Westpac New Zealand Limited's general disclosure statement

for the six months ended 31 March 2007

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General information and definitions

The information contained in this General Disclosure Statement is as required by section 81 of the Reserve Bank of New Zealand Act 1989 and the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2007 (New Zealand) ('**Order**').

In this General Disclosure Statement reference is made to:

- Westpac New Zealand Limited (otherwise referred to as the '**Bank**').
- Westpac New Zealand Limited and its subsidiaries (otherwise referred to as the '**Banking Group**'). As at 31 March 2007, the Bank has the following subsidiaries:
  - Westpac NZ Operations Limited - Holding company
  - Westpac Securities NZ Limited - Funding company
  - The Home Mortgage Company Limited - Residential mortgage company
  - Westpac (NZ) Investments Limited - Property owning and capital funding company
  - The Warehouse Financial Services Limited - Financial services company

Words and phrases defined by the Order have the same meaning when used in this General Disclosure Statement. All amounts referred to in this General Disclosure Statement are in New Zealand dollars unless otherwise stated.

General matters

Registered Bank

The Bank was incorporated as Westpac New Zealand Limited under the Companies Act 1993 (company number 1763882) on 14 February 2006. The head office of the Bank is situated at, and the address for service of the Bank is, Level 15, 188 Quay Street, Auckland, New Zealand.

The Bank is a wholly owned subsidiary of Westpac New Zealand Group Limited, a New Zealand company, which in turn is a wholly owned subsidiary of Westpac Overseas Holdings No. 2 Pty Limited, an Australian company. Westpac Overseas Holdings No. 2 Pty Limited is, in turn, a wholly owned subsidiary of Westpac Banking Corporation ('**Ultimate Parent Bank**'). The Ultimate Parent Bank is incorporated in Australia under the Australian Corporations Act 2001, and its address for service is Level 20, Westpac Place, 275 Kent Street, Sydney, New South Wales 2000, Australia. By virtue of this holding structure:

- Westpac New Zealand Group Limited has a direct qualifying interest in 100% of the voting securities in the Bank and the ability to directly appoint 100% of the Board of Directors of the Bank ('**Board**'); and
- as indirect holding companies of the Bank, each of the Ultimate Parent Bank and Westpac Overseas Holdings No. 2 Pty Limited has an indirect qualifying interest in 100% of the voting securities of the Bank and the ability to indirectly appoint 100% of the Board.

The Bank commenced trading on 1 November 2006 (see the Local incorporation section on page 3 for more information). Consequently, while this General Disclosure Statement is prepared for the six months ended 31 March 2007, financial disclosure in respect of the Bank over this period includes only five months of trading.

Limits on material financial support by the Ultimate Parent Bank

The Ultimate Parent Bank is an Authorised Deposit-taking Institution under the Banking Act 1959 (Australia), and as such is subject to prudential supervision by the Australian Prudential Regulatory Authority ('**APRA**'). APRA has the power to prescribe prudential requirements which may affect the ability of the Ultimate Parent Bank to provide material financial support to the Bank. Pursuant to current APRA requirements, the Ultimate Parent Bank must comply with the following:

- the level of exposure to the Bank must not exceed:
  - 50% on an individual exposure basis; and
  - 150% in aggregate (being exposures to all similar regulated entities related to the Ultimate Parent Bank);

  of the Ultimate Parent Bank's capital base;
- the Ultimate Parent Bank should not undertake any third party dealings with the prime purpose of supporting the business of the Bank;
- the Ultimate Parent Bank should not hold unlimited exposures (such as a general guarantee covering any of the Bank's obligations) in the Bank;
- the Ultimate Parent Bank should not enter into cross default clauses whereby a default by the Bank on an obligation (whether financial or otherwise) is deemed to trigger a default of the Ultimate Parent Bank in its obligations; and
- when determining limits on acceptable levels of exposure to the Bank, the board of the Ultimate Parent Bank should have regard to:
  - the level of exposure that would be approved to third parties of broadly equivalent credit status. In this regard, prior consultation (and in some cases approval) is required before entering exceptionally large exposures; and
  - the impact on the Ultimate Parent Bank's capital and liquidity position and its ability to continue operating in the event of a failure by the Bank.

The Ultimate Parent Bank complies with the requirements set by APRA on the extent of financial support the Ultimate Parent Bank may provide to the Bank.

In addition, pursuant to the Banking Act 1959 (Australia), in the event that the Ultimate Parent Bank is unable to meet its obligations or suspends payment, the Australian assets of the Ultimate Parent Bank are to be available to meet the deposit liabilities of the Ultimate Parent Bank in Australia in priority to all its other liabilities.

Directorate

The Directors of the Bank (the '**Board**') and their country of residence at the time this General Disclosure Statement was signed were:

Name: David Raymond Morgan, BEc, MSc, PhD
Non-Executive: Yes
Country of Residence: Australia
Primary Occupation: Chief Executive Officer, Westpac Banking Corporation
Secondary Occupations: None
Board Audit Committee Member: Yes
Independent Director: No

External Directorships: Chairman of the Australian Bankers' Association and Director of Westpac Banking Corporation; JB Davros Pty Limited; Raymor Superannuation Pty Limited; Raymor Investments Pty Limited and JB Glamorgan Pty Limited.

Name: Bradley John Cooper, Dip Bus Studies, MBA, FAIM
Non-Executive: No
Country of Residence: New Zealand
Primary Occupation: Chief Executive Officer, Westpac New Zealand Limited
Secondary Occupations: None
Board Audit Committee Member: No
Independent Director: No

External Directorships: None.

Name: Harold Maffey Price
Non-Executive: Yes
Country of Residence: New Zealand
Primary Occupation: Director
Secondary Occupations: None
Board Audit Committee Member: Yes
Independent Director: Yes

External Directorships: Director of Tourism Holdings Limited; IAG (NZ) Limited; THL Corporate Trustee Limited and IAG (NZ) Holdings Limited.

Name: Ralph Graham Waters, C.P.Eng, F.I.E (AUST) M.Bus
Non-Executive: Yes
Country of Residence: Australia
Primary Occupation: Director
Secondary Occupations: None
Board Audit Committee Member: Yes
Independent Director: Yes

External Directorships: Director of Fisher & Paykel Appliances Holdings Limited; Fletcher Building Finance Limited; Fletcher Building Limited; Argie Pty Limited; Gragill Pty Limited and Fonterra Co-operative Group Limited.

Name: Elizabeth Blomfield Bryan, BA, MA (Econ)
Non-Executive: Yes
Country of Residence: Australia
Primary Occupation: Director
Secondary Occupations: None
Board Audit Committee Member: Yes
Independent Director: No *

External Directorships: Director of Caltex Australia, Ridley Corporation and Westpac Banking Corporation; Trustee of Unisuper Limited and Chairman of Unisuper's Investment Committee.

Name: Peter David Wilson, CA
Non-Executive: Yes
Country of Residence: New Zealand
Primary Occupation: Director
Secondary Occupations: None
Board Audit Committee Member: Yes
Independent Director: No *

External Directorships: Chairman of Global Equities Market Securities Limited, Kermadec Property Fund Limited and NZX Discipline Body (Special Division); Director of The Colonial Motor Company Limited, Hill Country Corporation Limited and Westpac Banking Corporation.

* While Elizabeth Bryan and Peter Wilson are Independent Directors of the Ultimate Parent Bank, they are not Independent Directors of the Bank under the Conditions of Registration imposed on the Bank.

Since publication of the Bank's last General Disclosure Statement there have been two changes to the composition of the Board. Edward Alfred Evans resigned, and Elizabeth Blomfield Bryan was appointed, with effect from 31 March 2007. Ann Caroline Sherry resigned, and Bradley John Cooper was appointed with effect from 2 April 2007.

All communications may be sent to the Directors at the head office of the Bank at Level 15, 188 Quay Street, Auckland, New Zealand.

Directorate (continued)

Conflicts of interest policy

The Board has adopted a procedure to ensure that conflicts and potential conflicts of interest between the Directors' duty to the Bank and their personal, professional or business interests are avoided or dealt with. The Bank's policy is consistent with the conflicts of interest policy of the Ultimate Parent Bank and its subsidiaries ('**Ultimate Parent Bank Group**'). Accordingly, each Director must:

i give notice to the Board of any direct or indirect interest in any contract or proposed contract with the Bank as soon as practicable after the relevant facts have come to that Director's knowledge. Alternatively, a Director may give to the Board a general notice to the effect that the Director is to be regarded as interested in any present or prospective contract between the Bank and a person or persons specified in that notice; and

ii in relation to any matter that is to be considered at a Directors' meeting in which that Director has a material personal interest, not vote on the matter nor be present while the matter is being considered at the meeting (unless the remaining Directors have previously resolved to the contrary).

Interested transactions

There have been no transactions entered into by any Director, or any immediate relative or close business associate of any Director, with the Bank, or any member of the Banking Group:

(a) on terms other than on those that would, in the ordinary course of business of the Bank or any member of the Banking Group, be given to any other person of like circumstances or means; or

(b) which could otherwise be reasonably likely to influence materially the exercise of that Director's duties.

Solicitors

Simpson Grierson
HSBC Tower
195 Lambton Quay
Wellington, New Zealand

Auditors

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Auckland, New Zealand

Local incorporation

Until 1 November 2006, the Ultimate Parent Bank conducted its New Zealand banking operations through a branch ('**NZ Branch**'). 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 was deemed to be a systemically important bank and was therefore 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 Ultimate Parent 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 Ultimate Parent Bank established the Bank to assume and carry on the New Zealand consumer and business banking operations of the NZ Branch. The Bank commenced trading as a registered bank under the Reserve Bank of New Zealand Act 1989 on 1 November 2006. The NZ Branch continues to operate in New Zealand, retaining the Ultimate Parent Bank's New Zealand wholesale banking and financial markets business.

The reorganisation of the Ultimate Parent Bank's business was facilitated by legislation. Pursuant to the Westpac New Zealand Act 2006 ('**the Act**') designated assets and liabilities of the Ultimate Parent Bank relating to business banking and consumer business vested in the Bank on 1 November 2006. See Note 46: Vested assets and liabilities for more information.

Credit ratings

The 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. Standard & Poor's confirmed a credit rating of 'AA -' on 30 October 2006. On 22 February 2007, Standard & Poor's raised its credit rating to 'AA'. There has been no change to the credit rating confirmed by Moody's Investors Service on 10 November 2006. These credit ratings are given without any qualifications:

Rating Agency	Current Credit Rating
Standard & Poor's	**AA**
Moody's Investors Service	**Aa3**

Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time.

Descriptions of credit rating scales

	Standard & Poor's	Moody's Investors Service
The following grades display investment grade characteristics:		
Ability to repay principal and interest is extremely strong. This is the highest investment category.	AAA	Aaa
Very strong ability to repay principal and interest.	AA	Aa
Strong ability to repay principal and interest although somewhat susceptible to adverse changes in economic, business or financial conditions.	A	A
Adequate ability to repay principal and interest. More vulnerable to adverse changes.	BBB	Baa
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
Greater vulnerability and therefore greater likelihood of default.	B	B
Likelihood of default now considered high. Timely repayment of principal and interest is dependent on favourable financial conditions.	CCC	Caa
Highest risk of default.	CC to C	Ca to C
Obligations currently in default.	D	-

Credit ratings by 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 or 3 (lower end) to ratings from Aa to B to show relative standing within major categories.

Historical summary of financial statements

	The Banking Group	
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Income statement		
Interest income	**1,424**	15
Interest expense	**(970)**	(5)
Net interest income	**454**	10
Non-interest income	**154**	-
Net operating income	**608**	10
Operating expenses	**(272)**	-
Impairment losses on loans	**(45)**	-
Profit before income tax expense	**291**	10
Income tax expense	**(74)**	(3)
Profit after income tax expense	**217**	7
Profit after income tax expense attributable to minority interests	**(1)**	-
Profit after income tax expense attributable to equity holders of the Banking Group	**216**	7
Dividends paid or provided for on ordinary share capital	**-**	-
Operating profit retained	**216**	7
Balance sheet		
Total assets	**42,179**	2,415
Total impaired assets	**67**	-
Total liabilities	**39,515**	708
Total equity	**2,664**	1,707

The first accounting period for the Bank and the Banking Group is the period from 14 February 2006 to 30 September 2006.

Market risk

The Banking Group's aggregate market risk exposure is derived in accordance with the eighth schedule (sub-clauses (1)(a), (8)(a) and (11)(a)) of the Reserve Bank Order.

The peak end-of-day exposures below have been calculated by determining the maximum end-of-day aggregate market risk exposure over the three months ended 31 March 2007, and then dividing that amount by the Banking Group's equity as at 31 March 2007. The comparatives have been calculated by determining the maximum end-of-day aggregate market risk exposure over the period from 14 February 2006 to 31 March 2006 and then dividing that amount by the Banking Group's equity as at 31 March 2006.

	The Banking Group			
	As at 31 March 2007 Unaudited $m	**Peak End-of-Day for the Three Months Ended 31 March 2007 Unaudited $m**	As at 31 March 2006 Unaudited $m	Peak End-of-Day for the Period from 14 February 2006 to 31 March 2006 Unaudited $m
Aggregate interest rate exposure	**89**	**206**	-	-
As a percentage of the Banking Group's equity	**3.30%**	**7.70%**	0.00%	0.00%

The Banking Group has no material exposure to equity risk or foreign currency risk.

Guarantee arrangements

The material obligations of the Bank are not guaranteed.

Pending proceedings or arbitration

With the exception of the two proceedings mentioned below, there are no legal proceedings pending at the date of this General Disclosure Statement that may have a material adverse effect on the Banking Group or the Bank.

The New Zealand Commerce Commission has issued proceedings against the Bank and The Warehouse Financial Services Limited (a member of the Banking Group), among others, in relation to interchange rates and rules. In addition, a number of New Zealand retailers have issued similar proceedings.

A description of these proceedings and other contingent liabilities of the Banking Group and the Bank is set out in Note 30 to the financial statements included in this General Disclosure Statement.

Conditions of registration

The conditions of registration imposed on the Bank, which applied from 30 March 2007, are as follows:

1. That the Banking Group complies with the following requirements:
   - Capital of the Banking Group is not less than 8 percent of risk weighted exposures.
   - Tier One Capital of the Banking Group is not less than 4 percent of risk weighted exposures.
   - Capital of the Banking Group is not less than NZ $15 million.

   For the purposes of this condition of registration, capital, Tier One Capital and risk weighted exposures shall be calculated in accordance with the Reserve Bank of New Zealand document entitled 'Capital Adequacy Framework' (BS2) dated March 2007.
2. 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.
3. That the Banking Group's insurance business is not greater than 1 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 a 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.
4. That the aggregate credit exposures (of a non-capital nature and net of specific provisions) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating	**Connected exposure limit (Percentage of the Banking Group's Tier One Capital)**
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

   Within the rating-contingent limit, credit exposures (of a non-capital nature and net of specific provisions) to non-Bank connected persons shall not exceed 15 percent of the Banking Group's Tier One Capital.

   For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled 'Connected Exposures Policy' (BS8) dated March 2007.
5. That exposures to connected persons are not on more favourable terms (e.g. as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the board of the Bank contains at least two independent directors. In this context an independent director is a director who is not an employee of the Bank, and who is not a director, trustee or employee of any holding company of the Bank, or any other entity capable of controlling or significantly influencing the Bank.
7. That the chairperson of the Bank's board is not an employee of the Bank.
8. That the Bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).
9. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made unless:

   (a) the Reserve Bank of New Zealand has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank of New Zealand has advised that it has no objection to that appointment.
10. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

Conditions of registration (continued)

11. That by 31 December 2007 the Bank will have legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:

    (a) that the Bank's clearing and settlement obligations due on a day can be met on that day;

    (b) that the Bank's financial risk positions on a day can be identified on that day;

    (c) that the Bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and

    (d) that the Bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

    For the purposes of this condition of registration, the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled "Outsourcing Policy" (BS11) dated January 2006.

12. (a) That the business and affairs of the Bank are managed by, or under the direction or supervision of, the board of the Bank.

    (b) That the employment contract of the chief executive officer of the Bank or person in an equivalent position (together "CEO") is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decisions relating to the employment or termination of employment of the CEO are made by, the board of the Bank.

    (c) That by 31 December 2007 all staff employed by the Bank will have their remuneration determined by (or under the delegated authority of) the board or the CEO of the Bank and be accountable (directly or indirectly) to the CEO of the Bank.

13. That, for the purposes of calculating the Bank's capital ratios on a solo basis, a credit conversion factor of zero is only applied to a guarantee of a financing subsidiary's financial obligations if, in substance, the guarantee does not create a risk of loss for the Bank.

For the purposes of these conditions of registration, the term "Banking Group" means Westpac New Zealand Limited's financial reporting group as defined in section 2(1) of the Financial Reporting Act 1993.

With respect to the seventh condition of registration stated above, please note that the chairperson of the Bank's board is an employee of Westpac Banking Corporation.

Directors' statement

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

(a) contains all information that is required by the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2007 (New Zealand); and

(b) is not false or misleading.

Each Director of the Bank believes, after due enquiry, that, over the six months ended 31 March 2007:

(a) the Bank has complied with the Conditions of Registration imposed on it pursuant to section 74 of the Reserve Bank of New Zealand Act 1989;

(b) credit exposures to connected persons were not contrary to the interests of the Banking Group; and

(c) the Bank had systems in place to monitor and control adequately the Banking Group's material risks, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied.

This Directors' Statement has been signed by all the Directors:

David Raymond Morgan

Bradley John Cooper

Harold Maffey Price

Ralph Graham Waters

Peter David Wilson

Elizabeth Blomfield Bryan

Dated this the 27th day of April 2007

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Income statements for the six months ended 31 March 2007

	Note	The Banking Group Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	The Bank Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Interest income	3	**1,424**	-	15	**1,405**	-	15
Interest expense	3	**(970)**	-	(5)	**(961)**	-	(5)
Net interest income		**454**	-	10	**444**	-	10
Non-interest income:							
Fees and commissions	4	**144**	-	-	**139**	-	-
Gain on ineffective hedges	4	**-**	-	-	**-**	-	-
Loss on disposal of assets	4	**(1)**	-	-	**-**	-	-
Other non-interest income	4	**11**	-	-	**9**	-	-
Total non-interest income		**154**	-	-	**148**	-	-
Net operating income		**608**	-	10	**592**	-	10
Operating expenses	5	**(272)**	-	-	**(267)**	-	-
Impairment losses on loans	6	**(45)**	-	-	**(44)**	-	-
Profit before income tax expense		**291**	-	10	**281**	-	10
Income tax expense	7	**(74)**	-	(3)	**(71)**	-	(3)
Profit after income tax expense		**217**	-	7	**210**	-	7
Profit after income tax expense attributable to minority interests		**(1)**	-	-	**-**	-	-
Profit after income tax expense attributable to equity holders of the Banking Group		**216**	-	7	**210**	-	7

The accompanying notes (numbered 1 to 47) form part of, and should be read in conjunction with, these financial statements.

As the Bank was incorporated on 14 February 2006, the first accounting period for the Banking Group and the Bank was the period from 14 February 2006 to 30 September 2006. Accordingly, this General Disclosure Statement contains comparative income statement for the period from 14 February 2006 to 31 March 2006. Further detail on comparative information is contained in Note 47.

Statements of changes in equity for the six months ended 31 March 2007

	The Banking Group				
	Share Capital $m	Retained Profits $m	Cash Flow Hedge Reserve $m	Minority Interests $m	Total $m
Opening balance as at 14 February 2006	-	-	-	-	-
Period from 14 February 2006 to 31 March 2006					
Profit after income tax expense	-	-	-	-	-
Total recognised income and expenses for the period 14 February 2006 to 31 March 2006	-	-	-	-	-
Dividends:					
Dividends paid or provided for on convertible debentures (net of tax)	-	-	-	-	-
As at 31 March 2006 (unaudited)	-	-	-	-	-
Period from 14 February 2006 to 30 September 2006					
Profit after income tax expense	-	7	-	-	7
Total recognised income and expenses for the period 14 February 2006 to 30 September 2006	-	7	-	-	7
Share capital received	1,700	-	-	-	1,700
As at 30 September 2006 (audited)	1,700	7	-	-	1,707
Opening balance as at 1 October 2006	1,700	7	-	-	1,707
Six months ended 31 March 2007					
Net change in available-for-sale investments (net of tax)	-	-	-	-	-
Change in cash flow hedges	-	-	**22**	-	**22**
Tax effect of change in cash flow hedges	-	-	**(7)**	-	**(7)**
Profit after income tax expense	-	**216**	-	**1**	**217**
Total recognised income and expenses for the six months ended 31 March 2007	-	**216**	**15**	**1**	**232**
Share capital issued	**715**	-	-	-	**715**
Share-based payment	**3**	-	-	-	**3**
Dividends paid or provided for on convertible debentures (net of tax)	-	-	-	-	-
Other minority interests	-	-	-	**7**	**7**
As at 31 March 2007 (unaudited)	**2,418**	**223**	**15**	**8**	**2,664**

The accompanying notes (numbered 1 to 47) form part of, and should be read in conjunction with, these financial statements.

As the Bank was incorporated on 14 February 2006, the first accounting period for the Banking Group and the Bank was the period from 14 February 2006 to 30 September 2006. Accordingly, this General Disclosure Statement contains comparative statement of changes in equity for the period from 14 February 2006 to 31 March 2006. Further detail on comparative information is contained in Note 47.

Statements of changes in equity (continued) for the six months ended 31 March 2007

	The Bank			
	Share Capital $m	Retained Profits $m	Cash Flow Hedge Reserve $m	Total $m
Opening balance as at 14 February 2006	-	-	-	-
Period from 14 February 2006 to 31 March 2006				
Profit after income tax expense	-	-	-	-
Total recognised income and expenses for the period 14 February 2006 to 31 March 2006	-	-	-	-
Dividends:				
Dividends paid or provided for on convertible debentures (net of tax)	-	-	-	-
As at 31 March 2006 (unaudited)	-	-	-	-
Period from 14 February 2006 to 30 September 2006				
Profit after income tax expense	-	7	-	7
Total recognised income and expenses for the period 14 February 2006 to 30 September 2006	-	7	-	7
Share capital received	1,700	-	-	1,700
As at 30 September 2006 (audited)	1,700	7	-	1,707
Opening balance as at 1 October 2006	1,700	7	-	1,707
Six months ended 31 March 2007				
Net change in available-for-sale investments (net of tax)	-	-	-	-
Change in cash flow hedges	-	-	**22**	**22**
Tax effect of change in cash flow hedges	-	-	**(7)**	**(7)**
Profit after income tax expense	-	**210**	-	**210**
Total recognised income and expenses for the six months ended 31 March 2007	-	**210**	**15**	**225**
Share capital issued	**715**	-	-	**715**
Share-based payment	**3**	-	-	**3**
Dividends paid or provided for on convertible debentures (net of tax)	-	-	-	-
Other minority interests	-	-	-	-
As at 31 March 2007 (unaudited)	**2,418**	**217**	**15**	**2,650**

The accompanying notes (numbered 1 to 47) form part of, and should be read in conjunction with, these financial statements.

As the Bank was incorporated on 14 February 2006, the first accounting period for the Banking Group and the Bank was the period from 14 February 2006 to 30 September 2006. Accordingly, this General Disclosure Statement contains comparative statement of changes in equity for the period from 14 February 2006 to 31 March 2006. Further detail on comparative information is contained in Note 47.

Balance sheets as at 31 March 2007

		The Banking Group			The Bank		
	Note	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Assets							
Cash		**127**	-	-	**127**	-	-
Due from other financial institutions	9	**2**	-	-	**-**	-	-
Derivative financial instruments	39	**-**	-	-	**-**	-	-
Other trading securities	10	**1,001**	-	-	**1,001**	-	-
Other financial assets designated at fair value	10	**-**	-	-	**-**	-	-
Available-for-sale securities	11	**-**	-	-	**-**	-	-
Loans	12, 13	**40,020**	-	-	**39,796**	-	-
Life insurance assets		**-**	-	-	**-**	-	-
Due from related entities	15	**1**	-	2,415	**70**	-	2,415
Investments in related entities	15	**-**	-	-	**238**	-	-
Goodwill and other intangible assets	17	**606**	-	-	**606**	-	-
Property, plant and equipment	18	**94**	-	-	**19**	-	-
Income tax receivable		**-**	-	-	**-**	-	-
Deferred tax assets	19	**88**	-	-	**75**	-	-
Other assets	20	**240**	-	-	**237**	-	-
Total assets		**42,179**	-	2,415	**42,169**	-	2,415
Less:							
Liabilities							
Due to other financial institutions	21	**7**	-	-	**7**	-	-
Deposits at fair value	22	**3,546**	-	-	**3,546**	-	-
Deposits at amortised cost	22	**24,516**	-	-	**24,516**	-	-
Derivative financial instruments	39	**-**	-	-	**-**	-	-
Other trading liabilities	23	**-**	-	-	**-**	-	-
Debt issues	24	**7,205**	-	-	**475**	-	-
Current tax liabilities		**27**	-	3	**26**	-	3
Deferred tax liabilities	25	**-**	-	-	**-**	-	-
Provisions	26	**43**	-	-	**42**	-	-
Other liabilities	27	**411**	-	-	**354**	-	-
Total liabilities excluding subordinated debentures and due to related entities		**35,755**	-	3	**28,966**	-	3
Perpetual subordinated notes	29	**970**	-	700	**970**	-	700
Total liabilities excluding due to related entities		**36,725**	-	703	**29,936**	-	703
Due to related entities	15	**2,790**	-	5	**9,583**	-	5
Total liabilities		**39,515**	-	708	**39,519**	-	708
Net assets		**2,664**	-	1,707	**2,650**	-	1,707
Represented by:							
Equity							
Ordinary share capital	16	**2,415**	-	1,700	**2,415**	-	1,700
Retained profits		**223**	-	7	**217**	-	7
Share-based payment		**3**	-	-	**3**	-	-
Cash flow hedge reserve		**15**	-	-	**15**	-	-
Other minority interests		**8**	-	-	**-**	-	-
Total equity		**2,664**	-	1,707	**2,650**	-	1,707

The accompanying notes (numbered 1 to 47) form part of, and should be read in conjunction with, these financial statements.

Statements of cash flows for the six months ended 31 March 2007

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	**Six Months Ended 31 March 2007 Unaudited $m**	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Cash flows from operating activities						
Interest income received	**1,414**	-	-	**1,395**	-	-
Interest paid	**(914)**	-	-	**(958)**	-	-
Other non-interest income received	**154**	-	-	**148**	-	-
Net acquisition of other trading assets	**(1,001)**	-	-	**(1,001)**	-	-
Net acquisition of other trading liabilities	**-**	-	-	**-**	-	-
Net disposal of derivative financial instruments	**-**	-	-	**-**	-	-
Non-interest expenses paid	**(261)**	-	-	**(261)**	-	-
Income tax paid	**(60)**	-	-	**(57)**	-	-
Net cash flows from operating activities	**(668)**	-	-	**(734)**	-	-
Cash flows from investing activities						
Net decrease in due from other financial institutions - term	**-**	-	-	**-**	-	-
Net acquisition of other financial assets at fair value	**-**	-	-	**-**	-	-
Net acquisition of available-for-sale securities	**-**	-	-	**-**	-	-
Net loans advanced to customers	**(3,108)**	-	-	**(3,121)**	-	-
Net (acquisition)/disposal of life insurance assets	**-**	-	-	**-**	-	-
Net decrease/(increase) in due from related entities	**2,598**	-	(2,405)	**2,365**	-	(2,405)
Net increase in other assets	**(111)**	-	-	**(111)**	-	-
Payment for purchase of subsidiary, net of cash acquired	**(236)**	-	-	**(238)**	-	-
Purchase of property, plant and equipment	**(9)**	-	-	**-**	-	-
Purchase of capitalised computer software	**(15)**	-	-	**(15)**	-	-
Proceeds from disposal of property, plant and equipment	**-**	-	-	**-**	-	-
Proceeds from disposal of computer software	**-**	-	-	**-**	-	-
Proceeds from disposal of investments in related entities	**-**	-	-	**-**	-	-
Net cash used in investing activities	**(881)**	-	(2,405)	**(1,120)**	-	(2,405)
Cash flows from financing activities						
Issue of ordinary share capital	**715**	-	1,700	**715**	-	1,700
Cash vested from parent entity	**123**	-	-	**123**	-	-
Net increase in due to other financial institutions - term	**7**	-	-	**7**	-	-
Net increase in deposits	**548**	-	-	**548**	-	-
Net proceeds from debt issues	**7,205**	-	-	**475**	-	-
Net (decrease)/increase in due to related entities	**(7,156)**	-	5	**(123)**	-	5
Net decrease in other liabilities	**(34)**	-	-	**(34)**	-	-
Net proceeds from perpetual subordinated notes	**270**	-	700	**270**	-	700
Net cash provided by financing activities	**1,678**	-	2,405	**1,981**	-	2,405

The accompanying notes (numbered 1 to 47) form part of, and should be read in conjunction with, these financial statements.

As the Bank was incorporated on 14 February 2006, the first accounting period for the Banking Group and the Bank was the period from 14 February 2006 to 30 September 2006. Accordingly, this General Disclosure Statement contains comparative statement of cash flows for the period from 14 February 2006 to 31 March 2006. Further detail on comparative information is contained in Note 47.

Statements of cash flows (continued) for the six months ended 31 March 2007

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	**Six Months Ended 31 March 2007 Unaudited $m**	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Net increase/(decrease) in cash and cash equivalents	**129**	-	-	**127**	-	-
Cash and cash equivalents at beginning of the period	**-**	-	-	**-**	-	-
Cash and cash equivalents at end of the period	**129**	-	-	**127**	-	-
Cash and cash equivalents comprise						
Cash	**127**	-	-	**127**	-	-
Due from other financial institutions - at call	**2**	-	-	**-**	-	-
Due to other financial institutions - at call	**-**	-	-	**-**	-	-
Cash and cash equivalents at end of the period	**129**	-	-	**127**	-	-
Reconciliation of profit after income tax expense to net cash flows from operating activities						
Profit after income tax expense attributable to equity holders of the Banking Group	**216**	-	7	**210**	-	7
Adjustments:						
Amortisation of intangible assets	**15**	-	-	**15**	-	-
Impairment losses on loans	**45**	-	-	**44**	-	-
Depreciation/amortisation	**11**	-	-	**4**	-	-
Loss on sale of property, plant and equipment	**(1)**	-	-	**-**	-	-
Share-based payments	**3**	-	-	**3**	-	-
Intragroup minority interests in subsidiary companies	**1**	-	-	**-**	-	-
Movement in accrued assets	**(10)**	-	(15)	**(12)**	-	(15)
Movement in accrued liabilities	**41**	-	5	**(10)**	-	5
Movement in income tax provisions	**12**	-	3	**13**	-	3
Net disposal of other trading assets	**(1,001)**	-	-	**(1,001)**	-	-
Net acquisition of other trading liabilities	**-**	-	-	**-**	-	-
Net acquisition of derivative financial instruments	**-**	-	-	**-**	-	-
Net cash flows from operating activities	**(668)**	-	-	**(734)**	-	-

The accompanying notes (numbered 1 to 47) form part of, and should be read in conjunction with, these financial statements.

As the Bank was incorporated on 14 February 2006, the first accounting period for the Banking Group and the Bank was the period from 14 February 2006 to 30 September 2006. Accordingly, this General Disclosure Statement contains comparative statement of cash flows for the period from 14 February 2006 to 31 March 2006. Further detail on comparative information is contained in Note 47.

Notes to the financial statements

Note 1 Statement of accounting policies

1.1 General accounting policies

Statutory base

These financial statements are prepared and presented in accordance with the Financial Reporting Act 1993 (New Zealand), the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2007 (New Zealand) ('**Order**'), the Reserve Bank of New Zealand Act 1989, applicable New Zealand equivalents to International Financial Reporting Standards ('**NZ IFRS**') and other authoritative pronouncements of the Accounting Standards Review Board, as appropriate for profit-oriented entities.

These financial statements were authorised for issue by the Board of Directors of the Bank (the '**Board**') on 27th April 2007.

Basis of preparation

The financial statements are based on the general principles of historical cost accounting, as modified by the fair value accounting for 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 currency unless otherwise stated.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by the Bank and the results of all subsidiaries. The effects of all transactions between entities in the Banking Group are eliminated. Control exists when the parent entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

Subsidiaries are fully consolidated from the date on which control commences and they are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Banking Group.

The interest of minority shareholders is stated at minority's proportion of the net profit and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly by the Bank. Any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the Bank.

Foreign currency

Foreign currency assets and liabilities have been translated into New Zealand dollars at the rate of foreign exchange ruling as at balance date. Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction.

Foreign exchange differences relating to monetary items and gains or losses arising from foreign exchange dealings by the Banking Group have been included in the income statement except where deferred in equity as qualifying cash flow hedges.

1.2 Particular accounting policies

Revenue recognition

Interest income

Interest income for all instruments measured at amortised cost is recognised in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, cash flows are estimated based upon contractual terms and behavioural aspects of the financial instrument (e.g. prepayment options), but do not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest relating to impaired loans is recognised using the loans' original effective interest rate. This rate is also used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis over the period during which the service is performed. All fees related to the successful origination or settlement of a loan (together with the related direct costs) are deferred and are recognised as an adjustment to the effective interest rate on the loan. Asset management fees relating to investment funds are recognised over the period the service is provided.

Trading income

Trading income includes realised and unrealised gains or losses from trading assets and trading liabilities (including all derivatives except those that are designated as effective hedging instruments) and financial assets and financial liabilities designated at inception at fair value through profit and loss.

Gain or loss on sale of property, plant and equipment

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised as non-interest income.

Note 1 Statement of accounting policies (continued)

Expense recognition

Interest expense

Interest expense, including premiums or discounts and associated issue expenses incurred on the issue of securities is recognised in the income statement for all financial liabilities at amortised cost using the effective interest method.

Losses on loans and receivables carried at amortised cost

The charge recognised in the income statement for losses on loans and receivables carried at amortised cost reflects the net movement in the provisions for individually assessed and collectively assessed loans, write offs and recoveries of losses previously written off.

Leasing

Operating lease payments are recognised in the income statement as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received. Incentives received on entering into operating leases are recognised as liabilities and are amortised as a reduction of rental expense over the lease term, on a straight-line basis.

Commissions and other fees

External commissions and other costs paid to acquire mortgage loans through brokers are capitalised and amortised using the effective interest method. All other fees and commissions are recognised in the income statement over the period which the related service is consumed.

Share-based compensation – options and performance share rights

Certain employees hold options and performance share rights granted by Westpac Banking Corporation ('**the Ultimate Parent Bank**').

The fair value of options and performance share rights provided to employees as share-based compensation is recognised as an expense with a corresponding payable to the Ultimate Parent Bank recognised. The fair value is measured at grant date and is recognised over the expected vesting period during which the employees would become entitled to exercise the option or performance share right.

The fair value of options and performance share rights is estimated at grant date using a Binomial/Monte Carlo simulation pricing model incorporating the vesting and performance hurdle features of the grants. The fair value of the options and performance share rights excludes the impact of any non-market vesting conditions such as participants continued employment by the Banking Group. The non-market vesting conditions are included in assumptions used when determining the number of options and performance share rights expected to become exercisable for which an expense is recognised. Each balance date these assumptions are revised and the expense recognised each period takes into account the most recent estimates.

Taxation

Income tax

Income tax expense on the profit for the period comprises current tax and movements in deferred tax balances.

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted as at balance date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, the initial recognition (other than in a business combination) of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted as at balance date that are expected to apply when the liability is settled or the asset is realised.

Current and deferred tax attributable to amounts recognised directly in equity are also recognised directly in equity.

Except as noted above, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Goods and services tax

Revenue, expenses and assets are recognised net of goods and services tax ('**GST**') except to the extent that GST is not recoverable from the Inland Revenue Department. In these circumstances, the GST is recognised as part of the expense or the cost of the asset.

Note 1 Statement of accounting policies (continued)

Acquisition of assets

Except as noted below, the purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Banking Group's share of the identifiable net assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Banking Group's incremental borrowing rate.

The assets and liabilities acquired from the Ultimate Parent Bank vested on 1 November 2006 and were recognised at the carrying value as recorded by Westpac Banking Corporation's New Zealand Branch at the date of vesting.

Assets

Financial assets

The Banking Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss and loans. Management determines the classification of its financial assets at initial recognition.

- *Financial assets at fair value through profit and loss*

  This category has two sub-categories: financial assets held for trading and those designated as fair value through profit and loss at inception. A financial asset is classified in this category if acquired or incurred principally for selling it in the near term, if it is part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit taking, if it is a derivative that is not a designated hedging instrument, or if so designated on acquisition by management.

  This designation may only be made if the financial asset either contains an embedded derivative, or it will be managed on a fair value basis in accordance with a documented risk management strategy or designating it at fair value will reduce an accounting mismatch.

- *Loans*

  Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Banking Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Recognition of financial assets

Purchases and sales of financial assets at fair value through profit and loss are recognised on trade-date, the date on which the Banking Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets at fair value through profit and loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Banking Group has transferred substantially all the risks and rewards of ownership.

Loans are carried at amortised cost using the effective interest method. Realised and unrealised gains or losses arising from changes in the fair value of financial assets at fair value through profit and loss are included in the income statement in the period in which they arise.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active the Banking Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Cash and balances with central banks

Cash and balances with central banks includes cash at branches. They are brought to account at the face value or the gross value of the outstanding balance, where appropriate.

Due from other financial institutions

Receivables from other financial institutions include loans, nostro balances and settlement account balances due from other financial institutions. They are accounted for as loans.

Derivative financial instruments

Derivative financial instruments including forwards, futures, swaps and options are recognised in the balance sheet at fair value. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which incorporate current market and contractual prices for the underlying instrument, time to expiry, yield curves and volatility of the underlying instrument. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Other financial assets designated at fair value

Certain bonds, notes and commercial bills are designated at fair value through profit and loss. This designation may only be made if the financial asset either contains an embedded derivative, or it will be managed on a fair value basis in accordance with a documented risk management strategy or designating it at fair value will reduce an accounting mismatch.

Note 1 Statement of accounting policies (continued)

Other trading securities

Other trading assets include debt and equity securities which are actively traded and securities purchased under agreement to resell. They are accounted for as financial assets at fair value through profit and loss.

Loans

Loans include overdrafts, home loans, credit card and other personal lending, term loans, leasing and redeemable preference share finance. They are accounted for as loans. The accounting treatment for loans is set out above.

Security is obtained if, based on an evaluation of the customer's credit worthiness, it is considered necessary for the customer's overall borrowing facility. Security would normally consist of assets such as cash deposits, receivables, inventory, plant and equipment, real estate and investments.

Impairment of financial assets

Impaired financial assets include:

- restructured assets, which are defined as assets in which the original contractual terms have been formally modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the customer; and
- real estate or other assets acquired through security enforcement or where the Banking Group has assumed ownership of an asset in settlement of all or part of a debt.

Although not classified as impaired assets, assets that are in arrears for 90 or more consecutive days, but are well-secured are reported separately. These are known as 'past due assets'.

Assets, not classified as impaired assets or past due assets, in which the counterparty is (a) in receivership, liquidation, bankruptcy, statutory management or any form of administration in New Zealand; or (b) in any other equivalent form of voluntary or involuntary administration in an overseas jurisdiction are reported separately. These are known as 'other assets under administration'.

Assets carried at amortised cost

The Banking Group assesses as at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Banking Group about the following loss events:

i significant financial difficulty of the issuer or obligor;

ii a breach of contract, such as a default or delinquency in interest or principal payments;

iii the Banking Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Banking Group would not otherwise consider;

iv it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

v the disappearance of an active market for that financial asset because of financial difficulties; or

vi observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

(a) adverse changes in the payment status of borrowers in the group; or

(b) national or local economic conditions that correlate with defaults on the assets in the group.

The Banking Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Banking Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Banking Group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Banking Group and historical loss experience for assets with credit risk characteristics similar to those in the Banking Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Note 1 Statement of accounting policies (continued)

Estimates of changes in future cash flows for groups of assets should reflect and are directionally consistent with changes in related observable data from period to period (e.g. changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Banking Group to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed is by adjusting the provision account. The amount of the reversal is recognised in the income statement.

Investments in related entities

Investments in related entities are initially recorded by the Banking Group in the balance sheet at cost. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Investments in related entities are written-down to recoverable amount where appropriate.

Goodwill and other intangible assets

Goodwill represents amounts arising on the acquisition of businesses. Goodwill represents the excess of purchase consideration, including incidental expenses associated with the acquisition, over the fair value of the Banking Group's share of the identifiable net assets of the business acquired.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. Goodwill is carried at cost less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ('**CGU**') for the purpose of impairment testing. CGUs are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Other intangibles are stated at cost less accumulated amortisation and impairment losses. Other intangible assets comprise acquired and internally developed computer software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Internal and external costs directly incurred in the purchase or development of computer software, including subsequent upgrades and enhancements are recognised as intangible assets when it is probable that they will generate future economic benefits attributable to the Banking Group. These costs are amortised using the straight-line method to allocate the cost of the asset less any residual value over the estimated useful lives of between three and five years.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Cost is the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred. Impairment losses are recognised as a non-interest expense in the income statement.

Depreciation is calculated using the straight-line method to allocate the cost of assets less any residual value over their estimated useful lives, as follows:

- Leasehold improvements Up to 10 years
- Furniture and equipment 3 – 15 years

Gains or losses on the disposal of property, plant and equipment are determined by reference to their carrying value and are included in the income statement.

Impairment of non-financial assets

The carrying amount of the Banking Group's non-financial assets, other than deferred tax assets and assets arising from employee benefits, are reviewed as at each balance date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. With the exception of goodwill for which impairment losses are generally not reversed, where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. Impairment losses and reversals of impairment losses are recognised in the income statement.

The recoverable amount of an asset is the greater of its net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Note 1 Statement of accounting policies (continued)

Liabilities

Financial liabilities

Financial liabilities are measured at amortised cost, except for derivatives and deposits at fair value, which are held at fair value through profit and loss.

Due to other financial institutions

Due to other financial institutions includes deposits, vostro balances and settlement account balances due to other financial institutions. They are measured at amortised cost.

Deposits at fair value

Deposits at fair value includes interest bearing deposits accounted for at fair value through profit and loss.

Deposits at amortised cost

Deposits at amortised cost include non-interest bearing deposits repayable at call and interest bearing deposits. They are measured at amortised cost.

Derivative financial instruments

Derivative financial instruments including forwards, futures, swaps and options are recognised in the balance sheet at fair value. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which incorporate current market and contractual prices for the underlying instrument, time to expiry, yield curves and volatility of the underlying instrument. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Other trading liabilities and other financial liabilities at fair value

Securities sold under repurchase agreements and securities sold short are classified as trading liabilities. They are accounted for as financial liabilities at fair value through profit and loss.

Debt issues

These are bonds, notes and commercial paper that have been issued by the Banking Group. They are initially recorded at cost, which is the fair value of the consideration received, net of transaction costs. Debt issues are subsequently measured at amortised cost using the effective interest method to amortise cost at inception to the redemption value over the expected life of the debt.

Perpetual subordinated notes

Perpetual subordinated notes are measured at amortised cost. The notes qualify as Tier Two Capital as defined by the Reserve Bank of New Zealand for capital adequacy purposes.

Employee entitlements

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other provisions in respect of employees' services and are measured at the amounts expected to be paid when the liabilities are settled.

No provision is made for non-vesting sick leave as the pattern of sick leave taken indicates that no additional liability will arise for non-vesting sick leave.

Long service leave

Liabilities for long service leave expected to be settled within 12 months of the balance date are recognised in the provision for long service leave and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for long service leave and other deferred employee benefits expected to be settled more than 12 months from the balance date are recognised in the provision for long service leave and are measured at the present value of expected future payments expected to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departure and periods of service. Expected future payments are discounted to their net present value using market yields as at the balance date on government bonds with terms that match as closely as possible the estimated timing of future cash flows.

Note 1 Statement of accounting policies (continued)

Superannuation obligations

Obligations for contributions to the defined contribution superannuation scheme are recognised as an expense in the income statement as incurred.

The asset or liability recognised in the balance sheet in respect of the defined benefit superannuation scheme is the present value of the defined benefit obligation as at the balance date less the fair value as at the balance date of the scheme's assets as adjusted for unrecognised past service costs. The carrying amount of an asset or liability recognised in respect of the defined benefit superannuation scheme is restricted to the total of any unrecognised past service cost and the present value of available refunds from the scheme and reductions in future contributions to the scheme. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of government bonds that have terms to maturity approximating to the terms of the related superannuation liability. The calculation is performed annually by an independent qualified actuary using the projected unit credit method.

The cost recognised in the income statement in respect of the defined benefit superannuation scheme comprises the current service cost, an interest cost and an expected return on the scheme's assets. In addition, actuarial gains or losses which result from annual actuarial valuations, which exceed 10% of the greater of the present value of the defined benefit scheme's obligations or the market value of the defined benefit scheme assets, are spread on a straight-line basis over the expected remaining service period of members of the scheme.

Termination benefits

Liabilities for termination benefits, not in connection with a business combination, are recognised when a detailed plan for the terminations has been developed (and is without realistic possibility of withdrawal) and a valid expectation has been raised in those employees affected that the terminations will be carried out. Liabilities for termination benefits are recognised within other creditors unless the timing or amount is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits relating to a business combination are recognised as at the date of acquisition if, at or before the acquisition date, the main features of the terminations were planned and a valid expectation has been raised in those employees affected that the termination would be carried out and this is supported by a detailed plan. These liabilities are disclosed in aggregate with other restructuring costs arising as a consequence of the acquisition.

Liabilities for termination benefits expected to be settled within 12 months are measured at amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the balance date are measured at the estimated cash outflows, discounted using market yields as at the balance date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

Provisions

Provision for restructuring

A provision for restructuring on acquisition is recognised where there is a demonstrable commitment and a detailed plan such that there is little or no discretion to avoid payments to other parties and the amount can be reliably estimated.

Other provisions for restructuring are only recognised when a detailed formal plan has been approved and the restructuring has either commenced or been announced publicly. Costs relating to ongoing activities are not provided for.

Equity and reserves

Ordinary shares

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

Cash flow hedge reserve

The cash flow hedge reserve comprises the fair value gains or losses associated with the effective portion of designated cash flow hedging instruments.

Hedging

The Banking Group uses derivative instruments as part of its asset and liability management activities to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. The method of recognising the fair value gain or loss of derivatives depends on the nature of the hedging relationship. Hedging relationships are of two types:

- fair value hedge: a hedge of the change in fair value of recognised assets or liabilities or firm commitments; and
- cash flow hedge: a hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction.

The Banking Group uses hedge accounting for derivatives designated in this way when certain criteria are met. At the time a financial instrument is designated as a hedge, the Banking Group formally documents the relationship between the hedging instrument and hedged item, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Banking Group formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been 'highly effective' in offsetting changes in the fair value or cash flows of the hedged items.

A hedge is regarded as highly effective if, at inception and throughout its life, the Banking Group can expect the hedge to offset changes in fair value or cash flows attributable to the hedged risk, and actual results are within a range of 80% to 125% of these changes. 'Hedge ineffectiveness' represents the amount by which the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged item or the amount by which changes in the cash flow of the hedging derivative differ from changes (or expected changes) in the cash flow of the hedged item.

Note 1 Statement of accounting policies (continued)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributed to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised in the income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains until the disposal of the equity security.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods in which the hedged item affects profit and loss.

When a hedging instrument expires or is sold, terminated or exercised or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the period in which the hedged item affects profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Embedded derivatives

In certain instances a derivative may be embedded in a 'host contract'. If the host contract is not carried at fair value with changes in fair value reported in the income statement, the embedded derivative is separated from the host contract and accounted for as a stand-alone derivative instrument at fair value if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Loan securitisation

The Banking Group, through its loan securitisation programme, may package and sell loans (principally housing mortgage loans) as securities to investors. In such transactions the Banking Group provides an equitable interest in the loans to investors who provide funding to finance them. Securitised loans that do not qualify for derecognition and associated funding are included in loans and debt issues respectively.

Leases

Leases are classified as either finance leases or operating leases. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred to the lessee, who reports the assets in its balance sheet. In contrast, an operating lease exists where the leased assets are allocated to the lessor.

In its capacity as a lessor, the Banking Group will primarily offer finance leases. The Banking Group recognises the assets held under finance lease in the balance sheet as receivables at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic return on the Banking Group's net investment in the finance lease. Finance lease income is included within net interest income in the income statement.

In its capacity as a lessee, the Banking Group will mainly lease property, plant and equipment under operating leases. Payments due to the lessor under operating leases are charged to equipment and occupancy expense on a straight-line basis over the term of the lease.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Segment reporting

A segment is a distinguishable component of the Banking Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), that is subject to risks and returns of other business or geographical segments.

Statement of cash flows

Basis of presentation

The statement of cash flows has been presented in accordance with NZ IAS 7 *Cash Flow Statements* with netting of certain items as disclosed below.

Cash and cash equivalents

Cash and cash equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management of the Banking Group, which are readily convertible at the investor's or customer's option and include the inter-bank balances arising from the daily Reserve Bank of New Zealand settlement process.

Netting of cash flows

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of those customers rather than the Banking Group.

Note 1 Statement of accounting policies (continued)

1.3 Critical accounting assumptions and estimates

Critical accounting estimates

The application of the Banking Group's accounting policies necessarily requires the use of judgement, estimates and assumptions. Should different assumptions or estimates be applied, the resulting values would change, impacting the net assets and income of the Bank and the Banking Group.

Management has discussed the accounting policies which are sensitive to the use of judgement, estimates and assumptions with the Board Audit Committee.

The nature of assumptions and estimates used and the value of the resulting asset and liability balances are included in the policies below.

Fair value of financial instruments

Financial instruments classified as held-for-trading or designated at fair value through profit and loss. All derivatives are measured and recognised at fair value.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial market pricing models, the methodology used is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to the present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices. However, profits or losses are recognised upon initial recognition only when such profits can be measured solely by reference to observable current market transactions or valuation techniques based solely on observable market inputs.

The calculation of fair value for any financial instrument may also require adjustment of the quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used) or to reflect hedging costs not captured in pricing models (to the extent they would be taken into account by a market participant in determining a price). The process of calculating fair value on illiquid instruments or from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics.

These estimates are calibrated against industry standards, economic models and observed transaction prices.

The fair value of financial instruments is provided in Note 35.

A negligible proportion of the Banking Group's trading derivatives are valued directly from quoted prices, the majority being valued using appropriate valuation techniques, using observable market inputs. The fair value of substantially all securities positions carried at fair value is determined directly from quoted prices.

Provisions for impairment losses on loans

The Banking Group's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans. A loan is impaired when there is objective evidence that events occurring since the loan was recognised have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loans original effective interest rate. Provisions for loan impairment losses represent management's estimate of the losses incurred in the loan portfolios as at the balance date. Changes to the allowances for loan impairment and changes to the provisions for undrawn contractually committed facilities and guarantees provided are reported in the income statement as part of the impairment loss on loans.

As at 31 March 2007, gross loans and advances to customers totalled $40,198 million (31 March 2006 nil, 30 September 2006 nil) for Banking Group and for the Bank totalled $39,971 million (31 March 2006 nil, 30 September 2006 nil), and the provision for loan impairment losses was $178 million (31 March 2006 nil, 30 September 2006 nil) for the Banking Group and for the Bank $175 million (31 March 2006 nil, 30 September 2006 nil). There are two components to the Banking Group's loan impairment provisions, individual and collective.

Individual component – all impaired loans that exceed specified thresholds are individually assessed for impairment. Individually assessed loans principally comprise the Banking Group's portfolio of commercial loans to medium and large businesses. Impairment losses are recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held (discounted at the loan's original effective interest rate). All relevant considerations that have a bearing on the expected future cash flows are taken into account, including the business prospects for the customer, the realisable value of collateral, the Banking Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgements are made in this process. Furthermore, judgements can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are taken.

Collective component – this is made up of two elements: loan impairment provisions for impaired loans that are below individual assessment thresholds (collective impaired loan provisions) and for loan losses that have been incurred, but have not been separately identified as at the balance sheet date (incurred but not reported provisions). These are established on a portfolio basis taking into account the level of arrears, collateral, past loss experience and defaults based on portfolio trends. The most significant factors in establishing these provisions are the estimated loss rates and the related emergence period. These portfolios include credit card receivables and other personal advances including mortgages. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates and their effect on customer spending, unemployment levels, payment behaviour and bankruptcy rates.

Note 1 Statement of accounting policies (continued)

The impairment charge reflected in the income statement is $45 million (31 March 2006 nil, 30 September 2006 nil) and the provision balance as at 31 March 2007 of $178 million (31 March 2006 nil, 30 September 2006 nil) represents 25% (31 March 2006 nil, 30 September 2006 nil) of impaired loans.

Goodwill

Goodwill represents the excess of purchase consideration, including incidental expenses, over the fair value of the Bank and Banking Group's share of the identified net assets of acquired businesses. Goodwill is tested for impairment at least annually. The carrying value of goodwill as at 31 March 2007 was $477 million (31 March 2006 nil, 30 September 2006 nil).

The determination of the fair value of assets and liabilities of the acquired businesses requires the exercise of management judgement. Different fair values would result in changes to the goodwill and to the post-acquisition performance of the acquisition.

To determine if goodwill is impaired the carrying value of the identified CGU to which the goodwill is allocated, including the allocated goodwill, is compared its recoverable amount. Recoverable amount is the higher of the CGU's fair value and its value-in-use. Value-in-use is the present value of expected future cash flows from the CGU. Determination of appropriate cash flows and discount rates for the calculation of value-in-use is subjective. Fair value is the amount obtainable for the sale of the CGU in an arm's length transaction between knowledgeable, willing parties. The assumptions applied to determine impairment are outlined in Note 17.

Goodwill impairment testing for 2007 indicated that none of the Banking Group's goodwill was impaired.

Superannuation obligations

The Banking Group operates a defined benefit plan as described in Note 41. For this plan, actuarial valuations of the plan's obligations and the fair value measurements of the plan's assets are performed annually in accordance with the requirements of NZ IAS 19 *Employee Benefits*.

The actuarial valuation of plan obligations is dependent upon a series of assumptions, the key ones being price inflation, earnings growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and obligations, and the superannuation cost charged to the income statement.

The Bank and Banking Group's NZ IAS 19 superannuation deficit across all plans as at 31 March 2007 was $15 million (31 March 2006 nil, 30 September 2006 nil). This comprises net recognised liabilities of $28 million (31 March 2006 nil, 30 September 2006 nil) and unrecognised actuarial gains of $13 million (31 March 2006 nil, 30 September 2006 nil).

Provisions (other than loan impairment losses)

Provisions are held in respect of a range of future obligations such as employee entitlements, restructuring costs, non-lending losses and surplus lease space. Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

Note 2 Risk management

The Banking Group regards the management of risk to be a fundamental management activity, performed at all levels of its business. Supporting this approach is a risk management framework that includes core risk principles as well as policies and processes for measuring and monitoring risk ('**Risk Management Framework**').

The risk management framework and governance

The Board is responsible for establishing and implementing the Risk Management Framework, including reviewing the Bank's financial statements and the Bank's internal and external audit processes.

The Bank is ultimately a subsidiary of the Ultimate Parent Bank and, therefore, a member of the group of companies comprising the Ultimate Parent Bank and its subsidiaries ('**Ultimate Parent Bank Group**'). Accordingly, the Banking Group's Risk Management Framework is closely aligned with the Ultimate Parent Bank's Risk Framework ('**Group Risk Framework**').

The Board applies the Group Risk Framework and may supplement or enhance the Group Risk Framework if it considers it appropriate to do so. The Board is supported by the New Zealand Board Audit Committee ('**NZBAC**') and the New Zealand Board Risk Management Committee ('**NZBRC**'), which are subcommittees of the Board responsible for monitoring risk management performance and controls across the Banking Group.

The NZBAC comprises of five Directors of the Bank (three non-independent and two independent). The NZBAC assists the Board in fulfilling its responsibilities in relation to external reporting of financial information, internal control of operational risk and the efficiency and effectiveness of audit and compliance with laws and regulations. It reviews the interim and annual financial statements, the activities of the Banking Group's auditors and monitors the relationship between management and the external auditors.

The Bank's risk management framework and governance

The Bank's Risk Management Framework consists of the policies, procedures, systems, processes, data, roles and responsibilities and controls that manage the application and governance of risk within the Bank.

Governance is an essential element in achieving effective oversight and management of the Bank's risk. Effectively managing the risks inherent in the business is a key strategy of the Bank as well as providing support for the Bank's reputation, performance and future success. This Risk Management Framework is approved by the Board and implemented through the Bank's Chief Executive Officer ('**CEO**') and the executive management team, further supported by the New Zealand Risk Committee ('**NZRC**'), which overviews all risk in the New Zealand operation.

Implementation is achieved through developing policies, controls, processes and procedures for identifying and managing risk arising from the Bank's activities.

Core risk principles

The Ultimate Parent Bank Group's core risk principles are the key guidelines for all risk management. These principles reflect the standards and ideals expressed in the Ultimate Parent Bank Group's vision, values and code of conduct and are embedded in all levels of risk management policy including rules, procedures and training. The Bank, as part of the Ultimate Parent Bank Group, has adopted and utilises these guidelines.

The principles for managing the Bank's risk are:

- aligning actions with values, strategies and objectives;
- following ethical selling practices and delivering products and services that meet the needs of its customers;
- accepting that with responsibility comes accountability;
- establishing clear decision-making criteria;
- ensuring that increased risk is rewarded with increased return; and
- identifying and managing risk in all areas of responsibility.

Management assurance programme

The Bank has a quarterly management assurance programme designed to identify the key risks, the controls in place to mitigate those risks and to obtain assurance that those controls have continued to operate effectively.

This programme allows senior management to affirm their satisfaction with the quality of the process under their responsibility and with the effectiveness of the controls that support that assurance. This is attained through the provision of consolidated representations by senior management to the General Manager Risk Management. The results of this process is reported to the New Zealand Operational Risk and Compliance Committee ('**NZOPCO**'), chaired by the CEO. The CEO then provides management assurance to the Ultimate Parent Bank Board Risk Management Committee ('**BRMC**'), the Ultimate Parent Bank Board Audit Committee ('**BAC**') and the CEO of the Ultimate Parent Bank.

This system of management assurance assists the Ultimate Parent Bank's Board in satisfying itself that the Bank's risk management systems are adequate, that they operate effectively and that any deficiencies have been identified and are being addressed.

Note 2 Risk management (continued)

Categories of risk

The key risks that the Bank is subject to are specific banking risks and risks arising from the general business environment.

The risk management framework identifies five broad categories of risk:

- Credit risk: the potential for financial loss where a customer or counterparty fails to meet their financial obligations to the Bank.
- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- Compliance risk: the risk of failing to comply with all applicable legal and regulatory requirements and industry codes of practice, and of failing to meet the Bank's own ethical standards.
- Market risk: the risk to earnings from changes in market factors. These risks are monitored daily against a comprehensive limit framework that includes Value at Risk ('**VaR**'), aggregate market position and sensitivity, product and geographic thresholds. The principal risk components of this monitoring process are:
  - Currency risk: the potential loss arising from the decline in the value of a financial instrument due to changes in foreign exchange rates or their implied volatilities.
  - Interest rate risk: the potential loss arising from the changes in the value of a financial instruments due to changes in market interest rates or their implied volatilities.
  - Equity risk: the potential loss arising from decline in the value of equity instruments due to changes in their equity market processes or implied volatilities.
  - Liquidity risk: the potential loss arising from cash outflows exceeding cash inflows over a given period.

Additional details surrounding the risk management activities relating to the management of these risks follows.

Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers to honour fully the terms and conditions of a contract with the Bank. It arises primarily from the Bank's lending activities, as well as from transactions.

The Bank takes collateral where it is considered necessary to mitigate credit risk and evaluates each customer's credit risk on a case-by-case basis. The amount of collateral taken is based on management's credit evaluation of the counterparty. The collateral taken may vary, but could include cash deposits, receivables, inventory, plant and equipment, real estate and/or investments.

In applying its Control Principles of Credit, the Bank recognises and reflects the differences between markets in the way credit risks are approved and managed:

- **Programme approach:** The Bank manages high-volume customer credit portfolios on an exception basis by application of credit scorecards and policy rules.
- **Transaction approach:** The Bank evaluates other credit requests by undertaking detailed individual customer and transaction risk analysis and tailors facility, terms and conditions to suit.

Credit policies with group-wide implications are owned by the Group Risk division of the Ultimate Parent Bank ('**Ultimate Parent Bank Group Risk**') and approved by the Ultimate Parent Bank Group Credit Risk Committee ('**CREDCO**'). These policies are administered locally.

Ultimate Parent Bank Group Risk takes an enterprise-wide view of risk and its impact on performance, and develops Ultimate Parent Bank Group-wide risk strategy, framework and policies for the management of all risk classes. It is responsible for consistency, standardisation and control and defines Ultimate Parent Bank Group-wide risk management culture. Within these boundaries, the Bank has its own credit approval limits as delegated by the Ultimate Parent Bank Group Credit Risk Officer. These establish a hierarchy of credit approval levels, aligned to customer risk grades and consistent with normal customer exposures in the business.

The Bank is responsible for implementing and operating within established risk management frameworks and policies and has adapted the Ultimate Parent Bank Group's credit risk policy to the Bank's customer and product set. Accordingly, the Bank has its own credit manuals and delegated approval authorities which are approved by the Ultimate Parent Bank Group.

The Bank monitors its portfolio to guard against the development of risk concentrations. This process ensures that the Bank's credit risk remains well diversified throughout the New Zealand economy. Along with country and industry risk concentration limits and monitoring, the Bank has established separate reporting and prudential limits for borrowings that can be accessed by a single customer group. These limits apply to both borrowing equivalents and settlement risk. Separate limits apply to corporate, governments, financial institutions and banks and are scaled by risk grade. Any excesses of limits are reported quarterly to the Board and the BRMC along with a strategy addressing the ongoing management of the excess.

Operational risk

Operational risk arises from inadequate or failed internal processes, people and systems or from external events. Operational risk has the potential, as a result of the way business objectives are pursued, to negatively impact the organisation's financial performance, customer service and/or reputation in the community or cause other damage to the business.

The Bank uses the Ultimate Parent Bank Group Operational Risk Management Framework as a tool to assist its business units in the achievement of their objectives through assisting the business to understand and manage those risks that could hinder progress. This framework outlines the business requirements for managing Operational Risk with respect to Governance, Risk and Control Assessments, Incident Management, Operational Risk in Change, Reporting and Monitoring and Operational Risk Capital Allocation.

Note 2 Risk management (continued)

A tangible benefit of the Ultimate Parent Bank Group Risk Framework is to ensure compliance with relevant legislative and regulatory requirements.

Compliance risk

The Bank is subject to regulation and regulatory oversight. Any significant regulatory developments could have an adverse effect on how business is conducted and on results of operations. Business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the New Zealand Government, foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable and are beyond the Bank's control.

Regulatory responsibilities have increased significantly and, in order to manage existing and new requirements in a more effective way, the development of the ability to provide early detection monitoring of these responsibilities to the business has been accelerated.

Effective compliance risk management enables the Bank to identify emerging issues and where necessary put in place preventative measures.

The Bank has a dedicated Operational Risk and Compliance function.

NZOPCO meets quarterly and is responsible for overseeing the effectiveness and implementation of the Operational Risk and Compliance Frameworks. The committee monitors the business unit operational risk profiles and the action plans, and is required to escalate material matters to the Board, Group Operational Risk and Compliance Committee ('**OPCO**') and the BRMC, where material.

Market risk

Market risk is the potential for losses arising from adverse movements in the level and volatility of market factors such as foreign exchange rates, interest rates, commodity prices and equity prices.

The treatment of the only material market risk the Bank has exposure to is described below.

Non-trading risk

Management of structural interest rate risk

The Bank's structural interest rate risk arises from lending and deposit-taking activity in the normal course of business and through the investment of capital and other non-interest bearing liabilities. This structural interest rate risk is transferred to the Ultimate Parent Bank Group, which then manages the sensitivity of the Banking Group book's net interest income to changes in wholesale market interest rates. NZ Treasury's risk management objective is to ensure the reasonable stability of net interest income over time. These activities are performed under the direction of the Ultimate Parent Bank Group, specifically the Ultimate Parent Bank Group Treasury with oversight provided by the Ultimate Parent Bank Group's Market Risk Management unit and the Ultimate Parent Bank Group's Market Risk Committee ('**MARCO**') and the NZRC.

Once transferred to the Ultimate Parent Bank Group, net interest income sensitivity is managed in terms of the net interest income at risk modelled over a three-year time horizon using a 99% confidence interval for movements in wholesale market interest rates. The position managed considers all on and off-balance sheet accrual accounted assets and liabilities in New Zealand.

A simulation model is used to calculate the potential net interest income at risk. The net interest income simulation framework combines underlying balance sheet data with:

- expected repricing behaviour;
- assumptions about run off and new business; and
- changes in wholesale market interest rates.

The net interest income simulation and limit frameworks is reviewed and approved annually by BRMC and the NZRC. This seeks to ensure that key model inputs and risk parameters remain relevant and that net interest income at risk to interest rate movements and limits governing these activities remain consistent with the desired risk and reward criterion.

Liquidity risk

The liquidity risk within the Bank is managed in a manner consistent with the Ultimate Parent Bank Group's liquidity management framework that is outlined below.

Liquidity risk is the potential inability to meet payment obligations of the Bank. The Ultimate Parent Bank Group Treasury administers liquidity management in New Zealand and is responsible for monitoring the funding base and ensuring that it is prudently maintained and adequately diversified.

The Ultimate Parent Bank Group Treasury manages Ultimate Parent Bank Group funding with oversight from the NZRC, MARCO and the BRMC. The BRMC approves and monitors a range of policies relating to liquidity and liability generation. Quarterly compliance reports are submitted to the NZRC, MARCO and the BRMC.

Key aspects of the liquidity management strategy are as follows:

Annual liquidity risk framework review

The Ultimate Parent Bank Group Treasury's annual liquidity management review includes:

(a) modelling approach;

(b) scenarios covered;

(c) limit determination; and

(d) levels of liquid asset holdings.

Note 2 Risk management (continued)

NZRC, MARCO and the Ultimate Parent Bank Group Risk Reward Committee ('**GRRC**') review the Banking Group's liquidity management approach before it is submitted for approval by the BRMC.

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

Annual funding plan

Each year the Ultimate Parent Bank Group Treasury undertakes a funding review. This review outlines the current funding strategy as well as proposing a funding strategy for the coming year and covers areas such as:

- trends in global debt markets;
- funding alternatives;
- peer analysis;
- estimation of wholesale funding task;
- estimated market capacity; and
- funding risk analysis.

The NZRC, MARCO and the GRRC review the Annual Funding Plan before it is submitted for approval by the BRMC.

Sources of liquidity

The principal sources of the Bank's liquidity are as follows:

- customer deposits;
- wholesale debt issuance;
- proceeds from sale of marketable securities;
- principal repayments on loans;
- interest income; and
- fee income.

In management's opinion, liquidity is sufficient to meet the Banking Group's present requirements.

Independent control units

The Bank has an independent internal audit unit ('**Group Assurance NZ**') which reports to the Board, through the Chairman, as well as to the Ultimate Parent Bank.

Group Assurance NZ, as an independent function, has no direct authority over the activities of management. It has unlimited access to all the Bank's activities, records, property and employees. The scope of responsibility of the internal audit unit covers systems of management control across all business activities and support functions at all levels of management within the Bank. The level of business risk determines the scope and frequency of individual audits. The Head of NZ Audit reports for functional purposes to the Board and the General Manager Group Assurance and for administrative purposes to the General Manager Risk Management NZ, a member of the Bank's Executive Team.

Reviews in respect of risk management systems

Group Assurance NZ participates quarterly in the Management Assurance Programme in order to assess the adequacy of the governance framework supporting operational risk management.

Ultimate Parent Bank Group Assurance's Portfolio Risk Review unit has a rolling review programme throughout the financial year, which includes reviews of credit decision-making relating to products provided by the Bank. Group Assurance NZ also annually reviews the Bank's Operational Risk framework.

The reviews discussed in this section are not conducted by a party which is external to the Banking Group or the Ultimate Parent Bank.

Note 3 Net interest income

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	**Six Months Ended 31 March 2007 Unaudited $m**	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Interest income						
Loans	**1,378**	-	-	**1,367**	-	-
Deposits with other financial institutions	**-**	-	-	**-**	-	-
Available-for-sale securities	**-**	-	-	**-**	-	-
Impaired assets	**4**	-	-	**4**	-	-
Related entities	**11**	-	15	**3**	-	15
Other	**-**	-	-	**-**	-	-
Total interest income recognised using the effective interest method	**1,393**	-	15	**1,374**	-	15
Trading securities	**31**	-	-	**31**	-	-
Other financial assets designated at fair value	**-**	-	-	**-**	-	-
Total interest income	**1,424**	-	15	**1,405**	-	15
Interest expense						
Current and term deposits	**666**	-	-	**666**	-	-
Deposits from other financial institutions	**-**	-	-	**-**	-	-
Debt issues	**101**	-	-	**8**	-	-
Related entities	**197**	-	5	**281**	-	5
Other	**6**	-	-	**6**	-	-
Total interest expense recognised using the effective interest method	**970**	-	5	**961**	-	5
Trading liabilities	**-**	-	-	**-**	-	-
Other financial liabilities designated at fair value	**-**	-	-	**-**	-	-
Total interest expense	**970**	-	5	**961**	-	5
Net interest income	**454**	-	10	**444**	-	10

Note 4 Non-interest income

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	**Six Months Ended 31 March 2007 Unaudited $m**	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Fees and commissions						
Lending fees (loan and risk)	**36**	-	-	**35**	-	-
Transaction fees and commissions received	**103**	-	-	**100**	-	-
Management fees received from related entities	**3**	-	-	**2**	-	-
Other non-risk fee income	**2**	-	-	**2**	-	-
Total fees and commissions	**144**	-	-	**139**	-	-
Trading income						
Foreign exchange	**-**	-	-	**-**	-	-
Other trading	**-**	-	-	**-**	-	-
Total trading income	**-**	-	-	**-**	-	-
Other non-interest income						
Dividend income	**-**	-	-	**-**	-	-
Rental income	**-**	-	-	**-**	-	-
Loss on disposal of property, plant and equipment	**(1)**	-	-	**-**	-	-
General insurance commissions	**11**	-	-	**11**	-	-
Other	**-**	-	-	**(2)**	-	-
Total other non-interest income	**10**	-	-	**9**	-	-
Total non-interest income	**154**	-	-	**148**	-	-

Note 5 Operating expenses

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	**Six Months Ended 31 March 2007 Unaudited $m**	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Salaries and other staff expenses						
Salaries and wages	**119**	-	-	**119**	-	-
Employee entitlements	**1**	-	-	**1**	-	-
Superannuation costs:						
Defined contribution scheme	**8**	-	-	**8**	-	-
Defined benefit scheme (refer to Note 41)	**-**	-	-	**-**	-	-
Share-based payments	**3**	-	-	**3**	-	-
Restructuring costs	**2**	-	-	**2**	-	-
Other	**1**	-	-	**1**	-	-
Total salaries and other staff expenses	**134**	-	-	**134**	-	-
Equipment and occupancy expenses						
Operating lease rentals:						
Related entities	**-**	-	-	**28**	-	-
Other	**19**	-	-	**3**	-	-
Depreciation:						
Leasehold improvements	**4**	-	-	**-**	-	-
Furniture and equipment	**7**	-	-	**4**	-	-
Equipment repairs and maintenance	**2**	-	-	**1**	-	-
Electricity, water and rates	**1**	-	-	**-**	-	-
Other	**3**	-	-	**-**	-	-
Total equipment and occupancy expenses	**36**	-	-	**36**	-	-
Other expenses						
Software amortisation costs	**15**	-	-	**15**	-	-
Non-lending losses	**2**	-	-	**2**	-	-
Consultancy fees and other professional services	**19**	-	-	**19**	-	-
Auditors' remuneration (refer to Note 42)	**1**	-	-	**1**	-	-
Stationery	**7**	-	-	**7**	-	-
Postage and freight	**7**	-	-	**7**	-	-
Telecommunication costs	**9**	-	-	**9**	-	-
Insurance	**-**	-	-	**-**	-	-
Advertising	**9**	-	-	**9**	-	-
Training	**-**	-	-	**-**	-	-
Travel	**3**	-	-	**3**	-	-
Outsourcing	**22**	-	-	**22**	-	-
Related entities	**6**	-	-	**2**	-	-
Other	**2**	-	-	**1**	-	-
Total other expenses	**102**	-	-	**97**	-	-
Total operating expenses	**272**	-	-	**267**	-	-

The Banking Group made no donations during the six months ended 31 March 2007 (period from 14 February 2006 to 31 March 2006 nil, period from 14 February 2006 to 30 September 2006 nil).

Note 6 Impairment losses on loans

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	**Six Months Ended 31 March 2007 Unaudited $m**	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Individually assessed provisions	**9**	-	-	**9**	-	-
Individually assessed provisions no longer required	**(5)**	-	-	**(5)**	-	-
Collectively impaired provision	**46**	-	-	**45**	-	-
Write-offs direct	**1**	-	-	**1**	-	-
Recoveries	**-**	-	-	**-**	-	-
Interest adjustments	**(6)**	-	-	**(6)**	-	-
Total impairment losses on loans	**45**	-	-	**44**	-	-

Note 7 Income tax expense

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	**Six Months Ended 31 March 2007 Unaudited $m**	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Income tax expense						
Current tax	**84**	-	3	**80**	-	3
Deferred tax (refer to Notes 19 and 25)	**-**	-	-	**-**	-	-
Current period	**(10)**	-	-	**(9)**	-	-
Prior period	**-**	-	-	**-**	-	-
Total income tax expense	**74**	-	3	**71**	-	3
Profit before income tax expense	**291**	-	10	**281**	-	10
Tax calculated at tax rate of 33 percent	**96**	-	3	**93**	-	3
Exempt dividends	**-**	-	-	**-**	-	-
Income not subject to tax	**-**	-	-	**-**	-	-
Expenses not deductible for tax purposes	**1**	-	-	**1**	-	-
Tax losses transferred in for no consideration	**(23)**	-	-	**(23)**	-	-
Other items	**-**	-	-	**-**	-	-
Total income tax expense	**74**	-	3	**71**	-	3

The balance of the dividend withholding payment account as at 31 March 2007 was nil (period from 14 February 2006 to 31 March 2006 nil, period from 14 February 2006 to 30 September 2006 nil) and there was no movement during the six months ended 31 March 2007 (period from 14 February 2006 to 31 March 2006 nil, period from 14 February 2006 to 30 September 2006 nil).

Note 8 Imputation credit account

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	**Six Months Ended 31 March 2007 Unaudited $m**	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Balance at beginning of the period	**-**	-	-	**-**	-	-
Transfers	**27**	-	-	**-**	-	-
Imputation credits attached to dividends received during the period	**-**	-	-	**-**	-	-
Imputation credits attached to dividends paid during the period	**-**	-	-	**-**	-	-
Income tax payments during the period	**60**	-	-	**57**	-	-
Balance at end of the period	**87**	-	-	**57**	-	-

Note 9 Due from other financial institutions

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Loans and advances to other banks	**-**	-	-	**-**	-	-
Other	**2**	-	-	**-**	-	-
Total due from other financial institutions	**2**	-	-	**-**	-	-
Due from other financial institutions:						
At call	**2**	-	-	**-**	-	-
Term	**-**	-	-	**-**	-	-
Total due from other financial institutions	**2**	-	-	**-**	-	-

Note 10 Other trading securities and other financial assets designated at fair value

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Other trading securities						
Trading securities	**1,001**	-	-	**1,001**	-	-
Securities purchased under agreement to resell	**-**	-	-	**-**	-	-
Total other trading securities	**1,001**	-	-	**1,001**	-	-
Other financial assets designated at fair value	**-**	-	-	**-**	-	-
Total other trading securities and other financial assets designated at fair value	**1,001**	-	-	**1,001**	-	-
Trading securities						
Listed						
NZ Government securities	**-**	-	-	**-**	-	-
NZ corporate securities	**-**	-	-	**-**	-	-
Other	**-**	-	-	**-**	-	-
Total listed trading securities	**-**	-	-	**-**	-	-
Unlisted						
NZ Government securities	**-**	-	-	**-**	-	-
NZ corporate securities:						
Certificates of deposit	**1,001**	-	-	**1,001**	-	-
Corporate bonds	**-**	-	-	**-**	-	-
Commercial paper	**-**	-	-	**-**	-	-
Mortgage backed securities	**-**	-	-	**-**	-	-
Total unlisted trading securities	**1,001**	-	-	**1,001**	-	-
Total trading securities	**1,001**	-	-	**1,001**	-	-

Note 11 Available-for-sale securities

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Listed securities						
NZ corporate securities	-	-	-	-	-	-
Total available-for-sale securities	-	-	-	-	-	-

As at 31 March 2007, available-for-sale securities in the amount of nil were pledged as collateral for the Banking Group liabilities.

The movement in available-for-sale securities may be summarised as follows:

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Balance at beginning of the period	-	-	-	-	-	-
Assets vested during the period	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals (sale and redemption)	-	-	-	-	-	-
Gains or losses from changes in fair value	-	-	-	-	-	-
Balance at end of the period	-	-	-	-	-	-

Note 12 Loans

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Overdrafts	**1,000**	-	-	**1,000**	-	-
Credit card outstandings	**1,058**	-	-	**985**	-	-
Overnight and at call money market loans	**694**	-	-	**694**	-	-
Term loans:						
Housing	**27,263**	-	-	**27,109**	-	-
Non-housing	**10,011**	-	-	**10,011**	-	-
Other	**172**	-	-	**172**	-	-
Total gross loans	**40,198**	-	-	**39,971**	-	-
Provisions for impairment losses on loans	**(178)**	-	-	**(175)**	-	-
Total net loans	**40,020**	-	-	**39,796**	-	-

Movements in impaired assets and provisions for impairment losses on loans are outlined in Note 13.

Note 13 Impaired assets

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m	**Six Months Ended 31 March 2007 Unaudited $m**	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Gross individually impaired assets	**67**	-	-	**67**	-	-
Individually assessed provisions	**(17)**	-	-	**(17)**	-	-
Net individually impaired assets	**50**	-	-	**50**	-	-
Gross individually impaired assets						
Balance at beginning of the period	**-**	-	-	**-**	-	-
Impaired assets vested during the period	**66**	-	-	**66**	-	-
Additions	**42**	-	-	**42**	-	-
Amounts written off	**(3)**	-	-	**(3)**	-	-
Returned to performing or repaid	**(38)**	-	-	**(38)**	-	-
Balance at end of the period excluding restructured assets	**67**	-	-	**67**	-	-
Restructured assets						
Balance at beginning of the period	**-**	-	-	**-**	-	-
Restructured assets vested during the period	**-**	-	-	**-**	-	-
Additions	**-**	-	-	**-**	-	-
Returned to performing or repaid	**-**	-	-	**-**	-	-
Balance at end of the period	**-**	-	-	**-**	-	-
Total gross individually impaired assets	**67**	-	-	**67**	-	-
Interest forgone for the period on the above impaired assets	**1**	-	-	**1**	-	-
Individually assessed provisions						
Balance at beginning of the period	**-**	-	-	**-**	-	-
Provision vested during the period	**14**	-	-	**14**	-	-
Impairment losses on loans	**9**	-	-	**9**	-	-
Individually assessed provisions no longer required	**(5)**	-	-	**(5)**	-	-
Impairment losses on loans written off	**(2)**	-	-	**(2)**	-	-
Interest adjustments	**1**	-	-	**1**	-	-
Balance at end of the period	**17**	-	-	**17**	-	-
Collectively impaired provision						
Balance at beginning of the period	**-**	-	-	**-**	-	-
Provision vested during the period	**144**	-	-	**144**	-	-
Impairment losses on loans	**36**	-	-	**33**	-	-
Balance at end of the period	**180**	-	-	**177**	-	-
Total impairment provisions	**197**	-	-	**194**	-	-
Provisions for impairment losses on loans	**178**	-	-	**175**	-	-
Provisions for impairment losses on off-balance sheet credit exposures	**19**	-	-	**19**	-	-
Total impairment provisions	**197**	-	-	**194**	-	-
Past due assets[1]						
Balance at beginning of the period	**-**	-	-	**-**	-	-
Past due assets vested during the period	**28**	-	-	**28**	-	-
Additions	**34**	-	-	**34**	-	-
Deletions	**(25)**	-	-	**(25)**	-	-
Balance at end of the period	**37**	-	-	**37**	-	-
Interest forgone for the period on the above past due assets	**-**	-	-	**-**	-	-
Other assets under administration[1]						
Balance at beginning of the period	**-**	-	-	**-**	-	-
Assets under administration vested during the period	**3**	-	-	**3**	-	-
Additions	**1**	-	-	**1**	-	-
Deletions	**(1)**	-	-	**(1)**	-	-
Balance at end of the period	**3**	-	-	**3**	-	-
Interest income accrued on impaired assets[2]	**4**	-	-	**4**	-	-

[1] Past due assets and Other assets under administration are not impaired assets.

[2] Interest income accrued on impaired assets is included within interest income for the period.

There are no unrecognised impaired assets as at 31 March 2007 (31 March 2006 nil, 30 September 2006 nil).

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

Note 14 Interest earning assets and interest bearing liabilities

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Interest earning and discount bearing assets	**41,200**	-	2,415	**39,100**	-	2,415
Interest earning and discount bearing liabilities	**36,277**	-	705	**36,060**	-	705

Note 15 Related entities

Banking Group

For a full list of Ultimate Parent Bank Group's related entities, refer to Westpac Banking Corporation General Disclosure Statement for the six months ended 31 March 2007.

The Banking Group consists of the Bank and all its subsidiaries. As at 31 March 2007, the Bank has the following owned subsidiaries:

Name of Subsidiary	Principal Activity	Notes
Westpac NZ Operations Limited	Holding company	
Westpac Securities NZ Limited	Funding company	
Westpac (NZ) Investments Limited	Property owning and capital funding company	
The Home Mortgage Company Limited	Residential mortgage company	
The Warehouse Financial Services Limited	Financial services company	51 percent owned

All subsidiaries above have a balance date of 30 September.

The Banking Group has investments in a number of New Zealand industry-based initiatives as listed below:

- Cards NZ Limited (formerly Visa New Zealand Limited);
- Electronic Transaction Services Limited; and
- Interchange and Settlement Limited.

The Banking Group does not exercise significant influence over these entities and therefore they are not classified as associates.

Nature of transactions

Loan finance and current account banking facilities are provided by the Bank and the Ultimate Parent Bank to the other members of the Banking Group on normal commercial terms. Members of the Banking Group earn interest on deposits with the Bank and the Ultimate Parent Bank.

Members of the Banking Group have loans from the Bank and the Ultimate Parent Bank. Interest is paid on these loans at market rates.

The Bank pays subvention payments to the members of the Ultimate Parent Bank's New Zealand Group for the use of tax losses. The total payment made by the Bank for the six months ended 31 March 2007 was nil (31 March 2006 nil, 30 September 2006 nil). Payments made for tax loss transfers between members of the Ultimate Parent Bank's New Zealand Group are determined having regard to the circumstances of the entities and the value of the tax losses.

Life insurance products are sold by the Bank on behalf of the Ultimate Parent Bank. The Bank receives commission from these sales. Commission received for the six months ended 31 March 2007 was $11 million (31 March 2006 nil, 30 September 2006 nil).

The Ultimate Parent Bank provides financial market services, foreign currency, trade and interest rate risk products to the customers of the Bank. The Bank receives commission from these sales. Commission received for the six months ended 31 March 2007 was $5 million (31 March 2006 nil, 30 September 2006 nil).

The Ultimate Parent Bank provides enterprise management services to the Bank for which it receives a service fee of $2 million for the six months ended 31 March 2007 (31 March 2006 nil, 30 September 2006 nil).

The Bank provides Corporate Office Support Services to members of the Ultimate Parent Bank for which the Bank receives a service fee of $1 million for the six months ended 31 March 2007 (31 March 2006 nil, 30 September 2006 nil).

Management fees are paid by members of the Banking Group for certain operating costs incurred by the Bank. Management fees paid for the six months ended 31 March 2007 were $2 million (31 March 2006 nil, 30 September 2006 nil). Rental income is paid by the Bank to Westpac (NZ) Investments Limited. The total charge for the six months ended 31 March 2007 was $17 million (31 March 2006 nil, 30 September 2006 nil).

A member of the Banking Group provides funding to the Bank. Management fees are paid by the Bank for these services. Management fees paid for the six months ended 31 March 2007 were $2 million (31 March 2006 nil, 30 September 2006 nil).

The Bank guarantees all payment obligations in respect to debt issues issued by the Banking Group.

On 31 October 2006 the Bank issued 715,000,000 ordinary shares for $715,000,000.

On 31 October 2006 the Bank issued $270,000,000 perpetual subordinated notes to Westpac New Zealand Group Limited, parent company, under the same terms and conditions as outlined in Note 29.

Note 15 Related entities (continued)

On 1 November 2006 a member of the Ultimate Parent Bank, Westpac Holding - 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 NZ Operations Limited. These companies were purchased at the net asset value as at 31 October 2006 on 1 November 2006. This resulted in a gain on sale for Westpac Holdings - NZ - Limited of $36 million. Refer to Note 46.

Derivative transactions are entered into with other members of the Banking Group and the Ultimate Parent Bank in the normal course of business. Management systems and operational controls are in place to manage any resulting interest rate or currency risk. Accordingly, it is not envisaged that any liability resulting in material loss will arise from these transactions.

Note 16 Ordinary share capital

	The Banking Group			The Bank		
	31 March 2007 Number of Issued Shares	31 March 2006 Number of Issued Shares	30 September 2006 Number of Issued Shares	**31 March 2007 Number of Issued Shares**	31 March 2006 Number of Issued Shares	30 September 2006 Number of Issued Shares
Ordinary shares at beginning of the period	**1,700,001,000**	-	-	**1,700,001,000**	-	-
Shares issued during the period	**715,000,000**	1,000	1,700,001,000	**715,000,000**	1,000	1,700,001,000
Ordinary shares at end of the period	**2,415,001,000**	1,000	1,700,001,000	**2,415,001,000**	1,000	1,700,001,000
	$m	$m	$m	**$m**	$m	$m
Ordinary shares at beginning of the period	**1,700**	-	-	**1,700**	-	-
Shares issued during the period	**715**	-	1,700	**715**	-	1,700
Ordinary shares at end of the period	**2,415**	-	1,700	**2,415**	-	1,700

On 31 August 2006 the Bank issued 1,700,000,000 ordinary shares for $1,700,000,000 and on 31 October 2006 the Bank issued a further 715,000,000 ordinary shares for $715,000,000.

Terms and conditions

The ordinary shares in the Bank confer on their holder the rights described in section 36 of the Companies Act 1993, i.e. subject to the constitution of the Bank, each share carries the right to one vote on a poll at meetings of shareholders, the right to an equal share in dividends authorised by the Board and the right to an equal share in the distribution of the surplus assets of the Bank in the event of liquidation. Under the constitution of the Bank, there is provision for the Board to authorise a dividend which is of a greater value per share for some shares than it is for others, so long as the amount paid is in proportion to the amount paid up on the shares.

Note 17 Goodwill and other intangible assets

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Computer software						
Cost	-	-	-	-	-	-
Assets vested during the period	**341**	-	-	**341**	-	-
Accumulated amortisation and impairment losses	**(212)**	-	-	**(212)**	-	-
Net carrying amount of computer software	**129**	-	-	**129**	-	-
Goodwill						
Cost	-	-	-	-	-	-
Assets vested during the period	**477**	-	-	**477**	-	-
Accumulated impairment losses	-	-	-	-	-	-
Net carrying amount of goodwill	**477**	-	-	**477**	-	-
Total goodwill and other intangible assets	**606**	-	-	**606**	-	-

	The Banking Group			The Bank		
	Goodwill $m	**Computer Software $m**	**Total $m**	**Goodwill $m**	**Computer Software $m**	**Total $m**
Balance as at 1 October 2006	-	-	-	-	-	-
Assets vested during the period	**477**	**129**	**606**	**477**	**129**	**606**
Additions	-	**15**	**15**	-	**15**	**15**
Disposals	-	-	-	-	-	-
Amortisation	-	**(15)**	**(15)**	-	**(15)**	**(15)**
Net carrying amount as at 31 March 2007 (unaudited)	**477**	**129**	**606**	**477**	**129**	**606**
Balance as at 14 February 2006	-	-	-	-	-	-
Assets vested during the period	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-
Net carrying amount as at 31 March 2006 (unaudited)	-	-	-	-	-	-
Balance as at 14 February 2006	-	-	-	-	-	-
Assets vested during the period	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-
Net carrying amount as at 30 September 2006 (audited)	-	-	-	-	-	-

Goodwill disclosure for Trust Bank New Zealand

Goodwill is allocated to, and tested for impairment as a part of, identified cash-generating units ('**CGUs**').

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use discounted cash flow projections based on management forecasts approved by the Board covering a three-year period. Forecast cash flows beyond the three-year period assume either zero growth or ten-year average historical growth rates. The discount rate used is the before tax equivalent of the Banking Group's cost of capital.

Note 18 Property, plant and equipment

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Leasehold improvements						
Cost	**-**	-	-	**-**	-	-
Assets vested/acquired during the period	**135**	-	-	**1**	-	-
Accumulated depreciation and impairment losses	**(87)**	-	-	**(1)**	-	-
Net carrying amount of leasehold improvements	**48**	-	-	**-**	-	-
Furniture and equipment						
Cost	**-**	-	-	**-**	-	-
Assets vested/acquired during the period	**215**	-	-	**122**	-	-
Accumulated depreciation and impairment losses	**(169)**	-	-	**(103)**	-	-
Net carrying amount of furniture and equipment	**46**	-	-	**19**	-	-
Total property, plant and equipment	**94**	-	-	**19**	-	-

	The Banking Group			The Bank		
	Leasehold Improvements $m	**Furniture and Equipment $m**	**Total $m**	**Leasehold Improvements $m**	**Furniture and Equipment $m**	**Total $m**
Balance as at 1 October 2006	**-**	**-**	**-**	**-**	**-**	**-**
Assets vested/acquired during the period	**49**	**48**	**97**	**-**	**23**	**23**
Additions	**3**	**6**	**9**	**-**	**-**	**-**
Disposals and assets held for sale	**-**	**(1)**	**(1)**	**-**	**-**	**-**
Depreciation	**(4)**	**(7)**	**(11)**	**-**	**(4)**	**(4)**
Net carrying amount as at 31 March 2007 (unaudited)	**48**	**46**	**94**	**-**	**19**	**19**
Balance as at 14 February 2006	-	-	-	-	-	-
Assets vested during the period	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals and assets held for sale	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Net carrying amount as at 31 March 2006 (unaudited)	-	-	-	-	-	-
Balance as at 14 February 2006	-	-	-	-	-	-
Assets vested during the period	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals and assets held for sale	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Net carrying amount as at 30 September 2006 (audited)	-	-	-	-	-	-

Note 19 Deferred tax assets

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Deferred tax assets are attributable to the following:						
Property, plant and equipment	**9**	-	-	**(2)**	-	-
Provision for loan impairment	**65**	-	-	**64**	-	-
Provision for employee entitlements	**21**	-	-	**21**	-	-
Cash flow hedge	**-**	-	-	**-**	-	-
Other temporary differences	**-**	-	-	**(1)**	-	-
Amounts recognised directly in equity	**-**	-	-	**-**	-	-
Set off of deferred tax liabilities (refer to Note 25)	**(7)**	-	-	**(7)**	-	-
Balance at end of the period	**88**	-	-	**75**	-	-
Movements						
Balance at beginning of the period	**-**	-	-	**-**	-	-
Assets vested during the period	**85**	-	-	**73**	-	-
Prior period adjustments	**-**	-	-	**-**	-	-
Set off of deferred tax liabilities (refer to Note 25)	**(7)**	-	-	**(7)**	-	-
Credited to the income statement	**10**	-	-	**9**	-	-
Credited to equity	**-**	-	-	**-**	-	-
Balance at end of the period	**88**	-	-	**75**	-	-

Note 20 Other assets

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Accrued interest receivable	**124**	-	-	**123**	-	-
Deferred expenditure (after accumulated amortisation of nil (31 March 2006 nil, 30 September 2006 nil))	**1**	-	-	**1**	-	-
Other assets	**115**	-	-	**113**	-	-
Total other assets	**240**	-	-	**237**	-	-

Note 21 Due to other financial institutions

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Interest bearing	**7**	-	-	**7**	-	-
Non-interest bearing	**-**	-	-	**-**	-	-
Total due to other financial institutions	**7**	-	-	**7**	-	-
Due to other financial institutions:						
At call	**-**	-	-	**-**	-	-
Term	**7**	-	-	**7**	-	-
Total due to other financial institutions	**7**	-	-	**7**	-	-

Note 22 Deposits

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Deposits at fair value						
Certificates of deposit	**3,546**	-	-	**3,546**	-	-
Total deposits at fair value	**3,546**	-	-	**3,546**	-	-
Deposits at amortised cost						
Non-interest bearing, repayable at call	**2,023**	-	-	**2,023**	-	-
Other interest bearing:						
At call	**10,186**	-	-	**10,186**	-	-
Term	**12,307**	-	-	**12,307**	-	-
Total deposits at amortised cost	**24,516**	-	-	**24,516**	-	-
Total deposits	**28,062**	-	-	**28,062**	-	-

Note 23 Other trading liabilities

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Other trading liabilities						
Securities sold short	**-**	-	-	**-**	-	-
Securities sold under agreements to repurchase	**-**	-	-	**-**	-	-
Total other trading liabilities	**-**	-	-	**-**	-	-

Note 24 Debt issues

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Short term debt						
Commercial paper	**6,130**	-	-	**-**	-	-
Total short term debt	**6,130**	-	-	**-**	-	-
Long term debt						
Euro medium term notes	**1,075**	-	-	**475**	-	-
Domestic medium term notes	**-**	-	-	**-**	-	-
Corporate bonds	**-**	-	-	**-**	-	-
Total long term debt	**1,075**	-	-	**475**	-	-
Total debt issues	**7,205**	-	-	**475**	-	-

Note 25 Deferred tax liabilities

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Deferred tax liabilities are attributable to the following:						
Property, plant and equipment	**-**	-	-	**-**	-	-
Intangible assets	**-**	-	-	**-**	-	-
Other temporary differences	**-**	-	-	**-**	-	-
Amounts recognised directly in equity	**7**	-	-	**7**	-	-
Set off of deferred tax assets (refer to Note 19)	**(7)**	-	-	**(7)**	-	-
Balance at end of the period	**-**	-	-	**-**	-	-
Movements						
Balance at beginning of the period	**-**	-	-	**-**	-	-
Liabilities vested during the period	**-**	-	-	**-**	-	-
Prior period adjustments	**-**	-	-	**-**	-	-
Set off of deferred tax assets (refer to Note 19)	**(7)**	-	-	**(7)**	-	-
Charged to the income statement	**-**	-	-	**-**	-	-
Charged to equity	**7**	-	-	**7**	-	-
Balance at end of the period	**-**	-	-	**-**	-	-

Note 26 Provisions

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Long service leave	**8**	-	-	**7**	-	-
Annual leave and other staff benefits	**15**	-	-	**15**	-	-
Non-lending losses	**1**	-	-	**1**	-	-
Off-balance sheet provisions	**19**	-	-	**19**	-	-
Total provisions	**43**	-	-	**42**	-	-

	Long Service Leave $m	**Annual Leave and Other Staff Benefits $m**	**Non-lending Losses $m**	**Off-balance Sheet Provisions $m**	**Total $m**
The Banking Group					
Balance as at 1 October 2006	**-**	**-**	**-**	**-**	**-**
Provisions vested during the period	**8**	**31**	**4**	**15**	**58**
Additional provisions recognised	**-**	**8**	**-**	**4**	**12**
Utilised during the period	**-**	**(24)**	**(3)**	**-**	**(27)**
Balance as at 31 March 2007	**8**	**15**	**1**	**19**	**43**
The Bank					
Balance as at 1 October 2006	**-**	**-**	**-**	**-**	**-**
Provisions vested during the period	**8**	**31**	**4**	**15**	**58**
Additional provisions recognised	**-**	**8**	**-**	**4**	**12**
Utilised during the period	**(1)**	**(24)**	**(3)**	**-**	**(28)**
Balance as at 31 March 2007	**7**	**15**	**1**	**19**	**42**

Note 27 Other liabilities

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Accrued interest payable	**252**	-	-	**199**	-	-
Credit card loyalty programme	**27**	-	-	**27**	-	-
Other liabilities	**132**	-	-	**128**	-	-
Total other liabilities	**411**	-	-	**354**	-	-

Note 28 Priority of financial liabilities in the event of a winding up

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Deposits at amortised cost	**24,516**	-	-	**24,516**	-	-
Deposits at fair value	**3,546**	-	-	**3,546**	-	-
Debt issues	**7,205**	-	-	**475**	-	-
Due to other financial institutions	**7**	-	-	**7**	-	-
Other trading liabilities	**-**	-	-	**-**	-	-
Derivative financial instruments	**-**	-	-	**-**	-	-
Other liabilities	**411**	-	-	**354**	-	-
Perpetual subordinated notes	**970**	-	700	**970**	-	700
Due to related entities	**2,790**	-	5	**9,583**	-	5
Total financial liabilities	**39,445**	-	705	**39,451**	-	705

Note 29 Perpetual subordinated notes

These notes have been issued to Westpac New Zealand Group Limited. The notes have no final maturity, but may be redeemed at par only at the option of the Bank. The notes pay quarterly distributions provided that at the time payment is made the Bank will be solvent immediately after payment. The notes are direct and unsecured obligations of the Bank and are subordinated to the claims of all creditors (including depositors) of the Bank other than those creditors whose claims against the Bank are expressed to rank equally with or after the claims of the note holder.

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Perpetual subordinated debentures	**970**	-	700	**970**	-	700
Total subordinated debentures	**970**	-	700	**970**	-	700

On 31 August 2006 the Bank issued $700,000,000 perpetual subordinated notes and on 31 October 2006 the Bank issued a further $270,000,000 perpetual subordinated notes to Westpac New Zealand Group Limited under the same terms and conditions outlined above.

Note 30 Commitments and contingent liabilities

The 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, bill endorsements, financial guarantees, standby letters of credit and underwriting facilities.

The 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 Banking Group's option.

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

The Banking Group takes collateral where it is considered necessary to support, both on and off-balance sheet, financial instruments with credit risk. The 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.

Note 30 Commitments and contingent liabilities (continued)

Where the Bank enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Banking Group, the Bank considers these to be insurance arrangements, and accounts for them as such. In this respect, the Bank treats the guarantee contract as a contingent liability until such time as it becomes probable that the Bank will be required to make payment under the guarantee. The Bank guarantees commercial paper and other debt securities issued by Westpac Securities NZ Limited the proceeds of which, in accordance with Reserve Bank of New Zealand guidelines, are immediately on lent to the Bank.

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Commitments for capital expenditure						
Due within one year	**37**	-	-	**37**	-	-
Lease commitments (all leases are classified as operating leases)						
Premises and sites	**189**	-	-	**189**	-	-
Motor vehicles	**3**	-	-	**3**	-	-
Total lease commitments	**192**	-	-	**192**	-	-
Lease commitments are due as follows:						
One year or less	**32**	-	-	**32**	-	-
Between one and five years	**84**	-	-	**84**	-	-
Over five years	**76**	-	-	**76**	-	-
Total lease commitments	**192**	-	-	**192**	-	-
Contingent liabilities						
Direct credit substitutes	**58**	-	-	**58**	-	-
Transaction related contingent items	**254**	-	-	**254**	-	-
Short term, self liquidating trade related contingent liabilities	**596**	-	-	**596**	-	-
Total contingent liabilities	**908**	-	-	**908**	-	-

Other contingent liabilities

The Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings, and obligations in respect of any action or enquiry that has been, or may be, made by the Bank's regulators. An assessment of the Banking Group's likely loss in respect of these matters has been made on a case-by-case basis and provision made where appropriate.

The New Zealand Commerce Commission issued proceedings on 9 November 2006 against the Bank, The Warehouse Financial Services Limited (a member of the Banking Group), Visa International, Cards NZ Limited, MasterCard International and all New Zealand issuers of Visa and MasterCard credit cards alleging 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, on 29 November 2006, a number of New Zealand retailers issued similar proceedings to the Commerce Commission, as described above, against the Bank, The Warehouse Financial Services Limited, Visa International, Cards NZ Limited, MasterCard International and New Zealand issuers of Visa and MasterCard credit cards. These proceedings also seek to declare the conduct illegal and an enquiry into damages. Any 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 Bank is considering its position in relation to both proceedings. As at the date of this General Disclosure Statement, no provision has been made in the financial statements in relation to these proceedings.

The New Zealand Inland Revenue Department is reviewing a number of structured finance transactions undertaken by the NZ Branch and a number of subsidiaries of the Ultimate Parent Bank in New Zealand. The review includes transactions in which The Home Mortgage Company Limited and Westpac (NZ) Investments Limited, members of the Banking Group, participated. Liability for tax reassessment, if any, arising from the review will rest with the Ultimate Parent Bank. See Westpac Banking Corporation's General Disclosure Statement for the six months ended 31 March 2007 (Note 30: Commitments and contingent liabilities) for further information on the New Zealand Inland Revenue Department review.

Note 31 Maturity analysis

The following maturity analysis of monetary assets and liabilities is based on the remaining period as at balance date to the contractual maturity. The majority of the longer term maturity assets are variable rate products. When managing interest rate and liquidity risks, the Banking Group adjusts this contractual profile for expected customer behaviour. No comparatives are shown for the period from 14 February 2006 to 31 March 2006 as no transactions took place during this period.

Note 31 Maturity analysis (continued)

	The Banking Group 31 March 2007 - Unaudited							
	At Call $m	Less Than 1 Month $m	1 Month to 3 Months $m	3 Months to 1 Year $m	1 Year to 5 Years $m	Over 5 Years $m	No Specific Maturity $m	Total $m
Monetary assets								
Cash	127	-	-	-	-	-	-	127
Due from other financial institutions	2	-	-	-	-	-	-	2
Other trading securities	-	159	753	89	-	-	-	1,001
Loans	4,064	1,010	854	1,773	4,899	27,598	(178)	40,020
Due from related entities	1	-	-	-	-	-	-	1
Other monetary assets	-	147	-	-	-	1	92	240
Total monetary assets	4,194	1,316	1,607	1,862	4,899	27,599	(86)	41,391
Non-monetary assets	-	-	-	-	-	-	788	788
Total assets	4,194	1,316	1,607	1,862	4,899	27,599	702	42,179
Monetary liabilities								
Due to other financial institutions	-	-	7	-	-	-	-	7
Deposits at fair value	-	2,784	755	7	-	-	-	3,546
Deposits at amortised cost	12,209	4,151	4,289	3,547	320	-	-	24,516
Debt issues	-	1,930	2,198	2,002	1,075	-	-	7,205
Other monetary liabilities	-	303	-	-	40	-	68	411
Perpetual subordinated notes	-	-	-	-	-	-	970	970
Due to related entities	2,790	-	-	-	-	-	-	2,790
Total monetary liabilities	14,999	9,168	7,249	5,556	1,435	-	1,038	39,445
Non-monetary liabilities	-	-	-	-	-	-	70	70
Total liabilities	14,999	9,168	7,249	5,556	1,435	-	1,108	39,515
Net assets	(10,805)	(7,852)	(5,642)	(3,694)	3,464	27,599	(406)	2,664

	The Banking Group 30 September 2006 - Audited							
	At Call $m	Less Than 1 Month $m	1 Month to 3 Months $m	3 Months to 1 Year $m	1 Year to 5 Years $m	Over 5 Years $m	No Specific Maturity $m	Total $m
Monetary assets								
Cash	-	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other trading securities	-	-	-	-	-	-	-	-
Other financial assets designated at fair value	-	-	-	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from related entities	-	2,415	-	-	-	-	-	2,415
Other monetary assets	-	-	-	-	-	-	-	-
Total monetary assets	-	2,415	-	-	-	-	-	2,415
Non-monetary assets	-	-	-	-	-	-	-	-
Total assets	-	2,415	-	-	-	-	-	2,415
Monetary liabilities								
Due to other financial institutions	-	-	-	-	-	-	-	-
Deposits at fair value	-	-	-	-	-	-	-	-
Deposits at amortised cost	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other trading liabilities	-	-	-	-	-	-	-	-
Debt issues	-	-	-	-	-	-	-	-
Other monetary liabilities	-	-	-	-	-	-	-	-
Perpetual subordinated notes	-	-	700	-	-	-	-	700
Due to related entities	-	5	-	-	-	-	-	5
Total monetary liabilities	-	5	700	-	-	-	-	705
Non-monetary liabilities	-	-	-	-	-	-	3	3
Total liabilities	-	5	700	-	-	-	3	708
Net assets	-	2,410	(700)	-	-	-	(3)	1,707

Note 31 Maturity analysis (continued)

	At Call $m	Less Than 1 Month $m	1 Month to 3 Months $m	3 Months to 1 Year $m	1 Year to 5 Years $m	Over 5 Years $m	No Specific Maturity $m	Total $m
The Bank								
31 March 2007 - Unaudited								
Monetary assets								
Cash	127	-	-	-	-	-	-	127
Due from other financial institutions	-	-	-	-	-	-	-	-
Other trading securities	-	159	753	89	-	-	-	1,001
Loans	3,985	1,010	854	1,772	4,895	27,455	(175)	39,796
Due from related entities	70	-	-	-	-	-	-	70
Other monetary assets	-	146	-	-	-	1	90	237
Total monetary assets	4,182	1,315	1,607	1,861	4,895	27,456	(85)	41,231
Non-monetary assets	-	-	-	-	-	-	938	938
Total assets	4,182	1,315	1,607	1,861	4,895	27,456	853	42,169
Monetary liabilities								
Due to other financial institutions	-	-	7	-	-	-	-	7
Deposits at fair value	-	2,784	755	7	-	-	-	3,546
Deposits at amortised cost	12,209	4,151	4,289	3,547	320	-	-	24,516
Debt issues	-	-	-	-	475	-	-	475
Other monetary liabilities	-	247	-	-	40	-	67	354
Perpetual subordinated notes	-	-	-	-	-	-	970	970
Due to related entities	9,583	-	-	-	-	-	-	9,583
Total monetary liabilities	21,792	7,182	5,051	3,554	835	-	1,037	39,451
Non-monetary liabilities	-	-	-	-	-	-	68	68
Total liabilities	21,792	7,182	5,051	3,554	835	-	1,105	39,519
Net assets	(17,610)	(5,867)	(3,444)	(1,693)	4,060	27,456	(252)	2,650

	At Call $m	Less Than 1 Month $m	1 Month to 3 Months $m	3 Months to 1 Year $m	1 Year to 5 Years $m	Over 5 Years $m	No Specific Maturity $m	Total $m
The Bank								
30 September 2006 - Audited								
Monetary assets								
Cash	-	-	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other trading securities	-	-	-	-	-	-	-	-
Other financial assets designated at fair value	-	-	-	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from related entities	-	2,415	-	-	-	-	-	2,415
Other monetary assets	-	-	-	-	-	-	-	-
Total monetary assets	-	2,415	-	-	-	-	-	2,415
Non-monetary assets	-	-	-	-	-	-	-	-
Total assets	-	2,415	-	-	-	-	-	2,415
Monetary liabilities								
Due to other financial institutions	-	-	-	-	-	-	-	-
Deposits at fair value	-	-	-	-	-	-	-	-
Deposits at amortised cost	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other trading liabilities	-	-	-	-	-	-	-	-
Debt issues	-	-	-	-	-	-	-	-
Other monetary liabilities	-	-	-	-	-	-	-	-
Perpetual subordinated notes	-	-	700	-	-	-	-	700
Due to related entities	-	5	-	-	-	-	-	5
Total monetary liabilities	-	5	700	-	-	-	-	705
Non-monetary liabilities	-	-	-	-	-	-	3	3
Total liabilities	-	5	700	-	-	-	3	708
Net assets	-	2,410	(700)	-	-	-	(3)	1,707

Note 32 Credit exposures to connected persons and non-bank connected persons

The Reserve Bank of New Zealand defines connected persons to be other members of the Ultimate Parent Banking Group and Directors of the Bank. Controlled entities of the Bank are not connected persons. Credit exposures to connected persons are based on actual credit exposures rather than internal limits, net of specific provisions and exclude advances to connected persons of a capital nature. Peak end-of-day credit exposures to connected persons have been derived by determining the maximum end-of-day aggregate amount of credit exposure over the quarter and then dividing that amount by the Banking Group's Tier One Capital as at 31 March 2007. The comparatives have been calculated by determining maximum end-of- day aggregate amount of credit exposure over the period from 14 February 2006 to 31 March 2006, and then dividing that by the Banking Group's Tier One Capital as at 31 March 2006. Credit exposures to connected persons reported in the table below have been calculated on a gross basis.

	The Banking Group			
	As at 31 March 2007 Unaudited $m	**Peak Over the Three Months Ended 31 March 2007 Unaudited $m**	As at 31 March 2006 Unaudited $m	Peak Over the Period From 14 February 2006 to 31 March 2006 Unaudited $m
Credit exposures to connected persons	**-**	**-**	-	-
Credit exposures to connected persons expressed as a percentage of Tier One Capital of the Banking Group at end of the period	**0.0%**	**0.0%**	0.0%	0.0%
Credit exposures to non-bank connected persons	**-**	**-**	-	-
Credit exposures to non-bank connected persons expressed as a percentage of Tier One Capital of the Banking Group at end of the period	**0.0%**	**0.0%**	0.0%	0.0%

As at 31 March 2007, the rating-contingent limit applicable to the Bank was 75% of Tier One Capital. Within this overall rating-contingent limit there is a sub-limit of 15% of Tier One Capital which applies to the aggregate credit exposure to non-bank connected persons. These limits were imposed on the Bank, on 1 November 2006, at the time of its registration. Other than this, there have not been any changes in these limits during the three months ended 31 March 2007.

The limits on aggregate credit exposure to all connected persons and to non-bank connected persons in the Bank's Conditions of Registration have been complied with at all times over the three months ended 31 March 2007.

Where a bank is funding a large loan it is common practice to share the risk of a customer default with the connected banks. These arrangements are called risk lay-off arrangements. As at 31 March 2007, the Banking Group had no aggregate contingent credit exposures to connected persons arising from risk lay-off arrangements in respect of credit exposures to counterparties (other than counterparties which are connected persons) (31 March 2006 nil, 30 September 2006 nil). There were no allowances for impairment losses on individual financial assets against credit exposures to connected persons as at 31 March 2007 (31 March 2006 nil, 30 September 2006 nil).

The aggregate amount of the Banking Group's specific provisions provided against credit exposures to connected persons was nil as at 31 March 2007 (31 March 2006 nil, 30 September 2006 nil).

Note 33 Concentration of credit exposures

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
On-balance sheet credit exposures consists of						
Cash	**127**	-	-	**127**	-	-
Due from other financial institutions	**2**	-	-	**-**	-	-
Derivative financial instruments	**-**	-	-	**-**	-	-
Other trading securities	**1,001**	-	-	**1,001**	-	-
Other financial assets designated at fair value	**-**	-	-	**-**	-	-
Available-for-sale securities	**-**	-	-	**-**	-	-
Loans	**40,020**	-	-	**39,796**	-	-
Due from related entities	**1**	-	2,415	**70**	-	2,415
Other assets	**240**	-	-	**237**	-	-
Total on-balance sheet credit exposures	**41,391**	-	2,415	**41,231**	-	2,415
Analysis of on-balance sheet credit exposures by geographical areas						
Within New Zealand	**41,352**	-	2,415	**41,192**	-	2,415
Australia and Asia-Pacific	**39**	-	-	**39**	-	-
United Kingdom and Europe	**-**	-	-	**-**	-	-
North America	**-**	-	-	**-**	-	-
Total on-balance sheet credit exposures	**41,391**	-	2,415	**41,231**	-	2,415
Analysis of on-balance sheet credit exposures by industry and economic sector						
Government and other public authorities	**463**	-	-	**463**	-	-
Agriculture	**3,130**	-	-	**3,130**	-	-
Other primary industries	**204**	-	-	**204**	-	-
Commercial and financial	**8,150**	-	-	**8,148**	-	-
Real estate - construction	**311**	-	-	**311**	-	-
Real estate - mortgage	**27,274**	-	-	**27,116**	-	-
Instalment loans and other personal lending	**1,903**	-	-	**1,833**	-	-
Subtotal	**41,435**	-	-	**41,205**	-	-
Provisions for impairment losses on loans	**(178)**	-	-	**(175)**	-	-
Due from related entities	**1**	-	2,415	**70**	-	2,415
Other assets	**133**	-	-	**131**	-	-
Total on-balance sheet credit exposures	**41,391**	-	2,415	**41,231**	-	2,415
Off-balance sheet credit and derivative exposures by credit equivalent consists of						
Contingent liabilities and commitments	**2,929**	-	-	**2,929**	-	-
Derivatives	**277**	-	-	**277**	-	-
Total off-balance sheet credit and derivative exposures by credit equivalent	**3,206**	-	-	**3,206**	-	-
Analysis of off-balance sheet credit exposures by industry and economic sector						
Government and other public authorities	**35**	-	-	**35**	-	-
Agriculture	**32**	-	-	**32**	-	-
Other primary industries	**-**	-	-	**-**	-	-
Commercial and financial	**702**	-	-	**702**	-	-
Real estate - construction	**28**	-	-	**28**	-	-
Real estate - mortgage	**2,367**	-	-	**2,367**	-	-
Instalment loans and other personal lending	**42**	-	-	**42**	-	-
Total off-balance sheet credit and derivative exposures by credit equivalent	**3,206**	-	-	**3,206**	-	-

Credit exposure is determined with reference to actual credit exposures.

Australian and New Zealand Standard Industrial Classification ('**ANZSIC**') have been used as the basis for disclosing industry sectors.

Note 33 Concentration of credit exposures (continued)

Analysis of credit exposures to individual counterparties

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

10 - 20% of the Banking Group's equity	As at 31 March 2007 Unaudited	Peak End-of-Day for the Three Months Ended 31 March 2007 Unaudited	As at 30 September 2006 Audited	Peak End-of-Day for the Three Months Ended 30 September 2006 Audited
Individual counterparties				
Bank counterparties	-	-	-	-
Non-bank counterparties	-	-	-	-
Closely related counterparties				
Bank counterparties	-	-	-	-
Non-bank counterparties	-	-	-	-

The peak end-of-day exposure and as at exposures have been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the three months ended 31 March 2007 and then dividing that by the Banking Group's equity as at 31 March 2007. Credit exposure used in the above calculations is determined with reference to actual credit exposures. The comparatives have been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the stated period and then dividing that amount by the Banking Group's equity at the end of the stated period. 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 connected persons or any OECD government. These calculations relate only to exposures held in the financial records of the Banking Group and were calculated net of specific provisions.

The aggregate amount of the credit exposure and percentage of the Group's equity to which the Banking Group has a credit exposure equal to or greater than 10% of the equity is shown below.

	As at 31 March 2007		As at 30 September 2006	
10 - 20% of the Banking Group's equity	Aggregate Credit Exposure Unaudited $m	Percentage of Large Exposures Unaudited %	Aggregate Credit Exposure Audited $m	Percentage of Large Exposures Audited %
Individual counterparties				
Bank counterparties:				
Credit rating of BBB- and above	-	-	-	-
Credit rating below BBB-	-	-	-	-
Without investment grade credit rating	-	-	-	-
Non-bank counterparties:				
Credit rating of BBB- and above	-	-	-	-
Credit rating below BBB-	-	-	-	-
Without investment grade credit rating	-	-	-	-
Closely related counterparties				
Bank counterparties:				
Credit rating of BBB- and above	-	-	-	-
Credit rating below BBB-	-	-	-	-
Without investment grade credit rating	-	-	-	-
Non-bank counterparties:				
Credit rating of BBB- and above	-	-	-	-
Credit rating below BBB-	-	-	-	-
Without investment grade credit rating	-	-	-	-

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

Note 34 Concentration of funding

	The Banking Group			The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Funding consists of						
Due to other financial institutions	**7**	-	-	**7**	-	-
Deposits at fair value	**3,546**	-	-	**3,546**	-	-
Deposits at amortised cost	**24,516**	-	-	**24,516**	-	-
Debt issues[1]	**7,205**	-	-	**475**	-	-
Perpetual subordinated notes	**970**	-	700	**970**	-	700
Due to related entities	**2,790**	-	5	**9,583**	-	5
Total funding	**39,034**	-	705	**39,097**	-	705
Analysis of funding by product						
Saving accounts	**6,116**	-	-	**6,116**	-	-
Certificates of deposits	**3,546**	-	-	**3,546**	-	-
Demand deposits	**4,598**	-	-	**4,598**	-	-
Other deposits and borrowings	**21,007**	-	-	**14,277**	-	-
Perpetual subordinated notes	**970**	-	700	**970**	-	700
Subtotal	**36,237**	-	700	**29,507**	-	700
Due to other financial institutions	**7**	-	-	**7**	-	-
Due to related entities	**2,790**	-	5	**9,583**	-	5
Total funding	**39,034**	-	705	**39,097**	-	705
Analysis of funding by geographical areas[1]						
New Zealand	**30,845**	-	705	**38,117**	-	705
Australia and Asia-Pacific	**984**	-	-	**980**	-	-
United Kingdom and Europe	**2,849**	-	-	**-**	-	-
North America	**4,356**	-	-	**-**	-	-
Total funding	**39,034**	-	705	**39,097**	-	705
Analysis of funding by industry and economic sector						
Government and other public authorities	**1,252**	-	-	**1,252**	-	-
Agriculture	**794**	-	-	**794**	-	-
Other primary industries	**129**	-	-	**129**	-	-
Commercial and financial	**18,671**	-	700	**11,941**	-	700
Households	**15,398**	-	-	**15,398**	-	-
Subtotal	**36,244**	-	700	**29,514**	-	700
Due to related entities	**2,790**	-	5	**9,583**	-	5
Total funding	**39,034**	-	705	**39,097**	-	705

[1] The geographic region used for debt issues is the location of the original purchaser. These instruments may have subsequently been on-sold.

Note 35 Fair value of financial instruments

Quoted market prices, when available, are used as the measure of fair values. Where quoted market prices do not exist, fair values presented are estimates derived using present value or other market accepted valuation techniques. These techniques involve uncertainties and are affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

The fair value estimates were determined by application of the methods and assumptions described below.

Certain short term financial instruments

For cash and short term liquid assets, amounts due from other banks with maturities of less than three months, and other types of short term financial instruments recognised in the balance sheet under 'other assets' and 'other liabilities', the carrying amount is equivalent to the fair value.

Floating rate financial instruments

For floating rate financial instruments (including variable rate loans which comprise a portion of the Banking Group's loan portfolio) with no significant change in credit risk, the carrying amount is a reasonable estimate of fair value.

Note 35 Fair value of financial instruments (continued)

Trading securities

For trading securities, the fair values, which are also the carrying amounts, are based on quoted market prices.

Due from other financial institutions and fixed rate loans

For amounts due from other financial institutions with maturities of three months or more and fully performing fixed rate loans, the fair values have been estimated by reference to current rates at which similar advances would be made to financial institutions and other borrowers with a similar credit rating and the same remaining maturities.

Due to other financial institutions, deposits and debt issues

The fair value of demand deposits is the amount payable on demand as at balance date. For other liabilities with maturities of less than three months, the carrying amount is a reasonable estimate of fair value.

For liabilities with maturities of three months or longer, fair values have been based on quoted market prices, where such prices exist. Otherwise, fair values have been estimated using the rates currently offered for similar liabilities of similar remaining maturities.

Commitments to extend credit, financial guarantees, performance bonds and letters of credit

For commitments, financial guarantees, performance bonds and letters of credit, no fair values have been ascribed on the basis that these financial instruments generate ongoing fees at the Banking Group's current pricing levels.

Exchange rate and interest rate contracts

For exchange rate and interest rate contracts, fair values were obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate. The carrying amount and fair value for these contracts are included in 'other assets' or 'other liabilities' as applicable.

Perpetual subordinated notes

For perpetual subordinated notes, the fair values are based on quoted market prices.

	The Banking Group					
	31 March 2007 Carrying Amount Unaudited $m	**31 March 2007 Estimated Fair Value Unaudited $m**	31 March 2006 Carrying Amount Unaudited $m	31 March 2006 Estimated Fair Value Unaudited $m	30 September 2006 Carrying Amount Audited $m	30 September 2006 Estimated Fair Value Audited $m
Financial assets						
Cash	**127**	**127**	-	-	-	-
Due from other financial institutions	**2**	**2**	-	-	-	-
Derivative financial instruments	**-**	**-**	-	-	-	-
Other trading securities	**1,001**	**1,001**	-	-	-	-
Other financial assets designated at fair value	**-**	**-**	-	-	-	-
Available-for-sale securities	**-**	**-**	-	-	-	-
Loans	**40,020**	**39,711**	-	-	-	-
Due from related entities	**1**	**1**	-	-	2,415	2,415
Other financial assets	**240**	**240**	-	-	-	-
Total financial assets	**41,391**	**41,082**	-	-	2,415	2,415
Non-financial assets	**788**		-		-	
Total assets	**42,179**		-		2,415	
Financial liabilities						
Due to other financial institutions	**7**	**7**	-	-	-	-
Deposits at fair value	**3,546**	**3,546**	-	-	-	-
Deposits at amortised cost	**24,516**	**24,552**	-	-	-	-
Derivative financial instruments	**-**	**-**	-	-	-	-
Other trading liabilities	**-**	**-**	-	-	-	-
Debt issues	**7,205**	**7,194**	-	-	-	-
Other financial liabilities	**411**	**411**	-	-	-	-
Perpetual subordinated notes	**970**	**970**	-	-	700	700
Due to related entities	**2,790**	**2,790**	-	-	5	5
Total financial liabilities	**39,445**	**39,470**	-	-	705	705
Non-financial liabilities	**70**		-		3	
Total liabilities	**39,515**		-		708	

Note 35 Fair value of financial instruments (continued)

	The Bank					
	31 March 2007 Carrying Amount Unaudited $m	**31 March 2007 Estimated Fair Value Unaudited $m**	31 March 2006 Carrying Amount Unaudited $m	31 March 2006 Estimated Fair Value Unaudited $m	30 September 2006 Carrying Amount Audited $m	30 September 2006 Estimated Fair Value Audited $m
Financial assets						
Cash	**127**	**127**	-	-	-	-
Due from other financial institutions	**-**	**-**	-	-	-	-
Derivative financial instruments	**-**	**-**	-	-	-	-
Other trading securities	**1,001**	**1,001**	-	-	-	-
Other financial assets designated at fair value	**-**	**-**	-	-	-	-
Available-for-sale securities	**-**	**-**	-	-	-	-
Loans	**39,796**	**39,488**	-	-	-	-
Due from related entities	**70**	**70**	-	-	2,415	2,415
Other financial assets	**237**	**237**	-	-	-	-
Total financial assets	**41,231**	**40,923**	-	-	2,415	2,415
Non-financial assets	**938**		-		-	
Total assets	**42,169**		-		2,415	
Financial liabilities						
Due to other financial institutions	**7**	**7**	-	-	-	-
Deposits at fair value	**3,546**	**3,546**	-	-	-	-
Deposits at amortised cost	**24,516**	**24,552**	-	-	-	-
Derivative financial instruments	**-**	**-**	-	-	-	-
Other trading liabilities	**-**	**-**	-	-	-	-
Debt issues	**475**	**475**	-	-	-	-
Other financial liabilities	**354**	**354**	-	-	-	-
Perpetual subordinated notes	**970**	**970**	-	-	700	700
Due to related entities	**9,583**	**9,583**	-	-	5	5
Total financial liabilities	**39,451**	**39,487**	-	-	705	705
Non-financial liabilities	**68**		-		3	
Total liabilities	**39,519**		-		708	

Note 36 Interest rate risk

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of the assets and their corresponding liability funding. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches will be actively managed as part of the overall interest rate risk management process which is conducted in accordance with Group policy guidelines.

The following table represents a breakdown of the earlier of the contractual repricing or maturity dates of the Group's net asset position as at 31 March 2007. The Group uses this contractual repricing information as a base, which is then altered to take account of consumer behaviour, to manage its interest rate risk. A detailed description of the Banking Group's interest rate risk management framework is provided in Note 2.

No comparatives are shown for the period from 14 February 2006 to 31 March 2006 as no transactions took place during this period.

	The Banking Group 31 March 2007 - Unaudited										
	Less Than 1 Month $m	1 Month to 3 Months $m	3 Months to 1 Year $m	1 Year to 2 Years $m	2 Years to 3 Years $m	3 Years to 4 Years $m	4 Years to 5 Years $m	Over 5 Years $m	Non-interest Bearing $m	Total $m	Weighted Average Interest Rate % [1]
Financial assets											
Cash	-	-	-	-	-	-	-	-	127	127	0.0
Due from other financial institutions	-	-	-	-	-	-	-	-	2	2	7.5
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	0.0
Other trading securities	159	753	89	-	-	-	-	-	-	1,001	7.9
Loans	14,235	3,594	5,814	9,037	3,652	1,206	2,599	61	(178)	40,020	8.9
Due from related entities	1	-	-	-	-	-	-	-	-	1	7.5
Other financial assets	-	-	-	-	-	-	-	-	240	240	0.0
Total financial assets	14,395	4,347	5,903	9,037	3,652	1,206	2,599	61	191	41,391	
Non-financial assets										788	
Total assets										42,179	
Financial liabilities											
Due to other financial institutions	-	7	-	-	-	-	-	-	-	7	7.5
Deposits at fair value	2,783	755	8	-	-	-	-	-	-	3,546	7.7
Deposits at amortised cost	14,296	4,289	3,548	198	97	15	11	-	2,062	24,516	5.8
Debt issues	1,930	2,198	2,002	-	875	-	200	-	-	7,205	5.4
Other financial liabilities	-	-	-	-	-	-	-	-	411	411	0.0
Perpetual subordinated notes	-	970	-	-	-	-	-	-	-	970	8.8
Due to related entities	2,095	-	-	-	-	-	-	-	695	2,790	7.9
Total financial liabilities	21,104	8,219	5,558	198	972	15	211	-	3,168	39,445	
Non-financial liabilities										70	
Total liabilities										39,515	
Off-balance sheet financial instruments											
Net interest rate contracts (principal):											
Receivable/(payable)	-	-	-	-	-	-	-	-	-	-	

[1] The weighted average interest rate is calculated excluding non-interest bearing assets and liabilities.

Note 36 Interest rate risk (continued)

	The Banking Group										
	30 September 2006 - Audited										
	Less Than 1 Month $m	1 Month to 3 Months $m	3 Months to 1 Year $m	1 Year to 2 Years $m	2 Years to 3 Years $m	3 Years to 4 Years $m	4 Years to 5 Years $m	Over 5 Years $m	Non-interest Bearing $m	Total $m	Weighted Average Interest Rate % [1]
Financial assets											
Cash	-	-	-	-	-	-	-	-	-	-	0.0
Due from other financial institutions	-	-	-	-	-	-	-	-	-	-	0.0
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	0.0
Other trading securities	-	-	-	-	-	-	-	-	-	-	0.0
Other financial assets designated at fair value	-	-	-	-	-	-	-	-	-	-	0.0
Available-for-sale securities	-	-	-	-	-	-	-	-	-	-	0.0
Loans	-	-	-	-	-	-	-	-	-	-	0.0
Due from related entities	2,415	-	-	-	-	-	-	-	-	2,415	7.5
Other financial assets	-	-	-	-	-	-	-	-	-	-	0.0
Total financial assets	2,415	-	-	-	-	-	-	-	-	2,415	
Non-financial assets										-	
Total assets										2,415	
Financial liabilities											
Due to other financial institutions	-	-	-	-	-	-	-	-	-	-	0.0
Deposits at fair value	-	-	-	-	-	-	-	-	-	-	0.0
Deposits at amortised cost	-	-	-	-	-	-	-	-	-	-	0.0
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	0.0
Other trading liabilities	-	-	-	-	-	-	-	-	-	-	0.0
Debt issues	-	-	-	-	-	-	-	-	-	-	0.0
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	0.0
Perpetual subordinated notes	-	700	-	-	-	-	-	-	-	700	8.4
Due to related entities	5	-	-	-	-	-	-	-	-	5	0.0
Total financial liabilities	5	700	-	-	-	-	-	-	-	705	
Non-financial liabilities										3	
Total liabilities										708	
Off-balance sheet financial instruments											
Net interest rate contracts (principal):											
Receivable/(payable)	-	-	-	-	-	-	-	-	-	-	

[1] The weighted average interest rate is calculated excluding non-interest bearing assets and liabilities.

Note 36 Interest rate risk (continued)

	The Bank										
	31 March 2007 - Unaudited										
	Less Than 1 Month $m	1 Month to 3 Months $m	3 Months to 1 Year $m	1 Year to 2 Years $m	2 Years to 3 Years $m	3 Years to 4 Years $m	4 Years to 5 Years $m	Over 5 Years $m	Non-interest Bearing $m	Total $m	Weighted Average Interest Rate % [1]
Financial assets											
Cash	-	-	-	-	-	-	-	-	127	127	0.0
Other trading securities	159	753	89	-	-	-	-	-	-	1,001	7.9
Loans	12,137	3,594	5,814	9,037	3,652	1,206	2,599	60	1,697	39,796	8.9
Due from related entities	-	-	-	-	-	-	-	-	70	70	7.5
Other financial assets	-	-	-	-	-	-	-	-	237	237	0.0
Total financial assets	12,296	4,347	5,903	9,037	3,652	1,206	2,599	60	2,131	41,231	
Non-financial assets										938	
Total assets										42,169	
Financial liabilities											
Due to other financial institutions	-	7	-	-	-	-	-	-	-	7	7.5
Deposits at fair value	2,783	755	8	-	-	-	-	-	-	3,546	7.7
Deposits at amortised cost	14,296	4,289	3,548	198	97	15	11	-	2,062	24,516	5.8
Debt issues	-	-	-	-	275	-	200	-	-	475	7.5
Other financial liabilities	-	-	-	-	-	-	-	-	354	354	0.0
Perpetual subordinated notes	-	970	-	-	-	-	-	-	-	970	8.8
Due to related entities	8,608	-	-	-	-	-	-	-	975	9,583	7.5
Total financial liabilities	25,687	6,021	3,556	198	372	15	211	-	3,391	39,451	
Non-financial liabilities										68	
Total liabilities										39,519	
Off-balance sheet financial instruments											
Net interest rate contracts (principal):											
Receivable/(payable)	-	-	-	-	-	-	-	-	-	-	

[1] The weighted average interest rate is calculated excluding non-interest bearing assets and liabilities.

Note 36 Interest rate risk (continued)

	Less Than 1 Month $m	1 Month to 3 Months $m	3 Months to 1 Year $m	1 Year to 2 Years $m	2 Years to 3 Years $m	3 Years to 4 Years $m	4 Years to 5 Years $m	Over 5 Years $m	Non-interest Bearing $m	Total $m	Weighted Average Interest Rate %[1]
	The Bank										
	30 September 2006 - Audited										
Financial assets											
Cash	-	-	-	-	-	-	-	-	-	-	0.0
Due from other financial institutions	-	-	-	-	-	-	-	-	-	-	0.0
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	0.0
Other trading securities	-	-	-	-	-	-	-	-	-	-	0.0
Other financial assets designated at fair value	-	-	-	-	-	-	-	-	-	-	0.0
Available-for-sale securities	-	-	-	-	-	-	-	-	-	-	0.0
Loans	-	-	-	-	-	-	-	-	-	-	0.0
Due from related entities	2,415	-	-	-	-	-	-	-	-	2,415	7.5
Other financial assets	-	-	-	-	-	-	-	-	-	-	0.0
Total financial assets	2,415	-	-	-	-	-	-	-	-	2,415	
Non-financial assets										-	
Total assets										2,415	
Financial liabilities											
Due to other financial institutions	-	-	-	-	-	-	-	-	-	-	0.0
Deposits at fair value	-	-	-	-	-	-	-	-	-	-	0.0
Deposits at amortised cost	-	-	-	-	-	-	-	-	-	-	0.0
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	0.0
Other trading liabilities	-	-	-	-	-	-	-	-	-	-	0.0
Debt issues	-	-	-	-	-	-	-	-	-	-	0.0
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	0.0
Perpetual subordinated notes	-	700	-	-	-	-	-	-	-	700	8.4
Due to related entities	5	-	-	-	-	-	-	-	-	5	0.0
Total financial liabilities	5	700	-	-	-	-	-	-	-	705	
Non-financial liabilities										3	
Total liabilities										708	
Off-balance sheet financial instruments											
Net interest rate contracts (principal):											
Receivable/(payable)	-	-	-	-	-	-	-	-	-	-	

[1] The weighted average interest rate is calculated excluding non-interest bearing assets and liabilities.

Note 37 Foreign currency risk

Neither the Banking Group nor the Bank carries foreign currency risk due to the risk being hedged with the Ultimate Parent Bank.

Note 38 Capital adequacy

The information contained in this note has been derived in accordance with the Bank's Conditions of Registration which relate to capital adequacy and the document entitled 'Capital Adequacy Framework' (BS2) issued by the Reserve Bank of New Zealand.

For the purposes of calculating the capital adequacy ratios for the Bank, wholly owned and wholly funded subsidiaries of the Banking Group are consolidated with the Bank. In this context, wholly funded by the Bank means that there are no liabilities (including off-balance sheet obligations) to anyone other than the Bank, the Inland Revenue Department and trade creditors, where aggregate exposure to trade creditors does not exceed 5% of the subsidiary's shareholders' equity. Wholly owned by the Bank means that all equity issued by the subsidiary is held by the Bank.

	The Banking Group		The Bank	
	31 March 2007 Unaudited	31 March 2006 Unaudited	**31 March 2007 Unaudited**	31 March 2006 Unaudited
Capital adequacy ratios				
Tier One Capital expressed as a percentage of risk weighted exposures	**7.0%**	-	**7.0%**	-
Capital expressed as a percentage of risk weighted exposures	**10.3%**	-	**10.3%**	-
Reserve Bank of New Zealand minimum ratios:				
Tier One Capital expressed as a percentage of risk weighted exposures	**4.0%**	-	**4.0%**	-
Capital expressed as a percentage of risk weighted exposures	**8.0%**	-	**8.0%**	-

	The Banking Group		The Bank	
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	**31 March 2007 Unaudited $m**	31 March 2006 Unaudited $m
Tier One Capital				
Paid in share capital	**2,415**	-	**2,415**	-
Revenue and similar reserves	**22**	-	**22**	-
Current period's profits after income tax (reviewed)	**216**	-	**210**	-
Minority interests	**8**	-	**-**	-
Less deductions from Tier One Capital				
Goodwill	**(477)**	-	**(477)**	-
Other intangible assets	**(129)**	-	**(129)**	-
Cash flow hedging reserve	**(15)**	-	**(15)**	-
Net deferred tax assets	**(14)**	-	**(3)**	-
Total Tier One Capital	**2,026**	-	**2,023**	-
Tier Two Capital - Upper level Tier Two Capital				
Perpetual subordinated notes	**970**	-	**970**	-
Current period's unaudited retained profits	**-**	-	**-**	-
Tier Two Capital - Lower level Tier Two Capital	**-**	-	**-**	-
Total Tier Two Capital	**970**	-	**970**	-
Total Tier One Capital plus Tier Two Capital	**2,996**	-	**2,993**	-
Less deductions from capital	**-**	-	**(7)**	-
Capital	**2,996**	-	**2,986**	-
Total risk weighted exposures				
On-balance sheet exposures	**26,919**	-	**27,000**	-
Off-balance sheet exposures	**2,066**	-	**2,066**	-
	28,985	-	**29,066**	-

Note 38 Capital adequacy (continued)

Risk weighted exposures

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

Calculation of on-balance sheet exposures

	The Banking Group 31 March 2007 – Unaudited		
	Principal Amount $m	Risk Weighting	Risk Weighted Exposure $m
Cash and short term claims on government	127	0%	-
Long term claims on government	-	10%	-
Claims on banks	1,003	20%	201
Claims on public sector entities	-	20%	-
Residential mortgages	27,274	50%	13,637
Other assets	13,081	100%	13,081
Non-risk weighted assets	694		-
Total on-balance sheet exposures	42,179		26,919

Calculation of off-balance sheet securitised mortgage exposures

	Principal Amount $m	Risk Weighting	Risk Weighted Exposure $m
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	58	100%	58	100%	58
Total direct credit substitutes	58		58		58
Commitments					
Commitments with certain drawdown	37	100%	37	20%	7
Housing loan commitments with certain drawdown	162	100%	162	50%	81
Transaction related contingent items	254	50%	127	99%	126
Short term, self liquidating trade related contingent liabilities	596	20%	119	100%	119
Other commitments to provide financial services which have an original maturity of one year or more	4,852	50%	2,426	54%	1,310
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	4,324	0%	-	0%	-
Total commitments	10,225		2,871		1,643
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	-		-	0%	-
Options	-		-	0%	-
Swaps	6,122		62	19%	12
Interest rate contracts:					
Forwards	-		-	0%	-
Futures	-		-	0%	-
Options	-		-	0%	-
Swaps	17,141		215	23%	49
Total market related contracts (derivatives)	23,263		277		61
Total off-balance sheet and derivative exposures	33,546		3,206		1,762
Total risk weighted exposures					28,985

Note 38 Capital adequacy (continued)

Calculation of on-balance sheet exposures

	The Banking Group 31 March 2006 – Unaudited		
	Principal Amount $m	Risk Weighting	Risk Weighted Exposure $m
Cash and short term claims on government	-	0%	-
Long term claims on government	-	10%	-
Claims on banks	-	20%	-
Claims on public sector entities	-	20%	-
Residential mortgages	-	50%	-
Other assets	-	100%	-
Non-risk weighted assets	-		-
Total on-balance sheet exposures	-		-

Calculation of off-balance sheet securitised mortgage exposures

	Principal Amount $m	Risk Weighting	Risk Weighted Exposure $m
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	-	100%	-	100%	-
Total direct credit substitutes	-		-		-
Commitments					
Commitments with certain drawdown	-	100%	-	-	-
Housing loan commitments with certain drawdown	-	100%	-	-	-
Transaction related contingent items	-	50%	-	-	-
Short term, self liquidating trade related contingent liabilities	-	20%	-	-	-
Other commitments to provide financial services which have an original maturity of one year or more	-	50%	-	-	-
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	-	0%	-	-	-
Total commitments	-		-		-
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	-		-	-	-
Options	-		-	-	-
Swaps	-		-	-	-
Interest rate contracts:					
Forwards	-		-	-	-
Futures	-		-	-	-
Options	-		-	-	-
Swaps	-		-	-	-
Total market related contracts (derivatives)	-		-		-
Total off-balance sheet and derivative exposures	-		-		-
Total risk weighted exposures					-

Note 38 Capital adequacy (continued)

Calculation of on-balance sheet exposures

	The Bank				
	31 March 2007 – Unaudited				
	Principal Amount $m			Risk Weighting	Risk Weighted Exposure $m
Cash and short term claims on government	127			0%	-
Long term claims on government	-			10%	-
Claims on banks	1,001			20%	200
Claims on public sector entities	-			20%	-
Residential mortgages	27,120			50%	13,560
Other assets	13,240			100%	13,240
Non-risk weighted assets	681				-
Total on-balance sheet exposures	42,169				27,000
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	58	100%	58	100%	58
Total direct credit substitutes	58		58		58
Commitments					
Commitments with certain drawdown	37	100%	37	20%	7
Housing loan commitments with certain drawdown	162	100%	162	50%	81
Transaction related contingent items	254	50%	127	99%	126
Short term, self liquidating trade related contingent liabilities	596	20%	119	100%	119
Other commitments to provide financial services which have an original maturity of one year or more	4,852	50%	2,426	54%	1,310
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	4,324	0%	-	0%	-
Total commitments	10,225		2,871		1,643
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	-		-	0%	-
Options	-		-	0%	-
Swaps	6,122		62	19%	12
Interest rate contracts:					
Forwards	-		-	0%	-
Futures	-		-	0%	-
Options	-		-	0%	-
Swaps	17,141		215	23%	49
Total market related contracts (derivatives)	23,263		277		61
Total off-balance sheet and derivative exposures	33,546		3,206		1,762
Total risk weighted exposures					29,066

Note 38 Capital adequacy (continued)

Calculation of on-balance sheet exposures

	The Bank		
	31 March 2006 – Unaudited		
	Principal Amount $m	Risk Weighting	Risk Weighted Exposure $m
Cash and short term claims on government	-	0%	-
Long term claims on government	-	10%	-
Claims on banks	-	20%	-
Claims on public sector entities	-	20%	-
Residential mortgages	-	50%	-
Other assets	-	100%	-
Non-risk weighted assets	-		-
Total on-balance sheet exposures	-		-
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	-	100%	-	100%	-
Total direct credit substitutes	-		-		-
Commitments					
Commitments with certain drawdown	-	100%	-	-	-
Housing loan commitments with certain drawdown	-	100%	-	-	-
Transaction related contingent items	-	50%	-	-	-
Short term, self liquidating trade related contingent liabilities	-	20%	-	-	-
Other commitments to provide financial services which have an original maturity of one year or more	-	50%	-	-	-
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	-	0%	-	-	-
Total commitments	-		-		-
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	-		-	-	-
Options	-		-	-	-
Swaps	-		-	-	-
Interest rate contracts:					
Forwards	-		-	-	-
Futures	-		-	-	-
Options	-		-	-	-
Swaps	-		-	-	-
Total market related contracts (derivatives)	-		-		-
Total off-balance sheet and derivative exposures	-		-		-
Total risk weighted exposures					-

Note 38 Capital adequacy (continued)

	31 March 2007 Unaudited %	31 March 2006 Unaudited %	30 September 2006 Audited %	Minimum Capital Adequacy Ratio Specified by APRA %
Ultimate Parent Bank Group				
Tier One Capital, expressed as a percentage of risk weighted exposures	**6.5**	6.8	6.9	4.0
Capital, expressed as a percentage of risk weighted exposures	**9.4**	9.7	9.5	8.0
Ultimate Parent Bank				
Tier One Capital, expressed as a percentage of risk weighted exposures	**6.5**	6.3	6.3	4.0
Capital, expressed as a percentage of risk weighted exposures	**10.1**	9.6	9.3	8.0

The Ultimate Parent Bank Group and the Ultimate Parent Bank are subject to the capital adequacy requirements as specified by the Australian Prudential Regulatory Authority ('**APRA**'). The capital adequacy requirements are based on the framework proposed by the Basel Committee on Banking Supervision, which have been endorsed by banking supervisory authorities in the G10 and other industrial countries. Under these requirements, the Ultimate Parent Bank Group and the Ultimate Parent Bank are required to hold minimum capital at least equal to that specified under the Basel framework.

The Ultimate Parent Bank Group and the Ultimate Parent Bank exceeded the minimum capital adequacy requirements as specified by APRA as at 31 March 2007.

Note 39 Derivative financial instruments

Derivative contracts include forwards, futures, swaps and options, all of which are bilateral contracts or payment exchange agreements, whose values derive from the value of an underlying asset, reference rate or index.

A *swap* transaction obliges the two parties to the contract to exchange a series of cash flows at specified intervals known as payment or settlement dates.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet, but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Banking Group's exposure to credit or price risks.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The notional amount of the derivative financial instruments on hand is the aggregate notional or contractual amounts of both instruments that are favourable or unfavourable.

The Banking Group uses derivatives as an end-user as part of its asset and liability management activities.

Hedging

The Banking Group enters into derivative transactions that are designated and qualify as either fair value hedges or cash flow hedges for recognised assets and liabilities or forecast transactions. It also enters into derivative transactions that provide economic hedges for risk exposures, but do not meet the accounting requirements for hedge account treatment. Gains or losses on these derivative transactions are recorded in trading income.

(i) Fair value hedges

The Banking Group hedges part of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate assets or increase in fair value of term deposits from customers denominated in local currency using swaps.

(ii) Cash flow hedges

The Banking Group hedges a portion of the cash flows from floating-rate customer deposits using swaps. The fair value of those derivatives financial instruments as at 31 March 2007 was $60 million (asset) and $12 million (liability) based on a notional balance of $6,187 million.

All derivatives for the Banking Group are held in the Bank. Derivatives with related parties are included in Due from and Due to related entities.

No comparatives are shown for the period from 14 February 2006 to 30 September 2006 due to no transactions taking place during this period.

Underlying cash flows from cash flow hedges are expected to occur in the following periods:

	The Banking Group and The Bank 31 March 2007 - Unaudited							
	Less Than 1 Month %	1 Month to 3 Months %	3 Months to 1 Year %	1 Year to 2 Years %	2 Years to 3 Years %	3 Years to 4 Years %	4 Years to 5 Years %	Over 5 Years %
Cash inflows (assets)	2	3	21	26	27	6	6	9
Cash outflows (liabilities)	2	3	22	27	26	6	6	8

Note 40 Segment information

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

The basis of segment reporting reflects the management of the business within the Banking Group. Management consider the Banking Group to operate in one business segment, Retail Banking. The Retail Banking segment is responsible for servicing and product development for consumer and smaller to medium sized business banking customers within New Zealand, and includes the corporate head office functions and funding activities that exist within New Zealand.

Note 41 Superannuation commitments

The Banking Group has a defined contribution and a defined benefit superannuation scheme for staff in New Zealand. Contributions, as specified in the rules of the respective schemes, are made by the Banking Group as required. Actuarial valuations of the schemes are undertaken annually, with the last full valuation being undertaken as at 30 September 2006. Contributions to the defined benefit scheme is at a rate, reviewed annually, sufficient to keep the scheme solvent, based on actuarial assessments.

The Banking Group's defined benefit superannuation scheme provides lump sum and superannuation benefits. The Banking Group's contributions for the six months ended 31 March 2007 were $1.0 million (31 March 2006 nil, 30 September 2006 nil).

The Banking Group has no material obligations in respect of post retirement benefits other than pensions.

The amount recognised in the balance sheet arising from the Banking Group's obligations in respect of its defined benefit superannuation scheme was as follows:

	The Banking Group and The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Present value of wholly unfunded obligations	**128**	-	-
Fair value of plan assets	**(113)**	-	-
Present value of net obligations	**15**	-	-
Actuarial gains not recognised in the balance sheet	**13**	-	-
Net liability recognised in the balance sheet	**28**	-	-
Represented by the following amounts in the balance sheet:			
Liabilities	**28**	-	-
Net liability recognised in the balance sheet	**28**	-	-

The fair value of plan assets as at 31 March 2007 included 90-day bank bills issued by, and cash balances held with the NZ Banking Group with a fair value of $7.2 million (31 March 2006 nil, 30 September 2006 nil).

	The Banking Group and The Bank		
	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Movements in the net asset recognised in the balance sheet			
Net asset vested at beginning of the period	**29**	-	-
Net expense recognised in the income statement	**-**	-	-
Contributions paid	**(1)**	-	-
Net asset recognised at end of the period	**28**	-	-
Return on plan assets:			
Expected return on plan assets	**3**	-	-
Actuarial gains on plan assets	**-**	-	-
Actual return on plan assets	**3**	-	-

Note 41 Superannuation commitments (continued)

Expense recognised in the income statement

The amounts recognised in salaries and other staff expenses in the income statement as operating expenses for the six months ended 31 March 2007 in respect of the defined benefit superannuation scheme were as follows:

	The Banking Group and The Bank		
	Six Months Ended 31 March 2007 Unaudited $m	Period from 14 February 2006 to 31 March 2006 Unaudited $m	Period from 14 February 2006 to 30 September 2006 Audited $m
Current service cost	**1**	-	-
Interest cost	**2**	-	-
Expected return on plan assets	**(3)**	-	-
Net defined benefit expense	**-**	-	-

The primary actuarial assumptions used in the above calculations expressed as weighted averages were as follows:

	The Banking Group and The Bank		
	31 March 2007 Unaudited %	31 March 2006 Unaudited %	30 September 2006 Audited %
Discount rate at beginning of the period	**4.0**	-	-
Expected rate of return on plan assets at beginning of the period	**5.3**	-	-
Future salary increases	**3.5**	-	-
Other material actuarial assumptions - pension increases	**2.5**	-	-

Note 42 Auditors' remuneration

	The Banking Group			The Bank		
	Six Months Ended 31 March 2007 Unaudited $'000	Period from 14 February 2006 to 31 March 2006 Unaudited $'000	Period from 14 February 2006 to 30 September 2006 Audited $'000	**Six Months Ended 31 March 2007 Unaudited $'000**	Period from 14 February 2006 to 31 March 2006 Unaudited $'000	Period from 14 February 2006 to 30 September 2006 Audited $'000
Auditor of the parent entity						
Audit services	**293**	-	77	**274**	-	77
Other services:						
Further assurance services	**130**	-	-	**130**	-	-
Tax services	**106**	-	-	**106**	-	-
Total remuneration for audit and non-audit services	**529**	-	77	**510**	-	77

It is the Banking Group's policy to employ the external auditors on assignments additional to their statutory audit duties only if their independence is not impaired or seen to be impaired, and where their expertise and experience with the Banking Group is important. As described above, these assignments relate principally to regulatory reporting, taxation services and other assurance services. The amounts disclosed above are GST inclusive.

Note 43 Key management disclosures

Key management personnel are defined as being Directors and senior management of the Banking Group. The information relating to the key management personnel disclosed includes transactions with those individuals, their close family members and their controlled entities.

	The Banking Group and The Bank		
	Six Months Ended 31 March 2007 Unaudited $'000	Period from 14 February 2006 to 31 March 2006 Unaudited $'000	Period from 14 February 2006 to 30 September 2006 Audited $'000
Salaries and other short term benefits	**3,806**	-	-
Post-employment benefits	**346**	-	-
Other termination benefits	**195**	-	-
Share-based payment[1]	**1,942**	-	-
Total key management compensation	**6,289**	-	-

[1] These amounts relate to grants in January for the previous financial year.

The Directors have received remuneration from the Banking Group, this is included in the table above. Details of Directors' remuneration are disclosed in the Overseas Banking Group's 30 September 2006 Annual Financial Report.

Loans and deposits with key management personnel

All loans and deposits are made in the ordinary course of business of the Bank and the Banking Group, on an arm's length basis and on normal commercial terms and conditions. Loans are on terms of repayment that range between variable, fixed rate up to five years and interest only loans, all of which are in accordance with the NZ Banking Group's lending policies.

No provisions have been recognised during the six months ended 31 March 2007, in respect of loans given to key management and their related parties (31 March 2006 nil, 30 September 2006 nil).

Other related party transactions

All other transactions with key management personnel, their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services.

Note 44 Securitisation, funds management and other fiduciary activities

Securitisation

As at 31 March 2007, the Bank and the Banking Group has securitised assets amounting to $608 million (31 March 2006 nil, 30 September 2006 nil), all having been sold by the Bank and the Banking Group to the Westpac Home Loan Trust ('**HLT**') and the Westpac Mortgage Investment Fund ('**MIF**') via the HLT. HLT and MIF were established, pursuant to trust deeds between BT Funds Management (NZ) Limited and the New Zealand Custodian Trust Company Limited with the principal purpose of investing in home loans originated by the Bank. The purchase of these home loans has been funded with the proceeds of units subscribed for, and issued to, retail investors in New Zealand. The Bank and the Banking Group receives fees for various services provided to HLT and MIF on an arm's length basis, including servicing fees and management fees. These fees are recognised over the years in which the costs are borne.

Funds management and other fiduciary activities

The Bank markets the products of BT Funds Management (NZ) Limited, a member of the Ultimate Parent Banking Group, through its branch network. The Bank derives commission from the sale of managed fund products, superannuation and unit trusts marketed on behalf of BT Funds Management (NZ) Limited. The Bank also provides investment advice to a number of clients, this includes the provision of other fiduciary activities.

	31 March 2007 Unaudited $m	31 March 2006 Unaudited $m	30 September 2006 Audited $m
Private and priority	**692**	-	-
Retirement plans	**344**	-	-
Retail unit trusts	**1,513**	-	-
Wholesale unit trusts	**-**	-	-
Total funds under management	**2,549**	-	-

Marketing and distribution of insurance products

The Bank markets and distributes both life and general insurance products. The life insurance products are underwritten by Westpac Life - NZ - Limited (a member of the Ultimate Parent Bank group of companies). The general insurance products are underwritten by external third party insurance companies. Disclosure statements are made in all marketing material that the products are underwritten by those companies and that the Bank does not guarantee the obligations of, or any products issued by, those companies.

Note 44 Securitisation, funds management and other fiduciary activities (continued)

Involvement with other fiduciary activities

Over the six months ended 31 March 2007:

- financial services provided by any member of the Banking Group to entities which conduct the securitisation, funds management and other fiduciary activities described above, or on whose behalf insurance products are marketed or distributed, have been provided on arm's length terms and conditions and at fair value; and
- assets purchased from entities which conduct the securitisation, funds management and other fiduciary activities specified above, or on whose behalf insurance products are marketed or distributed, have been purchased on arm's length and conditions and at fair value.

Peak aggregate funding provided to entities

The Banking Group did not provide any funding to entities conducting the securitisation activities, funds management and other fiduciary activities or insurance product marketing and distribution activities described in this note during the six months ended 31 March 2007 (period from 14 February 2006 to 31 March 2006 nil, period from 14 February 2006 to 30 September 2006 nil).

Risk management

The Ultimate Parent Bank Group has in place policies and procedures to ensure that difficulties arising from the activities identified above will not impact adversely on the Banking Group. The policies and procedures referred to include comprehensive and prominent disclosure of information regarding products, and formal and regular review of operations and policies by management and auditors. Should adverse investment or liquidity conditions arise it is considered that these policies and procedures will minimise the possibility that those conditions would impact adversely on the Ultimate Parent Bank Group.

Note 45 Insurance business

The Banking Group does not conduct any insurance business, other than referred to in Note 44.

Note 46 Vested assets and liabilities

Certain New Zealand assets and liabilities of the Ultimate Parent Bank vested in the Bank on 1 November 2006. This note has been prepared to provide guidance on the impact of the vesting as at 1 November 2006 by presenting a balance sheet prepared by reconciling the opening position before vesting to the new position following vesting on 1 November 2006.

As set out in the Local incorporation section on page 3, the Ultimate Parent Bank established the Bank to assume and carry on the New Zealand consumer and business banking operations of the NZ Branch. Wholesale banking and financial markets business remain with the NZ Branch.

The reorganisation of the Ultimate Parent Bank's business was facilitated by legislation. The Westpac New Zealand Act 2006 provided for the vesting of designated NZ Branch assets and liabilities in the Bank on 1 November 2006.

The Bank commenced business as a registered bank on 1 November 2006.

The assets and liabilities that vested in the Bank 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). In addition, on 1 November 2006, the Bank acquired Westpac (NZ) Investments Limited, The Home Mortgage Company Limited and a 51% investment in The Warehouse Financial Services from Westpac Holdings - NZ - Limited, a fellow subsidiary of the Ultimate Parent Bank.

The accounting policies in Note 1 have been applied in the preparation of this disclosure.

Note 46 Vested assets and liabilities (continued)

	The Banking Group As at 31 October 2006 Unaudited $m	Vesting Assets and Liabilities As at 1 November 2006 Unaudited $m	Related Entities Acquired As at 1 November 2006 Unaudited $m	Total Banking Group As at 1 November 2006 Unaudited $m
Assets				
Cash	-	123	-	123
Due from other financial institutions	-	-	2	2
Derivative financial instruments	-	3	-	3
Other trading assets	-	-	-	-
Other financial assets at fair value	-	-	-	-
Available-for-sale securities	-	-	-	-
Loans	-	36,719	238	36,957
Due from related entities	3,416	2	164	3,582
Goodwill and other intangible assets	-	606	-	606
Property, plant and equipment	-	23	74	97
Income tax receivable	-	-	-	-
Deferred tax assets	-	72	11	83
Other assets	-	114	5	119
Total assets	3,416	37,662	494	41,572
Less:				
Liabilities				
Due to other financial institutions	-	-	-	-
Deposits at fair value	-	4,084	-	4,084
Deposits at amortised cost	-	23,430	-	23,430
Derivative financial instruments	-	7	-	7
Other trading liabilities	-	-	-	-
Debt issues	-	-	-	-
Current tax liabilities	7	-	-	7
Deferred tax liabilities	-	-	-	-
Due to related entities	-	-	-	-
Provisions	-	58	-	58
Other liabilities	-	382	8	390
Total liabilities excluding due to related entities	7	27,961	8	27,976
Perpetual subordinated notes	970	-	-	970
Other amounts due to related entities	9	9,701	479	10,189
Total liabilities	986	37,662	487	39,135
Net assets	2,430	-	7	2,437
Represented by:				
Equity				
Ordinary share capital	2,415	-	-	2,415
Reserves	-	-	-	-
Minority interests	-	-	7	7
Retained profits	15	-	-	15
Total equity	2,430	-	7	2,437

Note 46 Vested assets and liabilities (continued)

Consideration paid for the acquisition of subsidiary entities of the Banking Group

	The Banking Group
	$m
Net assets acquired	
Due from other financial institutions	2
Loans	238
Due from related entities	164
Property, plant and equipment	74
Deferred tax assets	11
Other assets	5
Other liabilities	(8)
Other amounts due to related entities	(241)
Minority interests	(7)
Net assets acquired	238
Intangible assets acquired	-
Total consideration	238
Less: Balances acquired	
Cash	-
Due from other financial institutions	(2)
Total cash and cash equivalents	236

Note 46 Vested assets and liabilities (continued)

	The Bank As at 31 October 2006 Unaudited $m	Vesting Assets and Liabilities As at 1 November 2006 Unaudited $m	Total Bank As at 1 November 2006 Unaudited $m
Assets			
Cash	-	123	123
Due from other financial institutions	-	-	-
Derivative financial instruments	-	3	3
Other trading assets	-	-	-
Other financial assets at fair value	-	-	-
Available-for-sale securities	-	-	-
Loans	-	36,719	36,719
Due from related entities	3,416	2	3,418
Goodwill and other intangible assets	-	606	606
Property, plant and equipment	-	23	23
Income tax receivable	-	-	-
Deferred tax assets	-	72	72
Other assets	-	114	114
Total assets	3,416	37,662	41,078
Less:			
Liabilities			
Due to other financial institutions	-	-	-
Deposits at fair value	-	4,084	4,084
Deposits at amortised cost	-	23,430	23,430
Derivative financial instruments	-	7	7
Other trading liabilities	-	-	-
Debt issues	-	-	-
Current tax liabilities	7	-	7
Deferred tax liabilities	-	-	-
Due to related entities	-	-	-
Provisions	-	58	58
Other liabilities	-	382	382
Total liabilities excluding due to related entities	7	27,961	27,968
Perpetual subordinated notes	970	-	970
Other amounts due to related entities	9	9,701	9,710
Total liabilities	986	37,662	38,648
Net assets	2,430	-	2,430
Represented by:			
Equity			
Ordinary share capital	2,415	-	2,415
Reserves	-	-	-
Minority interests	-	-	-
Retained profits	15	-	15
Total equity	2,430	-	2,430

Note 47 Proforma comparatives

The Bank was incorporated on 14 February 2006, and did not trade as a registered bank prior to 1 November 2006. Therefore, it is not possible to provide full comparative information. However, in order to provide additional information to readers, the following consolidated proforma income statement, balance sheet and supporting notes have been prepared.

This note provides a general indication of key financial statements of the Bank and the Banking Group as at 31 March 2006 and 30 September 2006 as if the Bank had existed, and the vesting of assets and liabilities described in Note 46 had occurred, at 1 October 2005 (the beginning of the Bank's financial year). This note should not be construed in any way as a statement of the actual financial performance of the Bank and the Banking Group for the accounting period, or the financial position of the Bank and the Banking Group as at the end of, the stated periods. The proforma comparative statements are prepared to assist users in their interpretation of the actual financial statements for the Bank and the Banking Group disclosed in this General Disclosure Statement. In comparing the actual results for the six months to 31 March 2007 with the proforma results for the periods ended 31 March 2006 and 30 September 2006 note that, as at 31 March 2007, the Bank had only traded as a registered bank for five months. Westpac Banking Corporation's General Disclosure Statements prepared for the periods ended 31 March 2006 and 30 September 2006 form the basis of this disclosure information and should be read in conjunction with this note.

The statement of cash flows and changes in equity have not been prepared due to the inherent uncertainty in the creation of this retrospective information and the view that this would not provide meaningful information to the users of this General Disclosure Statement.

In preparing the proforma income statement and balance sheet, the financial information has been extracted from the general ledger of the NZ Branch with an additional adjustment for subsequent related entity acquisitions by the Bank of Westpac (NZ) Investments Limited, The Home Mortgage Company Limited and a 51% interest in The Warehouse Financial Services Limited on 1 November 2006, each of whose business relates to retail banking operations. The difference between all assets and liabilities identified as vesting in the new entity has been assumed to be funded through the "Other amounts due to related entities" with a relevant funding cost adjustment in the income statement. Any other assets and liabilities and their related income and expenses which formed part of the actual vesting process on 1 November 2006, but were not part of the standard business and consumer banking products have been similarly adjusted in both the balance sheet and income statements for comparison purposes. It is also assumed that the ordinary share capital and perpetual subordinated notes were issued and remained on issue during the relevant periods in the amount stated in the Bank's balance sheet as at 31 March 2007. It has been assumed that all retained profits have been distributed to the parent entity and minority interest.

It has also been assumed that a balance of $1,000 million of trading assets would be required to maintain the liquidity portfolio.

Comparative proforma income statements

	The Banking Group		The Bank	
	Year Ended 30 September 2006 Proforma $m	Six Months Ended 31 March 2006 Proforma $m	Year Ended 30 September 2006 Proforma $m	Six Months Ended 31 March 2006 Proforma $m
Interest income	3,015	1,449	2,968	1,425
Interest expense	(2,017)	(957)	(1,994)	(946)
Net interest income	998	492	974	479
Non-interest income:				
Fees and commissions	357	175	347	171
Trading income	3	1	3	1
Gain on ineffective hedges	-	-	-	-
Gain/(loss) from available-for-sale securities	-	-	-	-
Other non-interest income	22	10	22	10
Total non-interest income	382	186	372	182
Net operating income	1,380	678	1,346	661
Operating expenses	(631)	(309)	(621)	(305)
Impairment losses on loans	(34)	(11)	(33)	(10)
Profit before income tax expense	715	358	692	346
Income tax expense	(236)	(118)	(228)	(114)
Profit after income tax expense	479	240	464	232
Profit after income tax expense attributable to minority interests	(4)	(2)	-	-
Profit after income tax expense attributable to equity holders of the Banking Group	475	238	464	232

This is not a statement of the actual financial performance of the Banking Group over the stated period.

Note 47 Proforma comparatives (continued)

Comparative proforma balance sheets

	Note	The Banking Group As at 30 September 2006 Proforma $m	The Banking Group As at 31 March 2006 Proforma $m	The Bank As at 30 September 2006 Proforma $m	The Bank As at 31 March 2006 Proforma $m
Assets					
Cash		106	115	106	115
Due from other financial institutions		-	1	-	-
Derivative financial instruments		-	-	-	-
Other trading assets		1,000	1,000	1,000	1,000
Other financial assets at fair value		-	-	-	-
Available-for-sale securities		-	-	-	-
Loans	(i), (ii)	36,693	34,405	36,451	34,130
Due from related entities		3,563	1,224	3,404	989
Investments in related entities		-	-	-	-
Goodwill and other intangible assets		606	593	606	593
Property, plant and equipment		97	97	23	27
Income tax receivable		1	4	-	-
Deferred tax assets		82	80	71	69
Other assets		134	168	129	162
Total assets		42,282	37,687	41,790	37,085
Less:					
Liabilities					
Due to other financial institutions		-	-	-	-
Deposits at fair value	(iv)	4,122	2,823	4,122	2,823
Deposits at amortised cost	(iv)	23,300	22,007	23,300	22,007
Derivative financial instruments		4	2	4	2
Other trading liabilities		-	-	-	-
Debt issues		-	-	-	-
Current tax liabilities		3	49	3	48
Deferred tax liabilities		-	1	-	-
Provisions		61	43	61	43
Other liabilities		378	358	370	353
Total liabilities excluding due to related entities		27,868	25,283	27,860	25,276
Perpetual subordinated notes		970	970	970	970
Other amounts due to related entities		11,022	9,019	10,538	8,424
Total liabilities		39,860	35,272	39,368	34,670
Net assets		2,422	2,415	2,422	2,415
Represented by:					
Equity					
Ordinary share capital		2,415	2,415	2,415	2,415
Retained profits		7	-	7	-
Total equity		2,422	2,415	2,422	2,415

This is not a statement of the actual financial position of the Banking Group as at the stated date.

Note 47 Proforma comparatives (continued)

Note (i) Loans

	The Banking Group		The Bank	
	As at 30 September 2006 Proforma $m	As at 31 March 2006 Proforma $m	As at 30 September 2006 Proforma $m	As at 31 March 2006 Proforma $m
Overdrafts	1,016	1,024	1,016	1,024
Credit card outstandings	1,009	1,016	940	942
Overnight and at call money market loans	1,622	1,557	1,622	1,557
Term loans:				
Housing	24,545	22,872	24,370	22,649
Non-housing	8,647	8,072	8,647	8,091
Other	-	-	-	-
Total gross loans	36,839	34,541	36,595	34,263
Provisions for impairment losses on loans	(146)	(136)	(144)	(133)
Total net loans	36,985	34,677	36,739	34,396

Note (ii) Impaired assets

	The Banking Group		The Bank	
	As at 30 September 2006 Proforma $m	As at 31 March 2006 Proforma $m	As at 30 September 2006 Proforma $m	As at 31 March 2006 Proforma $m
Gross individually impaired assets	66	52	66	52
Individually assessed provisions	(15)	(12)	(15)	(12)
Net individually impaired assets	51	40	51	40
Gross individually impaired assets excluding restructured assets	66	52	66	52
Restructured assets	-	-	-	-
Total gross individually impaired assets	66	52	66	52
Individually assessed provisions	15	12	15	12
Collectively assessed provision	146	134	144	131
Total impairment provisions	161	146	159	143
Provisions for impairment losses on loans	146	136	144	133
Provisions for impairment losses on off-balance sheet credit exposures	15	11	15	11
Total impairment provisions	161	147	159	144
Past due assets	34	45	34	45
Other assets under administration	3	17	3	17

Note (iii) Interest earning and discount bearing assets and liabilities

	The Banking Group		The Bank	
	As at 30 September 2006 Proforma $m	As at 31 March 2006 Proforma $m	As at 30 September 2006 Proforma $m	As at 31 March 2006 Proforma $m
Interest earning and discount bearing assets	41,256	36,629	40,855	36,119
Interest earning and discount bearing liabilities	37,415	32,756	36,931	32,161

Note 47 Proforma comparatives (continued)

Note (iv) Deposits

	The Banking Group		The Bank	
	As at 30 September 2006 Proforma $m	As at 31 March 2006 Proforma $m	As at 30 September 2006 Proforma $m	As at 31 March 2006 Proforma $m
Deposits at fair value				
Certificates of deposit	4,122	2,823	4,122	2,823
Total deposits at fair value	4,122	2,823	4,122	2,823
Deposits at amortised cost				
Non-interest bearing, repayable at call	1,999	2,063	1,999	2,063
Other interest bearing:				
At call	9,130	7,924	9,130	7,924
Term	12,171	12,020	12,171	12,020
Total deposits at amortised cost	23,300	22,007	23,300	22,007
Total deposits	27,422	24,830	27,422	24,830

Auditors' report

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Auditors' Report

To the shareholders of Westpac New Zealand Limited

We have reviewed the financial statements on pages 9 to 73 and the supplementary information contained in the section "Market Risk" on page 5. The financial statements provide information about the past financial performance and cash flows of the Westpac New Zealand Limited (the "Bank") and its subsidiaries (together with the Bank, the "Banking Group") and their financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 15 to 24.

The financial statements consist of the financial statements of the Bank and the Banking Group for the six months ended 31 March 2007, and contain the supplementary information required by Clauses 12(3) and 14A of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 2007 (the "Order"). The supplementary information in the section "Market Risk" on page 5 contains those disclosures required by Clause 12(4) of the Order.

Directors' Responsibilities

The Directors of Westpac New Zealand Limited are responsible for the preparation and presentation of financial statements which give a true and fair view of the financial position of the Bank and the Banking Group as at 31 March 2007 and their financial performance and cash flows for the six months ended on that date. They are also responsible for the preparation and presentation of supplementary information which:

(a) gives a true and fair view, in accordance with Clause 12(2), 12(2A) 12(3) and 14A of the Order, of the matters to which it relates; and

(b) complies with Schedules 7 and 8 of the Order in accordance with Clause 12(4) of the Order.

Reviewers' Responsibilities

We are responsible for reviewing the financial statements and supplementary information disclosed in accordance with Clauses 12(2), 12(2A), 12(3) and 14A of the Order and presented to us by the Directors in order to state whether, on the basis of the procedures described below, anything has come to our attention that would indicate that the financial statements and supplementary information do not give a true and fair view of the matters to which they relate, and for reporting our findings to you.

We are also responsible for reviewing the supplementary information disclosed in accordance with Clause 12(4) of the Order and presented to us by the Directors in order to state whether, on the basis of the procedures described below, anything has come to our attention that would indicate that the supplementary information does not comply with Schedules 7 and 8 of the Order, and for reporting our findings to you.

PRICEWATERHOUSECOOPERS

Auditors' Report

Westpac New Zealand Limited

Basis of Review Statement

Our review has been conducted in accordance with review engagement standard RS-1 Statement of Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. A review is limited primarily to enquiries of Bank and Banking Group personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We carry out other assignments on behalf of the Bank and the Banking Group in the area of taxation advice. In addition, certain partners and employees of our firm may deal with the Bank and the Banking Group on normal terms within the ordinary course of trading activities of the Bank and the Banking Group. We have no other interests in the Bank or the Banking Group.

Unqualified Review Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(a) the financial statements do not:

- (i) comply with generally accepted accounting practice in New Zealand in accordance with both International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34, Interim Financial Reporting
- (ii) give a true and fair view of the financial position of the Bank and the Banking Group as at 31 March 2007 and their financial performance and cash flows for the six months ended on that date; and

(b) the supplementary information as required by Clauses 12(3) and 14A of the Order does not give a true and fair view of the matters to which it relates; and

(c) the supplementary information required by Clause 12(4) of the Order, does not comply with Schedules 7 and 8 of the Order.

Our work was completed on 27 April 2007 and our unqualified review statement is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Auckland

Westpac New Zealand Limited