	54,560	48,559	50,357

Movements in impaired assets and provisions for impairment on loans are outlined in Note 6.

Notes to the consolidated short form financial statements

Note 6 Impaired assets

	NZ Banking Group		
	Nine Months Ended 30 June 2008 Unaudited \$m	Nine Months Ended 30 June 2007 Unaudited \$m	Year Ended 30 September 2007 Unaudited \$m
Individually impaired assets			
Balance at beginning of the period/year	116	64	64
Impaired assets vested during the period/year	-	-	-
Movement for the period/year	83	9	52
Balance at end of the period/year	199	73	116
Undrawn balance	-	-	-
Interest forgone for the period/year on the above impaired assets	-	-	-
Restructured assets			
Balance at beginning of the period/year	2	-	-
Restructured assets vested during the period/year	-	-	-
Movement for the period/year	(1)	-	2
Balance at end of the period/year	1	-	2
Undrawn balance	-	-	-
Interest forgone for the period/year on the above restructured assets	-	-	-
Past due assets 1 to 89 days¹			
Balance at beginning of the period/year	3,297	2,644	2,644
Past due assets vested during the period/year	-	-	-
Movement for the period/year	(779)	462	653
Balance at end of the period/year	2,518	3,106	3,297
Past due assets 90+ days¹			
Balance at beginning of the period/year	156	119	119
Past due assets vested during the period/year	-	-	-
Movement for the period/year	115	20	37
Balance at end of the period/year	271	139	156
Undrawn balance	-	-	-
Interest forgone for the period/year on the above past due assets	-	-	-
Other assets under administration¹			
Balance at beginning of the period/year	-	-	-
Assets under administration vested during the period/year	-	-	-
Movement for the period/year	-	-	-
Balance at end of the period/year	-	-	-
Undrawn balance	-	-	-
Individually assessed provisions			
Balance at beginning of the period/year	26	15	15
Provision vested during the period/year	-	-	-
Movement for the period/year	12	3	11
Balance at end of the period/year	38	18	26
Collectively impaired provision			
Balance at beginning of the period/year	213	157	157
Provision vested during the period/year	-	-	-
Movement for the period/year	33	51	56
Balance at end of the period/year	246	208	213
Total impairment provisions	284	226	239
Provisions for impairment on loans	260	200	214
Provisions for impairment on off-balance sheet credit exposures	24	26	25
Total impairment provisions	284	226	239

¹ Past due assets and other assets under administration are not impaired assets.

There were no unrecognised impaired assets as at 30 June 2008 (30 June 2007: nil, 30 September 2007: nil).

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

Notes to the consolidated short form financial statements

Note 6 Impaired assets (continued)

The above table is further analysed by major type of credit exposure in the following tables.

Housing

	NZ Banking Group		
	Nine Months Ended 30 June 2008 Unaudited \$m	Nine Months Ended 30 June 2007 Unaudited \$m	Year Ended 30 September 2007 Unaudited \$m
Individually impaired assets			
Balance at beginning of the period/year	79	45	45
Impaired assets vested during the period/year	-	-	-
Additions	173	61	107
Amounts written off	(5)	(1)	(2)
Returned to performing or repaid	(92)	(53)	(71)
Balance at end of the period/year	155	52	79
Undrawn balance	-	-	-
Past due assets 1 to 89 days¹			
Balance at beginning of the period/year	2,584	2,076	2,076
Past due assets vested during the period/year	-	-	-
Additions	1,924	5,007	7,229
Deletions	(2,889)	(4,645)	(6,721)
Balance at end of the period/year	1,619	2,438	2,584
Past due assets 90+ days¹			
Balance at beginning of the period/year	60	42	42
Past due assets vested during the period/year	-	-	-
Additions	66	141	194
Deletions	(8)	(133)	(176)
Balance at end of the period/year	118	50	60
Undrawn balance	-	-	-
Individually assessed provisions			
Balance at beginning of the period/year	15	5	5
Provision vested during the period/year	-	-	-
Impairment charges on loans:			
New provisions	20	6	18
Recoveries	(7)	(4)	(6)
Impairment charges on loans written off	(10)	(1)	(2)
Balance at end of the period/year	18	6	15
Collectively impaired provision			
Balance at beginning of the period/year	20	13	13
Provision vested during the period/year	-	-	-
Impairment charges on loans	9	8	7
Balance at end of the period/year	29	21	20
Total impairment provisions	47	27	35
Provisions for impairment on loans	47	27	35
Provisions for impairment on off-balance sheet credit exposures	-	-	-
Total impairment provisions	47	27	35

¹ Past due assets are not impaired assets.

Notes to the consolidated short form financial statements

Note 6 Impaired assets (continued)

Retail

	NZ Banking Group		
	Nine Months Ended 30 June 2008 Unaudited \$m	Nine Months Ended 30 June 2007 Unaudited \$m	Year Ended 30 September 2007 Unaudited \$m
Past due assets 1 to 89 days¹			
Balance at beginning of the period/year	154	146	146
Past due assets vested during the period/year	-	-	-
Additions	637	585	840
Deletions	(641)	(568)	(832)
Balance at end of the period/year	150	163	154
Past due assets 90+ days¹			
Balance at beginning of the period/year	15	11	11
Past due assets vested during the period/year	-	-	-
Additions	53	45	59
Deletions	(47)	(40)	(55)
Balance at end of the period/year	21	16	15
Undrawn balance	-	-	-
Collectively impaired provision			
Balance at beginning of the period/year	49	40	40
Provision vested during the period/year	-	-	-
Impairment charges on loans	9	4	9
Balance at end of the period/year	58	44	49
Total impairment provisions	58	44	49
Provisions for impairment on loans	58	44	49
Provisions for impairment on off-balance sheet credit exposures	-	-	-
Total impairment provisions	58	44	49

¹ Past due assets are not impaired assets.

Notes to the consolidated short form financial statements

Note 6 Impaired assets (continued)

Corporate

	NZ Banking Group		
	Nine Months Ended 30 June 2008 Unaudited \$m	Nine Months Ended 30 June 2007 Unaudited \$m	Year Ended 30 September 2007 Unaudited \$m
Individually impaired assets			
Balance at beginning of the period/year	37	19	19
Impaired assets vested during the period/year	-	-	-
Additions	43	13	31
Amounts written off	(3)	(11)	(5)
Returned to performing or repaid	(33)	-	(8)
Balance at end of the period/year	44	21	37
Undrawn balance	-	-	-
Restructured assets			
Balance at beginning of the period/year	2	-	-
Restructured assets vested during the period/year	-	-	-
Additions	1	-	2
Deletions	(2)	-	-
Balance at end of the period/year	1	-	2
Undrawn balance	-	-	-
Past due assets 1 to 89 days¹			
Balance at beginning of the period/year	559	422	422
Past due assets vested during the period/year	-	-	-
Additions	3,022	1,828	2,595
Deletions	(2,832)	(1,745)	(2,458)
Balance at end of the period/year	749	505	559
Past due assets 90+ days¹			
Balance at beginning of the period/year	81	66	66
Past due assets vested during the period/year	-	-	-
Additions	262	105	134
Deletions	(211)	(98)	(119)
Balance at end of the period/year	132	73	81
Undrawn balance	-	-	-
Individually assessed provisions			
Balance at beginning of the period/year	11	10	10
Provision vested during the period/year	-	-	-
Impairment charges on loans:			
New provisions	29	8	11
Recoveries	(9)	(5)	(8)
Impairment charges on loans written off	(11)	(1)	(2)
Balance at end of the period/year	20	12	11
Collectively impaired provision			
Balance at beginning of the period/year	144	104	104
Provision vested during the period/year	-	-	-
Impairment charges on loans	15	39	40
Balance at end of the period/year	159	143	144
Total impairment provisions	179	155	155
Provisions for impairment on loans	155	129	130
Provisions for impairment on off-balance sheet credit exposures	24	26	25
Total impairment provisions	179	155	155

¹ Past due assets are not impaired assets.

Notes to the consolidated short form financial statements

Note 7 Deposits

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Deposits at fair value			
Certificates of deposit	4,507	4,389	3,555
Total deposits at fair value	4,507	4,389	3,555
Deposits at amortised cost			
Non-interest bearing, repayable at call	2,258	2,304	2,235
Other interest bearing:			
At call	12,904	12,604	13,146
Term	16,315	13,690	14,629
Total deposits at amortised cost	31,477	28,598	30,010
Total deposits	35,984	32,987	33,565

As a result of the vesting of assets and liabilities in Westpac New Zealand (as described in Note 21), the NZ Branch held no retail deposits as at 30 June 2008 (30 June 2007: nil, 30 September 2007: nil).

Note 8 Other trading liabilities

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Other trading liabilities			
Securities sold short	335	34	50
Securities sold under agreements to repurchase	129	215	64
Total other trading liabilities	464	249	114

Note 9 Debt issues

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Short term debt			
Commercial paper	7,130	9,868	9,571
Total short term debt	7,130	9,868	9,571
Long term debt			
Euro medium term notes	4,290	2,202	2,857
Corporate bonds	49	-	-
Total long term debt	4,339	2,202	2,857
Total debt issues	11,469	12,070	12,428

Movement on the debt issues during the nine months ended 30 June 2008

	\$m
Balance at beginning of the period	12,428
Issuance	25,529
Repayments	(26,488)
Total debt issues	11,469

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

Notes to the consolidated short form financial statements

Note 10 Subordinated debentures

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Junior subordinated debentures	685	624	660
Fixed Interest Resetable Trust Securities	-	729	730
Total subordinated debentures	685	1,353	1,390

Junior subordinated debentures

On 5 April 2004, the NZ Branch issued US\$525 million of Junior Subordinated Convertible Debentures to JP Morgan Chase Bank as trustee of the Tavarua Funding Trust IV, being a member of the Overseas Banking Group.

The convertible debentures are unsecured obligations of the NZ Branch and will rank subordinate and junior in the right of payment of principal and distributions to certain of the NZ Branch'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.

The convertible debentures will pay 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 quarterly distributions (31 December, 31 March, 30 June and 30 September) in arrears at a floating rate equal to LIBOR plus 1.7675% per annum. The convertible debentures will only pay distributions to the extent they are declared by the Board, 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.

Fixed Interest Resetable Trust Securities

On 19 December 2002, the NZ Branch 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 Securities ('Westpac FIRsTS') issued by Westpac Funds Management Limited as responsible entity of Westpac First Trust. Both Westpac First Trust and Westpac Second Trust are Australian registered managed investment schemes and are members of the Overseas Banking Group.

In accordance with the terms of the Westpac FIRsTS, on 31 December 2007, the Overseas Bank exchanged the FIRsTS for cash (equal to A\$100 per FIRsTS) and requested Westpac Funds Management Limited to redeem the FIRsTS. In accordance with the terms of the convertible debentures, the NZ Branch was then required to redeem for cash the convertible debentures at their face value. The convertible debentures were redeemed on 31 December 2007.

These convertible debentures were unsecured obligations and ranked 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 was stated to rank equally with, or junior to, the convertible debentures.

Prior to redemption, a final distribution was paid on the convertible debentures on 31 December 2007 based on a rate of 7.82% per annum.

Notes to the consolidated short form financial statements

Note 11 Convertible debentures

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Trust preferred securities	1,284	1,284	1,284

Trust preferred securities

During the year ended 30 September 2003, the NZ Branch 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 Branch and will rank subordinate and junior in the right of payment of principal and distributions to certain of the NZ Branch'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 annum. 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 the 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 Branch 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 US dollars. The NZ Branch 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 Branch 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.

Note 12 Interest earning assets and interest bearing liabilities

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Interest earning and discount bearing assets	60,411	55,001	56,740
Interest and discount bearing liabilities	55,147	49,028	51,287

Note 13 Commitments and contingent liabilities

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

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

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

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

The NZ Banking Group is obliged to repurchase securitised loans where there is a breach of warranty within 120 days of sale, or where the securitised loans cease to conform with the terms and conditions of the Westpac Securitisation Trust programme. It is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from this obligation.

Notes to the consolidated short form financial statements

Note 13 Commitments and contingent liabilities (continued)

Off-balance sheet credit risk related financial instruments were as follows:

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Contingent liabilities			
Direct credit substitutes	376	293	273
Underwriting and sub-underwriting facilities	260	209	98
Transaction related contingent items	731	581	597
Short term, self liquidating trade related contingent liabilities	782	710	793
Total contingent liabilities	2,149	1,793	1,761

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 in these Financial Statements where appropriate.

The New Zealand Inland Revenue Department ('NZIRD') has reviewed a number of structured finance transactions undertaken in New Zealand and has issued amended assessments in respect of nine transactions, three undertaken in the 1999 tax year, two undertaken in the 2000 tax year, two undertaken in the 2001 tax year and two undertaken in the 2002 tax year. The amended assessments relate to the 1999-2005 tax years. The overall primary tax in dispute is approximately \$588 million. With interest (net of tax) this increases to approximately \$867 million (calculated to 30 June 2008).

Proceedings disputing the amended assessments with respect to the 1999, 2000, 2001 and 2002 tax years have been commenced and proceedings disputing the 2003, 2004 and 2005 tax years' amended assessments will be commenced shortly. The NZ Banking Group is confident that the tax treatment applied in all cases is correct. A ruling was sought from the NZIRD on an early transaction in 1999. Following extensive review by the NZIRD, the ruling was issued in 2001. The principles underlying that ruling are applicable to, and have been followed in, all other transactions.

The New Zealand Commerce Commission's proceedings against Westpac New Zealand and The Warehouse Financial Services Limited (members of the NZ Banking Group), Visa International, Cards NZ Limited, MasterCard International and all New Zealand issuers of Visa and MasterCard credit cards are ongoing. The proceedings allege that the setting of interchange rates and rules (relating to honour all cards, no surcharge, access and no discrimination) amount to price fixing or alternatively have the effect of substantially lessening competition in the New Zealand market in breach of the Commerce Act 1986. The proceedings seek to declare the conduct illegal and impose unspecified monetary penalties. In addition, proceedings issued by a number of New Zealand retailers, similar to the Commerce Commission's (as described above) against Westpac New Zealand, The Warehouse Financial Services Limited, Visa International, Cards NZ Limited, MasterCard International and New Zealand issuers of Visa and MasterCard credit cards are ongoing. These proceedings also seek to declare the conduct illegal and an enquiry into damages. Damages awarded, if any, would be in addition to any penalties imposed under the Commerce Act 1986 in the event the Commerce Commission is successful in the proceedings described above. The NZ Banking Group is considering its position in relation to both proceedings. As at the date of this General Short Form Disclosure Statement, no provision had been made in the Financial Statements in relation to these proceedings.

Westpac New Zealand leases the majority of the properties it occupies. As is normal practice, the lease agreements contain 'make good' provisions, which require Westpac New Zealand, upon termination of the lease, to return the premises to the lessor in the original condition. The maximum amount payable by Westpac New Zealand upon vacation of all leased premises subject to these provisions is estimated to be \$21 million (30 June 2007: \$14 million, 30 September 2007: \$21 million). Westpac New Zealand believes it is highly unlikely that it would incur a material operating loss as a result of this in the normal course of its business operations.

Other commitments

As at 30 June 2008, 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.

Overseas Banking Group guarantees and undertakings

The Overseas Bank provides guarantees of debt securities issued by WestpacTrust Securities NZ Limited, the proceeds of which, in accordance with APRA guidelines, are immediately on lent to the NZ Branch.

Excluded from the disclosure above are the guarantees of commercial paper and other debt securities issued by Westpac Securities NZ Limited, the proceeds of which are immediately on lent to Westpac New Zealand in accordance with Reserve Bank of New Zealand guidelines.

Notes to the consolidated short form financial statements

Note 14 Segment information

The NZ Banking Group operates predominantly in the finance, residential mortgage and wealth management industries within New Zealand.

The basis of segment reporting reflects the management of the business within the Overseas Banking Group, rather than the legal structure of the NZ Banking Group. The business segment results have been presented on a management reporting basis and consequently internal charges and transfer pricing adjustments have been reflected in the performance of each business segment. Intersegment pricing is determined on an arm's length basis.

Primary reporting – business segments

The business segments are defined by the customers they service and the services they provide. The New Zealand Retail segment is responsible for servicing and product development for consumer and smaller to medium-sized customers within New Zealand, and includes the majority of the Corporate Head Office functions that exist within New Zealand. The Institutional Banking segment represents primarily corporations and institutional customers based in New Zealand, and also provides financial markets services to middle-market business banking customers in New Zealand. The Other Banking segment includes the results of Group Capital, Structured Finance and Group Treasury activities as well as activities that cannot be directly attributable to any other segment within the New Zealand geographical area.

	NZ Banking Group			
	Nine Months Ended 30 June 2008 – Unaudited			
	New Zealand Retail \$m	Institutional Banking \$m	Other Banking \$m	Total \$m
Net operating income	1,166	145	122	1,433
Operating expenses and impairment charges on loans	(620)	(29)	(19)	(668)
Profit before income tax expense	546	116	103	765
Income tax expense				(228)
Profit attributable to minority interests				(2)
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group				535
Total external assets excluding tax	47,068	11,471	5,622	64,161
Intragroup assets				2,555
Tax assets				133
Total assets				66,849
Total external liabilities excluding tax	27,992	5,930	17,996	51,918
Intragroup liabilities				10,802
Tax liabilities				-
Total liabilities				62,720

	NZ Banking Group			
	Nine Months Ended 30 June 2007 – Unaudited			
	New Zealand Retail \$m	Institutional Banking \$m	Other Banking \$m	Total \$m
Net operating income	1,077	125	101	1,303
Operating expenses and impairment charges on loans	(573)	(31)	(1)	(605)
Profit before income tax expense	504	94	100	698
Income tax expense				(223)
Profit attributable to minority interests				(3)
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group				472
Total external assets excluding tax	42,736	10,574	5,714	59,024
Intragroup assets				3,683
Tax assets				97
Total assets				62,804
Total external liabilities excluding tax	24,494	6,505	19,422	50,421
Intragroup liabilities				8,483
Tax liabilities				-
Total liabilities				58,904

Notes to the consolidated short form financial statements

Note 14 Segment information (continued)

	NZ Banking Group			Total \$m
	New Zealand Retail \$m	Institutional Banking \$m	Other Banking \$m	
Year Ended 30 September 2007 – Audited				
Net operating income	1,447	190	135	1,772
Operating expenses and impairment charges on loans	(763)	(42)	(22)	(827)
Profit before income tax expense	684	148	113	945
Income tax expense				(295)
Profit attributable to minority interests				(4)
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group				646
Total external assets excluding tax	43,836	10,887	6,123	60,846
Intragroup assets				3,722
Tax assets				139
Total assets				64,707
Total external liabilities excluding tax	25,547	6,675	20,229	52,451
Intragroup liabilities				8,385
Tax liabilities				11
Total liabilities				60,847

Secondary reporting – geographic segments

The NZ Banking Group operates predominantly within New Zealand.

Note 15 Insurance business

The NZ Banking Group conducts insurance business through one of its subsidiary companies, Westpac Life - NZ - Limited. Its primary insurance activities are the development, underwriting and management of products under life insurance legislation providing insurance cover against the risks of death and disability. It also manages a fire and general insurance agency arrangement as well as underwriting some redundancy and bankruptcy risks. The insurance business comprises less than one percent of the total assets of the NZ Banking Group.

The aggregate amount of the insurance business as at balance date was:

	NZ Banking Group		
	30 June 2008 Unaudited \$m	30 June 2007 Unaudited \$m	30 September 2007 Audited \$m
Total assets	108	92	83

The Overseas Bank does not conduct any insurance or non-financial activities in New Zealand outside of the NZ Banking Group.

Note 16 Capital adequacy

Overseas Banking Group Capital Adequacy Ratio

Basel II

	31 March 2008 Unaudited %	Minimum Capital Adequacy Ratio Specified By APRA %
	Overseas Banking Group	
Tier One Capital expressed as a percentage of risk-weighted exposures	7.4	4.0
Total Capital expressed as a percentage of risk-weighted exposures	10.1	8.0
Overseas Bank and Extended Licensed Entities		
Tier One Capital expressed as a percentage of risk-weighted exposures	5.7	4.0
Total Capital expressed as a percentage of risk-weighted exposures	8.6	8.0

Notes to the consolidated short form financial statements

Note 16 Capital adequacy (continued)

Basel I

	31 March 2007 Unaudited %	Minimum Capital Adequacy Ratio Specified By APRA %
Overseas Banking Group		
Tier One Capital expressed as a percentage of risk-weighted exposures	6.5	4.0
Total Capital expressed as a percentage of risk-weighted exposures	9.4	8.0
Overseas Bank		
Tier One Capital expressed as a percentage of risk-weighted exposures	6.5	4.0
Total Capital expressed as a percentage of risk-weighted exposures	10.1	8.0

Basel II came into force on January 2008. The Overseas Banking Group received accreditation from APRA to apply the Advanced Internal Ratings Based (**'Advanced IRB'**) and Advanced Measurement Approaches methodologies for calculating regulatory capital (known as "Advanced Accreditation") and is required by APRA to hold minimum capital at least equal to that specified under the Advanced IRB methodology. Under New Zealand regulations, this methodology is referred to as Basel II (internal models based) approach. With this accreditation, the Overseas Banking Group is required to disclose additional information on a quarterly and a semi-annual basis, this information is made available to users via the Overseas Banking Group website (www.westpac.com.au). The aim is to allow the market to better assess the Overseas Banking Group's risk and reward assessment process and hence increase the scrutiny on these processes.

The Overseas Banking Group, and the Overseas Bank and Extended Licensed Entities (as defined by APRA), exceeded the minimum capital adequacy requirements as specified by APRA as at 31 March 2008. APRA does not specify minimum capital adequacy requirements for the Overseas Bank alone and no such information on the Overseas Bank is publicly available.

The Overseas Banking Group's approach to assessing capital adequacy

Capital management strategy seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalised as an authorised deposit-taking institution. In the Overseas Banking Group, this tension between maximising efficiency, flexibility and adequacy is recognised in the consideration of the adequacy of capital and the development of capital management plans.

The Overseas Banking Group articulates these considerations formally through an Internal Capital Adequacy Assessment Process (**'ICAAP'**). The key features of the ICAAP include:

- the Overseas Banking Group's risk appetite is to always remain capitalised to a level above regulatory and economic capital minimums;
- the Overseas Banking Group utilises a three-year planning horizon for business and capital management plans;
- in addition to regulatory driven estimates of risk and capital requirements, the Overseas Banking Group employs an economic capital measurement framework;
- economic capital measurement is calibrated to a level of confidence required by the Overseas Banking Group's target debt rating;
- economic capital and regulatory capital requirements are respectively compared to the tangible ordinary and Tier One and Tier Two capital levels;
- there is a challenge process to the economic capital measures, coverage and requirements. The challenge is through stress and scenario testing that considers not only the possibility of not achieving planned outcomes, but also severe but plausible scenarios (i.e. unexpected outcomes) and the impact of concentrations; and
- the development of capital plans and a capital management strategy, which includes levels of capital buffers, contingent plans, the availability of capital deployed and the various forms of capital instruments.

Note 17 Risk management overview

There have been no changes to the risk management policies and no new categories of risk to which the Banking Group has become exposed since the publication of the Bank's General Disclosure Statement for the six months ended 31 March 2008.

Note 18 Credit risk

Risk-weighted exposures

The risk-weighted exposures are derived in accordance with the Reserve Bank's Capital Adequacy Framework (the **'Framework'**) as required by the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2008.

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.

Securitised mortgages in non-consolidated entities are excluded from the balance sheet, but are included in the New Zealand risk-adjusted exposures as required by the Framework.

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

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

NZ Banking Group				
30 June 2008 – Unaudited				
	Principal Amount \$m		Risk Weighting	Risk- weighted Exposure \$m
Cash and short term claims on government	1,819		0%	-
Long term claims on government	56		10%	6
Claims on banks	3,257		20%	651
Claims on public sector entities	115		20%	23
Residential mortgages	30,928		50%	15,464
Other assets	25,062		100%	25,062
Non-risk-weighted assets	5,612			
Total on-balance sheet exposures	66,849			41,206

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	638		50%	319
Total off-balance sheet securitised mortgage exposures	638			319

Calculation of off-balance sheet and derivative 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	376	100%	376	85%	320
Total direct credit substitutes	376		376		320
Commitments					
Commitments with certain drawdown	57	100%	57	20%	11
Housing loan commitments with certain drawdown	190	100%	190	50%	95
Transaction related contingent items	731	50%	366	92%	336
Underwriting and sub-underwriting facilities	260	50%	130	100%	130
Short term, self liquidating trade related contingent liabilities	782	20%	156	100%	156
Other commitments to provide financial services which have an original maturity of one year or more	8,488	50%	4,244	70%	2,968
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	6,868	0%	-	0%	-
Total commitments	17,376		5,143		3,696
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	70,885		1,357	50%	679
Options	-		-	0%	-
Swaps	32,072		1,785	25%	441
Interest rate contracts:					
Forwards	13,216		3	33%	1
Futures	34,548		-	0%	-
Options	8,078		21	43%	9
Swaps	242,426		2,224	27%	602
Total market related contracts (derivatives)	401,225		5,390		1,732
Total off-balance sheet and derivative exposures	418,977		10,909		5,748
Total risk-weighted exposures					47,273

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

NZ Banking Group			
30 June 2007 – Unaudited			
	Principal Amount \$m	Risk Weighting	Risk- weighted Exposure \$m
Cash and short term claims on government	1,849	0%	-
Long term claims on government	13	10%	1
Claims on banks	3,515	20%	703
Claims on public sector entities	236	20%	47
Residential mortgages	28,352	50%	14,176
Other assets	21,826	100%	21,826
Non-risk-weighted assets	7,013		
Total on-balance sheet exposures	62,804		36,753

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	597	50%	299
Total off-balance sheet securitised mortgage exposures	597		299

Calculation of off-balance sheet and derivative 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	293	100%	293	82%	240
Total direct credit substitutes	293		293		240
Commitments					
Commitments with certain drawdown	31	100%	31	20%	6
Housing loan commitments with certain drawdown	165	100%	165	50%	83
Transaction related contingent items	581	50%	291	87%	253
Underwriting and sub-underwriting facilities	209	50%	104	87%	91
Short term, self liquidating trade related contingent liabilities	710	20%	142	100%	142
Other commitments to provide financial services which have an original maturity of one year or more	8,481	50%	4,241	67%	2,841
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	6,795	0%	-	0%	-
Total commitments	16,972		4,974		3,416
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	69,072		2,220	50%	1,110
Options	-		-	0%	-
Swaps	27,866		1,508	28%	422
Interest rate contracts:					
Forwards	11,316		3	33%	1
Futures	18,627		-	0%	-
Options	5,282		4	25%	1
Swaps	197,311		2,178	30%	653
Total market related contracts (derivatives)	329,474		5,913		2,187
Total off-balance sheet and derivative exposures	346,739		11,180		5,843
Total risk-weighted exposures					42,895

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

NZ Banking Group				
30 September 2007 – Audited				
	Principal Amount \$m		Risk Weighting	Risk- weighted Exposure \$m
Cash and short term claims on government	1,645		0%	-
Long term claims on government	65		10%	7
Claims on banks	4,111		20%	822
Claims on public sector entities	249		20%	50
Residential mortgages	29,019		50%	14,510
Other assets	22,486		100%	22,486
Non-risk-weighted assets	7,132			
Total on-balance sheet exposures	64,707			37,875

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	608		50%	304
Total off-balance sheet securitised mortgage exposures	608			304

Calculation of off-balance sheet and derivative 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	273	100%	273	79%	216
Total direct credit substitutes	273		273		216
Commitments					
Commitments with certain drawdown	36	100%	36	20%	7
Housing loan commitments with certain drawdown	186	100%	186	50%	93
Transaction related contingent items	597	50%	298	90%	268
Underwriting and sub-underwriting facilities	98	50%	50	90%	45
Short term, self liquidating trade related contingent liabilities	793	20%	159	100%	159
Other commitments to provide financial services which have an original maturity of one year or more	8,116	50%	4,058	67%	2,719
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	6,391	0%	-	0%	-
Total commitments	16,217		4,787		3,291
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	71,941		2,187	50%	1,094
Swaps	28,661		1,750	26%	460
Interest rate contracts:					
Forwards	13,665		3	67%	2
Futures	11,625		-	0%	-
Options	7,492		17	47%	8
Swaps	205,850		2,165	29%	635
Total market related contracts (derivatives)	339,234		6,122		2,199
Total off-balance sheet and derivative exposures	355,724		11,182		5,706
Total risk-weighted exposures					43,885

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

	NZ Branch				
	30 June 2008 – Unaudited				
	Principal Amount \$m		Risk Weighting	Risk-weighted Exposure \$m	
Cash and short term claims on government	1,693		0%	-	
Long term claims on government	56		10%	6	
Claims on banks	1,175		20%	235	
Claims on public sector entities	173		20%	35	
Residential mortgages	-		50%	-	
Other assets	13,672		100%	13,672	
Non-risk-weighted assets	4,602				
Total on-balance sheet exposures	21,371				13,948
Calculation of off-balance sheet securitised mortgage exposures					
Securitised mortgages	-		50%	-	
Total off-balance sheet securitised mortgage exposures	-				-
Calculation of off-balance sheet and derivative 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	322	100%	322	82%	264
Total direct credit substitutes	322		322		264
Commitments					
Commitments with certain drawdown	-	100%	-	20%	-
Housing loan commitments with certain drawdown	-	100%	-	50%	-
Transaction related contingent items	445	50%	223	87%	194
Underwriting and sub-underwriting facilities	260	50%	130	100%	130
Short term, self liquidating trade related contingent liabilities	80	20%	16	97%	15
Other commitments to provide financial services which have an original maturity of one year or more	3,175	50%	1,588	91%	1,445
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	2,464	0%	-	0%	-
Total commitments	6,424		1,957		1,784
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	70,885		1,357	50%	679
Options	-		-	0%	-
Swaps	41,448		2,121	24%	509
Interest rate contracts:					
Forwards	13,216		3	33%	1
Futures	34,548		-	0%	-
Options	8,078		21	43%	9
Swaps	297,821		2,425	27%	650
Total market related contracts (derivatives)	465,996		5,927		1,848
Total off-balance sheet and derivative exposures	472,742		8,206		3,896
Total risk-weighted exposures					17,844

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

NZ Branch			
30 June 2007 – Unaudited			
	Principal Amount \$m	Risk Weighting	Risk- weighted Exposure \$m
Cash and short term claims on government	1,588	0%	-
Long term claims on government	13	10%	1
Claims on banks	39	20%	8
Claims on public sector entities	236	20%	47
Residential mortgages	-	50%	-
Other assets	12,859	100%	12,859
Non-risk-weighted assets	6,662		
Total on-balance sheet exposures	21,397		12,915

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	-	50%	-
Total off-balance sheet securitised mortgage exposures	-		-

Calculation of off-balance sheet and derivative 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	231	100%	231	82%	190
Total direct credit substitutes	231		231		190
Commitments					
Commitments with certain drawdown	-	100%	-	20%	-
Housing loan commitments with certain drawdown	-	100%	-	50%	-
Transaction related contingent items	311	50%	156	87%	135
Underwriting and sub-underwriting facilities	209	50%	104	87%	91
Short term, self liquidating trade related contingent liabilities	87	20%	17	100%	17
Other commitments to provide financial services which have an original maturity of one year or more	3,441	50%	1,721	67%	1,153
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	2,346	0%	-	0%	-
Total commitments	6,394		1,998		1,396
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	69,072		2,220	50%	1,110
Swaps	26,981		1,508	28%	422
Interest rate contracts:					
Forwards	11,316		3	33%	1
Futures	18,627		-	0%	-
Options	5,282		4	25%	1
Swaps	196,709		2,178	30%	653
Total market related contracts (derivatives)	327,987		5,913		2,187
Total off-balance sheet and derivative exposures	334,612		8,142		3,773
Total risk-weighted exposures					16,688

Notes to the consolidated short form financial statements

Note 18 Credit risk (continued)

Calculation of on-balance sheet exposures

NZ Branch			
30 September 2007 – Audited			
	Principal Amount \$m	Risk Weighting	Risk- weighted Exposure \$m
Cash and short term claims on government	1,558	0%	-
Long term claims on government	8	10%	1
Claims on banks	1,235	20%	247
Claims on public sector entities	133	20%	27
Residential mortgages	-	50%	-
Other assets	12,710	100%	12,710
Non-risk-weighted assets	6,257		
Total on-balance sheet exposures	21,901		12,985

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	-	50%	-
Total off-balance sheet securitised mortgage exposures	-		-

Calculation of off-balance sheet and derivative 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	211	100%	211	73%	154
Total direct credit substitutes	211		211		154
Commitments					
Commitments with certain drawdown	-	100%	-	20%	-
Housing loan commitments with certain drawdown	-	100%	-	50%	-
Transaction related contingent items	315	50%	157	84%	132
Underwriting and sub-underwriting facilities	98	50%	50	84%	41
Short term, self liquidating trade related contingent liabilities	107	20%	21	100%	21
Other commitments to provide financial services which have an original maturity of one year or more	3,337	50%	1,669	89%	1,485
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	1,862	0%	-	0%	-
Total commitments	5,719		1,897		1,679
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	71,941		2,187	50%	1,094
Swaps	39,620		2,082	25%	527
Interest rate contracts:					
Forwards	13,665		3	67%	2
Futures	11,625		-	0%	-
Options	7,492		17	47%	8
Swaps	226,993		2,467	28%	702
Total market related contracts (derivatives)	371,336		6,756		2,333
Total off-balance sheet and derivative exposures	377,266		8,864		4,166
Total risk-weighted exposures					17,151

Additional mortgage information

The information below relates to the loan-to-value ratios ('LVR') reflected in the capital calculation.

NZ Banking Group – Residential mortgages by LVR as at 30 June 2008

LVR range	0-80%	80-90%	Over 90%
Value of exposures	23,324	6,567	1,576

Notes to the consolidated short form financial statements

Note 19 Concentration of credit exposures

Analysis of credit exposures to individual counterparties

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

- as at 30 June 2008 was nil (30 June 2007: nil, 30 September 2007: nil); and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2008 was nil (30 June 2007: nil, 30 September 2007: nil).

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

- as at 30 June 2008 was nil (30 June 2007: nil, 30 September 2007: nil); and
- in respect of peak end-of-day aggregate credit exposure for the three months ended 30 June 2008 was nil (30 June 2007: nil, 30 September 2007: nil).

The peak end-of-day exposures have been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three month period, and then dividing that amount by the Overseas Banking Group's equity as at the end of the period. Credit exposures used in the above calculations are 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 the central government of any country with a long term credit rating of A- or A3 or above, or its equivalent. These calculations relate only to exposures held in the financial records of the NZ Banking Group and were calculated net of individually assessed 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 20 Market risk

The NZ Banking Group's aggregate market risk exposure is derived in accordance with the Reserve Bank of New Zealand document 'Capital adequacy framework (standardised approach)' (BS2 A).

The peak end-of-day exposures below have been calculated by determining the maximum end-of-day aggregate market risk exposure over the quarter, and then dividing that amount by the Overseas Banking Group's equity as at 30 June 2008 (30 June 2007 for comparatives).

The as at exposures below have been calculated by determining the maximum end-of-day aggregate market risk exposure as at 30 June 2008, and then dividing that amount by the Overseas Banking Group's equity as at 30 June 2008 (30 June 2007 for comparatives).

For each category of market risk, the peak end-of-day notional capital charge is the aggregate capital charge for that category of market risk derived in accordance with the Reserve Bank of New Zealand document 'Capital adequacy framework (standardised approach)' (BS2 A).

For each category of market risk, the peak end-of-day notional capital charge as a percentage of the Overseas Banking Group's equity is the peak end-of-day notional capital charge for that category of market risk divided by the Overseas Banking Group's equity as at 30 June 2008.

Market risk notional capital charges

The following table provides a summary of notional capital charges by risk type for the NZ Banking Group as at 30 June 2008.

	Implied Risk-weighted Exposure \$m	Notional Capital Charge \$m	Notional Capital Charge as a Percentage of the Overseas Banking Group's Equity %
End-of-period			
Interest risk	3,225	258	1.09
Foreign currency risk	25	2	0.01
Equity risk	38	3	0.01

The following table provides a summary of peak end-of-day notional capital charges by risk type for the NZ Banking Group for the three months ended 30 June 2008.

	Implied Risk-weighted Exposure \$m	Notional Capital Charge \$m	Notional Capital Charge as a Percentage of the Overseas Banking Group's Equity %
Peak end-of-day			
Interest risk	3,225	258	1.09
Foreign currency risk	75	6	0.03
Equity risk	38	3	0.01

Notes to the consolidated short form financial statements

Note 20 Market risk (continued)

The following table provides a summary of notional capital charges by risk type for the NZ Banking Group as at 30 June 2007.

	Implied Risk-weighted Exposure \$m	Notional Capital Charge \$m	Notional Capital Charge as a Percentage of the Overseas Banking Group's Equity %
End-of-period			
Interest risk	3,200	256	1.41
Foreign currency risk	50	4	0.02
Equity risk	-	-	-

The following table provides a summary of peak end-of-day notional capital charges by risk type for the NZ Banking Group for the three months ended 30 June 2007.

	Implied Risk-weighted Exposure \$m	Notional Capital Charge \$m	Notional Capital Charge as a Percentage of the Overseas Banking Group's Equity %
Peak end-of-day			
Interest risk	7,600	608	3.34
Foreign currency risk	50	4	0.02
Equity risk	-	-	-

Notes to the consolidated short form financial statements

Note 21 Local incorporation and vested assets and liabilities as at 1 November 2006

The Reserve Bank of New Zealand's policy is that all systemically important banks must incorporate as a local entity rather than operate through a branch structure. The NZ Branch, a branch of the Overseas Bank, is a systemically important bank and has therefore been required to incorporate locally.

The Reserve Bank of New Zealand allows an overseas bank to operate in New Zealand as both a branch of its overseas parent and through a subsidiary. The Overseas Bank has determined that this type of 'dual registration' is the most effective option for it to comply with the Reserve Bank of New Zealand's policy, while minimising disruption to the NZ Branch's investors and customers.

Accordingly, the Overseas Bank has established a new subsidiary in New Zealand, Westpac New Zealand to assume and carry on the New Zealand consumer and business banking operations of the NZ Branch. Wholesale banking and financial markets business will remain with the NZ Branch.

The reorganisation of the Overseas Bank's business was facilitated by legislation, which was the only means by which the Overseas Bank's New Zealand consumer and business banking operations could be vested in Westpac New Zealand efficiently, economically and without affecting the continuity of the provision of those banking services. The Westpac New Zealand Act 2006 provided for the vesting of designated NZ Branch assets and liabilities in Westpac New Zealand on 1 November 2006.

Westpac New Zealand commenced business as a registered bank on 1 November 2006.

The assets and liabilities that vested in Westpac New Zealand included all deposits and other liabilities, loans, securities and interests in land in relation to business banking (being financial services provided by the NZ Branch to small, medium and corporate business customers, agricultural businesses, and property investment and development customers) and consumer banking (being the financial services provided by the NZ Branch in relation to consumers).

The vesting of designated assets and liabilities did not change the overall position of the NZ Banking Group. However, the vesting materially affected the current financial position of the NZ Branch.

The NZ Branch continues to operate as a branch and retains wholesale banking and financial markets business, which will continue to be conducted through Westpac Institutional Bank (**Institutional Bank**). There was no change to the banking relationship between the Institutional Bank and its customers.

The reconciliation statement of assets and liabilities was prepared to provide an overview of the NZ Branch's financial position on 1 November 2006, taking into account the vesting of designated assets and liabilities in Westpac New Zealand.

In addition to the proforma assets and liabilities displayed in this note, on 1 November 2006, Westpac Holdings - NZ - Limited sold its related entities Westpac (NZ) Investments Limited, The Home Mortgage Company Limited and its 51% interest in The Warehouse Financial Services Limited, each of whose business relates to retail banking operations, to Westpac New Zealand. These sales had no material effect on the results of either the NZ Banking Group or the NZ Branch.

Further information on Westpac New Zealand is available in Westpac New Zealand's General Short Form Disclosure Statement for the nine months ended 30 June 2008.

Notes to the consolidated short form financial statements

Note 21 Local incorporation and vested assets and liabilities as at 1 November 2006 (continued)

	NZ Branch Immediately Prior to Vesting on 1 November 2006 \$m	Adjustment for Assets and Liabilities Vesting in Westpac New Zealand \$m	Adjustment in the NZ Branch Resulting from Vesting \$m	Restated NZ Branch Immediately After Vesting on 1 November 2006 \$m
Assets				
Cash and balances with central banks	211	(123)	-	88
Due from other financial institutions	700	-	-	700
Derivative financial instruments	1,376	-	-	1,376
Other trading securities	-	-	-	-
Other financial assets designated at fair value	2,623	-	-	2,623
Available-for-sale securities	-	-	-	-
Loans	42,388	(36,719)	44	5,713
Life insurance assets	-	-	-	-
Due from related entities	1,123	(2)	-	1,121
Investments in related entities	-	-	-	-
Goodwill and other intangible assets	606	(606)	-	-
Property, plant and equipment	23	(23)	-	-
Income tax receivable	-	-	-	-
Deferred tax assets	86	(72)	12	26
Other assets	386	(114)	-	272
Total assets	49,522	(37,659)	56	11,919
<i>Less:</i>				
Liabilities				
Due to other financial institutions	923	-	-	923
Deposits at fair value	4,084	(4,084)	-	-
Deposits at amortised cost	26,017	(23,430)	-	2,587
Derivative financial instruments	1,597	(4)	-	1,593
Other trading liabilities at fair value	276	-	-	276
Debt issues	-	-	-	-
Current tax liabilities	16	-	27	43
Deferred tax liabilities	-	-	-	-
Provisions	73	(58)	-	15
Other liabilities	667	(382)	-	285
Total liabilities excluding subordinated debentures and due to related entities	33,653	(27,958)	27	5,722
Subordinated debentures	1,472	-	-	1,472
Total liabilities excluding due to related entities	35,125	(27,958)	27	7,194
Due to related entities	11,707	(9,701)	-	2,006
Total liabilities	46,832	(37,659)	27	9,200
Net assets	2,690	-	29	2,719
<i>Represented by:</i>				
Head office account				
Branch capital	711	-	-	711
Retained profits	670	-	54	724
Total head office account	1,381	-	54	1,435
NZ Banking Group equity				
Cash flow hedge reserve	25	-	(25)	-
Convertible debentures	1,284	-	-	1,284
Total NZ Banking Group equity	1,309	-	(25)	1,284
Minority interests				
Other minority interests	-	-	-	-
Total minority interests	-	-	-	-
Total head office account and equity	2,690	-	29	2,719



Supplemental Disclosure Statement
Company Secretariat
Level 12
188 Quay Street
PO Box 934
AUCKLAND



Supplemental disclosure statement

If you wish to obtain a copy of any of the documents listed below (free of charge), please complete the detachable section and post it back to us.

Alternatively, the documents will be provided immediately, free of charge, from the NZ Branch's head office, Level 15, 188 Quay Street, Auckland. They are also available, free of charge, within five working days of any request, at any branch, agency, or other staffed premises primarily engaged in the business of the NZ Branch to which its customers have access in order to conduct banking business.

Name: _____

Postal address: _____

Please place a tick in the relevant space provided to receive a copy of any of the documents listed below (free of charge).

ANNUAL REPORT 2007 *

2008 HALF-YEAR PROFIT RESULTS **

* Containing the most recent publicly available financial statements of the Overseas Bank.

** Containing the most recent publicly available financial statements of the Overseas Banking Group.