



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



for the nine months ended **30 June 2004**

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## General Information and Definitions

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

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

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

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2003 and the six months ended 31 March 2004, respectively.

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

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## General Matters

### REGISTERED BANK

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

### OVERSEAS BANK

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

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

## Credit Ratings

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

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

### DESCRIPTIONS OF CREDIT RATING SCALES

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

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

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

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

## Financial Statements of the Overseas Bank and the Overseas Banking Group

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

The most recent publicly available financial statements for the Overseas Bank and the Overseas Banking Group can also be accessed at the internet address [www.westpac.com.au](http://www.westpac.com.au).

## Risk Management Policies

There have been no material changes to the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed in the three months prior to 30 June 2004.

### MARKET RISK

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

The peak end-of-day exposure and as at exposures below have been calculated using the Overseas Banking Group's equity as at 31 March 2004 (31 March 2003 for comparatives).

	Peak end-of-day for the three months ended		Peak end-of-day for the three months ended	
	As at 30 June 2004 Unaudited \$m	30 June 2004 Unaudited \$m	As at 30 June 2003 Unaudited \$m	30 June 2003 Unaudited \$m
Aggregate interest rate exposure	117	230	83	112
As a percentage of the Overseas Banking Group's equity	0.65%	1.27%	0.62%	0.84%
Aggregate foreign currency exposure	1	1	3	3
As a percentage of the Overseas Banking Group's equity	0.01%	0.01%	0.02%	0.02%

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

## Guarantee Arrangements

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

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

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

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

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

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

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

	30 September 2003 \$m	30 September 2002 \$m
Westpac Capital - NZ - Limited	227	200
Westpac (NZ) Investments Limited	699	696

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

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

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

## Ranking of Local Creditors in a Winding-up

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

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

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

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

Section 13A (3) of the Banking Act 1959 (Australia) affects all the unsecured deposit liabilities of the NZ Bank which as at 30 June 2004 amounted to \$25,164 million (30 June 2003: \$23,060 million; 30 September 2003: \$22,733 million).

The Overseas Bank is an ADI within the meaning of section 13A (3).

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

"Deposit liabilities –

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

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

## Local Incorporation

The Reserve Bank of New Zealand's ("Reserve Bank") policy is that all systemically important banks must incorporate as a local entity rather than operate via a branch. The NZ Bank is in regular contact with the Reserve Bank regarding the application of this policy to the NZ Bank. The NZ Bank is currently discussing with the Governor of the Reserve Bank potential alternatives to local incorporation for the NZ Bank.

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## Conditions of Registration

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

1. That the NZ Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
2. That the NZ Banking Group's insurance business is not greater than one percent of its total consolidated assets. For the purposes of this condition:
  - (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Rating and Inspections) Act 1994 (including those to which the Act is disappplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
  - (ii) In measuring the size of the NZ Banking Group's insurance business:
    - (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
      - the total consolidated assets of the Group headed by that entity;
      - or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the Group headed by the latter entity;
    - (b) otherwise, the size of each insurance business conducted by any entity within the NZ Banking Group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
    - (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the NZ Banking Group. All amounts in part (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993; and
    - (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.
3. That the business of the NZ Bank does not constitute a predominant proportion of the business of the Overseas Banking Group.
4. That no appointment to the position of the New Zealand Chief Executive Officer of the Overseas Bank shall be made unless:
  - (i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
  - (ii) the Reserve Bank has advised that it has no objection to that appointment.
5. That the Overseas Bank complies with the requirements imposed on it by the Australian Prudential Regulation Authority.
6. That the Overseas Bank complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:
  - Tier One Capital of the Overseas Banking Group is not less than four percent of risk weighted exposures;
  - Capital of the Overseas Banking Group is not less than eight percent of risk weighted exposures.

Further information on the capital adequacy of the Overseas Bank is contained in note 15 to the financial statements.

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

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## The Directors' Statement

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

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

Each Director of the Overseas Bank believes, after due enquiry, that, over the nine months ended 30 June 2004:

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

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



Dated this the 6th day of August 2004.

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# Consolidated Short Form Financial Statements

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## Consolidated Statement of Financial Performance

For the nine months ended 30 June 2004

<b>NZ Banking Group</b>				
Note	<b>Nine months ended 30 June 2004 Unaudited \$m</b>	Nine months ended 30 June 2003 Unaudited \$m	Year ended 30 September 2003 Audited \$m	
	<b>1,896</b>	1,787	2,368	
Interest income				
Interest expense	<b>(1,074)</b>	(1,017)	(1,335)	
<b>Net interest income</b>	<b>822</b>	770	1,033	
Non-interest income	<b>377</b>	368	456	
Trading income	<b>57</b>	38	82	
<b>Operating income</b>	<b>1,256</b>	1,176	1,571	
Non-interest expenses	<b>(536)</b>	(513)	(699)	
<b>Operating profit before bad and doubtful debts expense</b>	<b>720</b>	663	872	
Bad and doubtful debts expense	<b>(25)</b>	(193)	(205)	5
<b>Operating profit before income tax expense</b>	<b>695</b>	470	667	
Income tax expense	<b>(221)</b>	(146)	(203)	
<b>Operating profit after income tax expense</b>	<b>474</b>	324	464	
Operating profit after income tax expense attributable to intragroup minority interests in subsidiary companies	<b>(3)</b>	(2)	(2)	
<b>Operating profit after income tax expense attributable to NZ Banking Group equity holders</b>	<b>471</b>	322	462	

The following notes (numbered 1 to 15) form part of and should be read in conjunction with these consolidated short form financial statements.

## Consolidated Statement of Movements in Equity

For the nine months ended 30 June 2004

	<b>NZ Banking Group</b>		
	<b>Nine months ended 30 June 2004 Unaudited \$m</b>	Nine months ended 30 June 2003 Unaudited \$m	Year ended 30 September 2003 Audited \$m
<b>Balance at beginning of the period</b>	<b>5,025</b>	4,310	4,310
Operating profit after income tax expense attributable to NZ Banking Group equity holders	<b>471</b>	322	462
Operating profit after income tax expense attributable to intragroup minority interests in subsidiary companies	<b>3</b>	2	2
<b>Total recognised revenue and expenses</b>	<b>474</b>	324	464
Ordinary share capital:			
Issue of ordinary share capital	<b>50</b>	-	-
Dividends paid on ordinary share capital	-	(166)	(180)
Redemption of branch capital	-	-	(600)
Subordinated capital instruments – NZ Banking Group equity holders:			
Redemption of subordinated capital instruments	-	(900)	(900)
Dividends paid or provided for on subordinated capital instruments (net of tax)	-	(27)	(27)
Convertible debentures:			
Issue of convertible debentures (net of issue costs)	-	715	1,994
Dividends paid or provided for on convertible debentures (net of tax)	<b>(95)</b>	(46)	(64)
Reclassification of convertible debentures to liabilities <sup>1</sup>	<b>(611)</b>	-	-
NZ Class Shares:			
Dividends paid or provided for on NZ Class Shares	<b>(56)</b>	(22)	(44)
Purchase of NZ Class Shares – Treasury Stock	<b>(2)</b>	-	-
Aggregation of new entities <sup>2</sup>	-	-	80
Reduction in property revaluation reserve	<b>(1)</b>	-	-
Other minority interests	<b>(98)</b>	(5)	(8)
Remittance to Overseas Bank	<b>(350)</b>	-	-
<b>Balance at end of the period</b>	<b>4,336</b>	4,183	5,025

The following notes (numbered 1 to 15) form part of and should be read in conjunction with these consolidated short form financial statements.

1. This represents the proceeds from the convertible debentures which had previously been recognised net of issue costs of \$25 million.
2. This represents the net pre-acquisition capital contributed by the aggregation of BT Financial Group (NZ) Limited into the NZ Banking Group.

# Consolidated Statement of Financial Position

As at 30 June 2004

<b>NZ Banking Group</b>				
	Note	<b>30 June 2004 Unaudited \$m</b>	30 June 2003 Unaudited \$m	30 September 2003 Audited \$m
<b>ASSETS</b>				
Cash		<b>101</b>	106	103
Due from other financial institutions		<b>139</b>	608	77
Trading securities	2	<b>2,847</b>	2,354	2,258
Loans	3	<b>35,591</b>	32,505	33,361
Due from related entities		<b>1,070</b>	1,499	1,233
Future income tax benefit		<b>108</b>	114	119
Deferred tax asset		<b>1</b>	-	-
Property, plant and equipment		<b>217</b>	217	227
Intangible assets		<b>576</b>	633	611
Other assets		<b>1,720</b>	3,166	1,956
<b>Total assets</b>		<b>42,370</b>	41,202	39,945
Less:				
<b>LIABILITIES</b>				
Due to other financial institutions		<b>730</b>	1,451	201
Deposits	7	<b>24,974</b>	22,869	22,542
Bonds, notes and commercial paper		<b>7,134</b>	8,198	8,249
Due to related entities		<b>1,202</b>	532	702
Deferred tax liability		<b>-</b>	36	23
Other liabilities		<b>3,109</b>	3,883	3,153
<b>Total liabilities excluding subordinated debt</b>		<b>37,149</b>	36,969	34,870
Subordinated debt	8	<b>885</b>	50	50
<b>Total liabilities</b>		<b>38,034</b>	37,019	34,920
<b>Net assets</b>		<b>4,336</b>	4,183	5,025
Represented by:				
<b>EQUITY</b>				
Ordinary share capital		<b>132</b>	3	82
Branch capital		<b>-</b>	600	-
Convertible debentures	10	<b>1,994</b>	1,301	2,580
Property revaluation reserve		<b>-</b>	1	1
Retained earnings		<b>952</b>	918	1,004
<b>Total NZ Banking Group equity</b>		<b>3,078</b>	2,823	3,667
NZ Class Shares	11	<b>596</b>	598	598
Other minority interests		<b>662</b>	762	760
<b>Total equity</b>		<b>4,336</b>	4,183	5,025

The following notes (numbered 1 to 15) form part of and should be read in conjunction with these consolidated short form financial statements.

# Consolidated Statement of Cash Flows

For the nine months ended 30 June 2004

	<b>NZ Banking Group</b>		
	<b>Nine months ended 30 June 2004 Unaudited \$m</b>	Nine months ended 30 June 2003 Unaudited \$m	Year ended 30 September 2003 Audited \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest income received	<b>1,864</b>	1,589	2,361
Non-interest income received	<b>393</b>	488	691
(Increase)/decrease in trading securities and derivative financial instruments	<b>(467)</b>	490	1,117
Interest paid	<b>(935)</b>	(922)	(1,431)
Non-interest expenses paid	<b>(495)</b>	(400)	(513)
Income tax paid	<b>(128)</b>	(98)	(180)
<b>Net cash flows from operating activities</b>	<b>232</b>	1,147	2,045
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Disposal of property, plant and equipment	<b>1</b>	6	11
Purchase of property, plant and equipment	<b>(43)</b>	(97)	(127)
Increase in loans	<b>(2,356)</b>	(1,338)	(2,194)
Acquisition of related entities (net of cash acquired)	<b>-</b>	(75)	(75)
Disposal of related entities	<b>188</b>	70	70
Movement in other assets	<b>(76)</b>	(11)	(82)
<b>Net cash flows from investing activities</b>	<b>(2,286)</b>	(1,445)	(2,397)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in due from other financial institutions – term	<b>-</b>	(308)	-
Increase/(decrease) in due to other financial institutions – term	<b>534</b>	1,188	(20)
Increase in deposits	<b>2,432</b>	726	399
(Decrease)/increase in bonds, notes and commercial paper	<b>(1,115)</b>	354	405
Decrease in amounts due to and due from related entities	<b>(61)</b>	(722)	(373)
Decrease in other liabilities	<b>(37)</b>	(83)	-
Issue of ordinary share capital	<b>50</b>	-	-
Issue of convertible debentures (net of issue costs)	<b>-</b>	715	1,994
Issue of subordinated debt	<b>835</b>	-	-
Redemption of subordinated capital instruments	<b>-</b>	(900)	(900)
Redemption of branch capital	<b>-</b>	-	(600)
Dividends paid on ordinary share capital	<b>-</b>	(166)	(180)
Dividends paid on subordinated capital instruments	<b>-</b>	(40)	(40)
Dividends paid on convertible debentures	<b>(139)</b>	(68)	(96)
Dividends paid on NZ Class Shares	<b>(28)</b>	(22)	(44)
Purchase of NZ Class Shares – Treasury Stock	<b>(2)</b>	-	-
Remittance to the Overseas Bank	<b>(350)</b>	-	-
<b>Net cash flows from financing activities</b>	<b>2,119</b>	674	545
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the period	<b>38</b>	(155)	(155)
<b>Cash and cash equivalents at end of the period</b>	<b>103</b>	221	38
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash	<b>101</b>	106	103
Due from other financial institutions – call	<b>139</b>	300	77
Due to other financial institutions – call	<b>(137)</b>	(185)	(142)
<b>Cash and cash equivalents at end of the period</b>	<b>103</b>	221	38

## Consolidated Statement of Cash Flows continued

For the nine months ended 30 June 2004

	<b>NZ Banking Group</b>		
	<b>Nine months ended 30 June 2004 Unaudited \$m</b>	Nine months ended 30 June 2003 Unaudited \$m	Year ended 30 September 2003 Audited \$m
<b>RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX EXPENSE TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit after income tax expense attributable to NZ Banking Group equity holders	<b>471</b>	322	462
<b>Adjustments:</b>			
Amortisation of intangible assets	<b>35</b>	35	47
General provision establishment	-	178	178
Bad and doubtful debts expense	<b>25</b>	15	27
Depreciation/amortisation	<b>51</b>	45	62
Intragroup minority interests in subsidiary companies	<b>3</b>	2	2
Movement in accrued assets	<b>(62)</b>	(97)	87
Movement in accrued liabilities	<b>4</b>	98	(14)
Movement in income tax provisions	<b>93</b>	47	23
Movement in trading securities and derivative financial instruments	<b>(388)</b>	502	1,171
<b>Net cash flows from operating activities</b>	<b>232</b>	1,147	2,045

The following notes (numbered 1 to 15) form part of and should be read in conjunction with these consolidated short form financial statements.

# Notes to the Consolidated Short Form Financial Statements

## NOTE 01 ACCOUNTING POLICIES

### STATUTORY BASE

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

These consolidated short form financial statements have been prepared in accordance with Financial Reporting Standard No. 24 *Interim Financial Statements* and should be read in conjunction with the General Disclosure Statement for the year ended 30 September 2003 and the six months ended 31 March 2004, respectively.

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

- Westpac Banking Corporation Group (otherwise referred to as the **“Overseas Banking Group”**) – refers to the total worldwide business of Westpac Banking Corporation including its controlled entities.
- Westpac Banking Corporation (otherwise referred to as the **“Overseas Bank”**) – refers to the worldwide activities of Westpac Banking Corporation excluding its controlled entities.
- Westpac Banking Corporation New Zealand Division (otherwise referred to as the **“NZ Banking Group”**) – refers to the New Zealand operations of Westpac Banking Corporation Group including those subsidiaries whose business is required to be reported in financial statements for the Overseas Banking Group’s New Zealand business.
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the **“NZ Bank”**) – refers to the New Zealand operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

The most recently published financial statements for the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2003 and the six months ended 31 March 2004, respectively.

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### MEASUREMENT BASE

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

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### BASIS OF AGGREGATION

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

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

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## Notes to the Consolidated Short Form Financial Statements continued

### NOTE 01 ACCOUNTING POLICIES continued

#### COMPARATIVE FIGURES

Certain comparative figures have been restated so as to enhance comparability with the current period. In particular, as a result of continuing analysis of hedges on structured finance transactions, we have reclassified the results of hedges from interest expense to non-interest income. This restatement is additional to that previously described in the 31 March 2004 General Disclosure Statement. Comparatives have been restated accordingly. The table below has been included to reflect both restatements for the current and previous financial year.

	Six months ended 31 March 2004 Unaudited \$m	Three months ended 31 December 2003 Unaudited \$m	Year ended 30 September 2003 Unaudited \$m	Nine months ended 30 June 2003 Unaudited \$m	Six months ended 31 March 2003 Unaudited \$m	Three months ended 31 December 2002 Unaudited \$m
Interest income	1,242	603	2,368	1,787	1,188	594
Interest expense	(701)	(336)	(1,335)	(1,017)	(676)	(342)
<b>Net interest income</b>	541	267	1,033	770	512	252
Trading income	38	18	82	38	45	23
Other non-interest income	252	123	456	368	227	118
<b>Operating income</b>	831	408	1,571	1,176	784	393

#### CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies used in the preparation of these consolidated short form financial statements for the nine months ended 30 June 2004 and those used in the preparation of the General Short Form Disclosure Statement for the nine months ended 30 June 2003 and the General Disclosure Statement for the year ended 30 September 2003.

#### NEW ACCOUNTING POLICY – REDEMPTION OF CONVERTIBLE DEBENTURES

Convertible debentures reported as equity in the statement of financial position are reclassified as liabilities when the NZ Bank gives notice that they are going to be redeemed. The amount recognised as a liability is the amount payable on redemption. Issue costs, previously treated as a reduction in the equity amount recognised, are deducted from retained earnings. Distributions relating to the period the convertible debentures are classified as a liability are recognised as interest expense in the statement of financial performance.



## Notes to the Consolidated Short Form Financial Statements continued

	NZ Banking Group		
	30 June 2004 Unaudited \$m	30 June 2003 Unaudited \$m	30 September 2003 Audited \$m
<b>NOTE 02 TRADING SECURITIES</b>			
Treasury bills	749	1,047	987
Commercial paper	430	110	69
New Zealand Government stock	246	67	128
Certificates of deposit	1,256	911	929
Other trading securities	166	219	145
<b>Total trading securities</b>	<b>2,847</b>	2,354	2,258

Trading securities as at 30 June 2004 included securities of \$674 million encumbered through repurchase agreements (30 June 2003: \$648 million; 30 September 2003: \$416 million).

	NZ Banking Group		
	30 June 2004 Unaudited \$m	30 June 2003 Unaudited \$m	30 September 2003 Audited \$m
<b>NOTE 03 LOANS</b>			
Overdrafts	1,101	993	1,088
Credit card outstandings	913	864	877
Overnight and at call money market loans	1,018	1,005	1,097
Term loans:			
Housing	18,112	15,375	15,933
Non-housing	9,649	8,497	8,621
Other	5,064	6,032	6,011
<b>Total gross loans</b>	<b>35,857</b>	32,766	33,627
Provisions for bad and doubtful debts	(266)	(261)	(266)
<b>Total net loans</b>	<b>35,591</b>	32,505	33,361

## Notes to the Consolidated Short Form Financial Statements continued

	Nine months ended 30 June 2004			Nine months ended 30 June 2003			Year ended 30 September 2003		
	Non-accrual assets Unaudited \$m	Restructured assets Unaudited \$m	Total Unaudited \$m	Non-accrual assets Unaudited \$m	Restructured assets Unaudited \$m	Total Unaudited \$m	Non-accrual assets Audited \$m	Restructured assets Audited \$m	Total Audited \$m
<b>NOTE 04 IMPAIRED ASSETS</b>									
Gross impaired assets	59	-	59	61	1	62	71	-	71
Specific provisions	(10)	-	(10)	(12)	-	(12)	(8)	-	(8)
<b>Net impaired assets</b>	<b>49</b>	<b>-</b>	<b>49</b>	<b>49</b>	<b>1</b>	<b>50</b>	<b>63</b>	<b>-</b>	<b>63</b>
<b>GROSS IMPAIRED ASSETS</b>									
Balance at beginning of the period	71	-	71	91	1	92	91	1	92
Additions	203	-	203	35	-	35	47	-	47
Amounts written off	(13)	-	(13)	(8)	-	(8)	(10)	(1)	(11)
Returned to performing or repaid	(202)	-	(202)	(57)	-	(57)	(57)	-	(57)
<b>Balance at the end of the period</b>	<b>59</b>	<b>-</b>	<b>59</b>	<b>61</b>	<b>1</b>	<b>62</b>	<b>71</b>	<b>-</b>	<b>71</b>
<b>SPECIFIC PROVISIONS</b>									
Balance at beginning of the period	8	-	8	15	-	15	15	-	15
Charge to statement of financial performance	16	-	16	11	-	11	15	-	15
Specific provisions no longer required	(7)	-	(7)	(9)	-	(9)	(15)	-	(15)
Bad debts written off	(7)	-	(7)	(5)	-	(5)	(7)	-	(7)
<b>Balance at the end of the period</b>	<b>10</b>	<b>-</b>	<b>10</b>	<b>12</b>	<b>-</b>	<b>12</b>	<b>8</b>	<b>-</b>	<b>8</b>

### NZ Banking Group

	30 June 2004 Unaudited \$m	30 June 2003 Unaudited \$m	30 September 2003 Audited \$m
<b>GENERAL PROVISION</b>			
Balance at beginning of the period	258	71	71
(Credit)/charge to statement of financial performance	(2)	178	187
<b>Balance at end of the period</b>	<b>256</b>	<b>249</b>	<b>258</b>
<b>PAST DUE ASSETS</b>			
Balance at beginning of the period	197	247	247
Additions	29	38	47
Deletions	(193)	(81)	(97)
<b>Balance at end of the period</b>	<b>33</b>	<b>204</b>	<b>197</b>

There are no unrecognised impaired assets.

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

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

## Notes to the Consolidated Short Form Financial Statements continued

<b>NZ Banking Group</b>			
	<b>Nine months ended 30 June 2004 Unaudited \$m</b>	Nine months ended 30 June 2003 Unaudited \$m	Year ended 30 September 2003 Audited \$m
<b>NOTE 05 BAD AND DOUBTFUL DEBTS EXPENSE</b>			
Specific provisions	<b>16</b>	11	15
Specific provisions no longer required	<b>(7)</b>	(9)	(15)
General provision	<b>(2)</b>	-	9
Write-offs direct	<b>28</b>	35	44
Recoveries	<b>(10)</b>	(22)	(26)
<b>Bad and doubtful debts expense before additional general provision</b>	<b>25</b>	15	27
Additional general provision	-	178	178
<b>Total bad and doubtful debts expense</b>	<b>25</b>	193	205

Further information on the additional general provision can be found in note 4.

<b>NZ Banking Group</b>			
	<b>30 June 2004 Unaudited \$m</b>	30 June 2003 Unaudited \$m	30 September 2003 Audited \$m
<b>NOTE 06 INTEREST EARNING ASSETS AND INTEREST BEARING LIABILITIES</b>			
Total interest earning assets	<b>39,022</b>	37,361	36,125
Total interest bearing liabilities	<b>33,698</b>	31,897	30,474
<b>NOTE 07 DEPOSITS</b>			
Non-interest bearing	<b>939</b>	1,002	938
Certificates of deposit	<b>3,097</b>	2,790	2,790
Other interest bearing:			
At call	<b>10,999</b>	9,094	9,314
Term	<b>9,939</b>	9,983	9,500
<b>Total deposits</b>	<b>24,974</b>	22,869	22,542

### NOTE 08 SUBORDINATED DEBT

#### SUBORDINATED BONDS

The subordinated bonds on issue as at 30 June 2004 had a face value of \$50 million and carried a fixed rate coupon of 7.59%, which applied until 15 July 2004, at which time the NZ Bank redeemed the bonds in accordance with their terms and following a notice given on 26 May 2004 of its intention to exercise an early repayment option. These bonds were issued at par value.

#### CONVERTIBLE DEBENTURES

On 5 April 2004, the NZ Bank issued US\$525 million of Junior Subordinated Convertible Debentures to JP Morgan Chase Bank as trustee of the Tavarua Funding Trust IV. They have been recognised net of issue costs of \$9 million.

The convertible debentures are unsecured obligations of the NZ Bank and will rank subordinate and junior in the right of payment of principal and distributions to certain of the NZ Bank's obligations to its depositors and creditors, including other subordinated creditors, other than subordinated creditors holding subordinated indebtedness that ranks equally with, or junior to, the convertible debentures.

## Notes to the Consolidated Short Form Financial Statements continued

### NOTE 08 SUBORDINATED DEBT continued

The convertible debentures will pay non-cumulative semi-annual distributions (31 March and 30 September) in arrears at the annual rate of 5.256% up to but excluding 31 March 2016. From, and including 31 March 2016, the convertible debentures will pay non-cumulative quarterly distributions (31 December, 31 March, 30 June and 30 September) in arrears at a floating rate equal to LIBOR plus 1.7675% per year. The convertible debentures will only pay distributions to the extent they are declared by the Board of Directors, or an authorised committee of the Board. Any distribution is subject to the Overseas Bank having sufficient distributable profits unless approved by APRA. If certain other conditions exist a distribution is not permitted to be declared.

The convertible debentures have no stated maturity, but will automatically convert into American Depositary Receipts ("ADRs") each representing 40 Overseas Bank preference shares (non-cumulative preference shares with a liquidation amount of US\$25) on 31 March 2053, or earlier in the event that a distribution is not made or certain other events occur.

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

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### NOTE 09 SUBORDINATED CAPITAL INSTRUMENTS

#### NZ BANKING GROUP EQUITY HOLDERS

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

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

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

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

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

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

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

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## Notes to the Consolidated Short Form Financial Statements continued

	<b>NZ Banking Group</b>		
	<b>30 June 2004 Unaudited \$m</b>	30 June 2003 Unaudited \$m	30 September 2003 Audited \$m
<b>NOTE 10 CONVERTIBLE DEBENTURES</b>			
Trust Originated Preferred Securities	-	586	586
Fixed Interest Resetable Trust Securities	<b>715</b>	715	715
Trust Preferred Securities	<b>1,279</b>	-	1,279
<b>Total convertible debentures</b>	<b>1,994</b>	1,301	2,580

### TRUST ORIGINATED PREFERRED SECURITIES

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

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

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

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

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

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

Notice of redemption of the 8% Junior Subordinated Convertible Debentures was provided by the NZ Bank to the Funding Trust on 8 June 2004 and the convertible debentures were reclassified to a liability on this date.

### FIXED INTEREST RESETTABLE TRUST SECURITIES

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

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

## Notes to the Consolidated Short Form Financial Statements continued

### NOTE 10 CONVERTIBLE DEBENTURES continued

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

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

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

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

### TRUST PREFERRED SECURITIES

During the year ended 30 September 2003, the NZ Bank issued Junior Subordinated Convertible Debentures to JP Morgan Chase Bank as trustee of the Tavarua Funding Trust III ("Funding Trust III"). They represent the proceeds (net of issue costs) of approximately US\$750 million of Trust Preferred Securities ("TPS") issued by the Overseas Banking Group in the United States of America.

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

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

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

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

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

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## Notes to the Consolidated Short Form Financial Statements continued

	NZ Banking Group		
	30 June 2004 Unaudited \$m	30 June 2003 Unaudited \$m	30 September 2003 Audited \$m
<b>NOTE 11 NZ CLASS SHARES</b>			
NZ Class Shares issued	610	610	610
NZ Class Shares held as Treasury Stock	(2)	-	-
NZ Class Shares held as Treasury Stock now cancelled	(12)	(12)	(12)
<b>Balance at end of period</b>	<b>596</b>	598	598

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

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

On 9 May 2002, WNZIL gave notice that it intended to commence an on-market buy-back of up to 1.5 million NZ Class Shares for a period of six months from 24 May 2002. During the buy-back WNZIL acquired 698,375 NZ Class Shares for a total amount of \$12.2 million. On 7 May 2003, WNZIL cancelled the 698,375 NZ Class Shares, reducing the number of shares on issue to 53,694,931.

As at 30 June 2004 there were 53,694,931 NZ Class Shares on issue (30 June 2003: 53,694,931; 30 September 2003: 53,694,931) with 114,401 NZ Class Shares held as Treasury Stock (30 June 2003: nil; 30 September 2003: nil).

Key features of these shares are:

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

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

### EMPLOYEE SHARE OWNERSHIP

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

In February 2004, the NZ Bank ceased to operate the staff share scheme. There will be no further allocations of fully paid shares to staff under this scheme.

### TREASURY STOCK

On 6 May 2004, WNZIL gave notice that it intended to commence an on-market buy-back of approximately 1 million NZ Class Shares for a period of six months from 17 May 2004. As at 30 June 2004, WNZIL had acquired 114,401 NZ Class Shares for a total amount of \$2.1 million. These shares are being held as Treasury Stock. As such, WNZIL has the right to reissue these shares at a later date. These shares represent 0.2% of the NZ Class Shares on issue at the commencement of the buy-back.

## Notes to the Consolidated Short Form Financial Statements continued

	<b>NZ Banking Group</b>		
	<b>30 June 2004 Unaudited \$m</b>	30 June 2003 Unaudited \$m	30 September 2003 Audited \$m
<b>NOTE 12 CONTINGENT LIABILITIES AND OTHER COMMITMENTS</b>			
<b>CONTINGENT LIABILITIES</b>			
Direct credit substitutes	<b>256</b>	117	192
Transaction related contingent items	<b>533</b>	366	541
Trade related contingent liabilities	<b>603</b>	235	617
<b>Total contingent liabilities</b>	<b>1,392</b>	718	1,350

The NZ Banking Group has other contingent liabilities in respect of actual and potential claims and proceedings. An assessment of the NZ Banking Group's likely loss in respect of these claims has been made on a case-by-case basis and provision has been made where appropriate.

### NEW ZEALAND INLAND REVENUE DEPARTMENT INVESTIGATION

As previously disclosed in the March 2004 General Disclosure Statement, the New Zealand Inland Revenue Department ("NZIRD") is reviewing a number of structured finance transactions as part of its audit of the 1999 to 2002 tax years. This is part of a broader NZIRD investigation and review of structured finance transactions in the New Zealand market. On 5 August 2004, the NZ Bank received Notices of Proposed Adjustment ("NOPAs") in respect of three structured finance transactions. The NOPAs cover the 1999 to 2002 years and propose tax adjustments of up to approximately \$85 million (or \$113 million with interest) in disputed tax. The total potential disputed tax for these transactions for the 1999 to 2004 tax years is approximately \$97 million (or \$127 million with interest).

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

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

The issue of a future law change to address these types of transactions is also currently being discussed with the New Zealand Government and the NZIRD. The NZ Bank, along with the rest of the industry, is working cooperatively with the New Zealand authorities in this regard.

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

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

### OTHER CONTINGENT ASSETS AND LIABILITIES

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

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

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



## Notes to the Consolidated Short Form Financial Statements continued

### NOTE 12 CONTINGENT LIABILITIES AND OTHER COMMITMENTS continued

The NZ Banking Group has a contingent asset in respect of \$16 million (30 June 2003: nil; 30 September 2003: \$27 million) contributed to various funds managed by its wealth management subsidiaries. During the nine months ended 30 June 2004 a sum of \$11 million was returned to the NZ Banking Group and was recognised in other non-interest income. The repayment of the remaining sum is dependent on the future performance of these funds.

### OTHER COMMITMENTS

As at 30 June 2004, the NZ Banking Group had commitments in respect of forward purchases and sales of foreign currencies, interest rate and currency swap transactions, futures and options contracts, provision of credit, underwriting facilities and other engagements entered into in the normal course of business. The NZ Banking Group has management systems and operational controls in place to manage interest rate risk and currency risk. Accordingly, it is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from these transactions.

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### NOTE 13 CREDIT RISK

#### RISK WEIGHTED EXPOSURES

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

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

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

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

## Notes to the Consolidated Short Form Financial Statements continued

### NOTE 13 CREDIT RISK continued

**NZ Banking Group**  
**30 June 2004 – Unaudited**

<b>CALCULATION OF ON-BALANCE SHEET EXPOSURES</b>	<b>Principal Amount \$m</b>		<b>Risk Weighting</b>	<b>Risk Weighted Exposure \$m</b>	
Cash and short term claims on government	1,201		0%	-	
Long term claims on government	258		10%	26	
Claims on banks and New Zealand local authorities	4,394		20%	879	
Residential mortgages	18,164		50%	9,082	
Other assets	16,818		100%	16,818	
Non-risk weighted assets	1,535			-	
<b>Total on-balance sheet exposures</b>	<b>42,370</b>			<b>26,805</b>	
<b>CALCULATION OF SECURITISED MORTGAGE EXPOSURES</b>					
Securitized mortgages	806		50%	403	
<b>Total securitized mortgage exposures</b>	<b>806</b>			<b>403</b>	
<b>CALCULATION OF OFF-BALANCE SHEET EXPOSURES</b>					
	<b>Principal Amount \$m</b>	<b>Credit Conversion Factor</b>	<b>Credit Equivalent Amount \$m</b>	<b>Average Counterparty Risk Weighting</b>	<b>Risk Weighted Exposure \$m</b>
<b>DIRECT CREDIT SUBSTITUTES</b>					
Standby letters of credit and financial guarantees	256	100%	256	100%	256
<b>Total direct credit substitutes</b>	<b>256</b>		<b>256</b>		<b>256</b>
<b>COMMITMENTS</b>					
Commitments with certain drawdown	21	100%	21	100%	21
Housing loan commitments with certain drawdown	41	100%	41	50%	21
Transaction related contingent items	533	50%	267	100%	267
Short term, self liquidating trade related contingent liabilities	603	20%	121	100%	121
Other commitments to provide financial services which have an original maturity of one year or more	5,063	50%	2,532	100%	2,532
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	5,229	0%	-	0%	-
<b>Total commitments</b>	<b>11,490</b>		<b>2,982</b>		<b>2,962</b>
<b>MARKET RELATED CONTRACTS (DERIVATIVES)</b>					
Foreign exchange contracts:					
Forwards	24,244		576	26%	151
Options	10		1	0%	-
Swaps	19,097		1,477	23%	345
Interest rate contracts:					
Forwards	15,158		6	17%	1
Futures	7,197		-	0%	-
Options	2,228		3	33%	1
Swaps	80,433		734	31%	224
<b>Total market related contracts (derivatives)</b>	<b>148,367</b>		<b>2,797</b>		<b>722</b>
<b>Total off-balance sheet exposures</b>	<b>160,113</b>		<b>6,035</b>		<b>3,940</b>
<b>Total risk weighted exposures</b>					<b>31,148</b>

## Notes to the Consolidated Short Form Financial Statements continued

### NOTE 13 CREDIT RISK continued

NZ Banking Group  
30 June 2003 – Unaudited

#### CALCULATION OF ON-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Risk Weighting	Risk Weighted Exposure \$m
Cash and short term claims on government	1,908	0%	-
Long term claims on government	801	10%	80
Claims on banks and New Zealand local authorities	6,963	20%	1,393
Residential mortgages	15,475	50%	7,738
Other assets	14,564	100%	14,564
Non-risk weighted assets	1,491		-
<b>Total on-balance sheet exposures</b>	<b>41,202</b>		<b>23,775</b>

#### CALCULATION OF SECURITISED MORTGAGE EXPOSURES

Securitized mortgages	921	50%	461
<b>Total securitized mortgage exposures</b>	<b>921</b>		<b>461</b>

#### CALCULATION OF OFF-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
<b>DIRECT CREDIT SUBSTITUTES</b>					
Standby letters of credit and financial guarantees	117	100%	117	100%	117
<b>Total direct credit substitutes</b>	<b>117</b>		<b>117</b>		<b>117</b>

#### COMMITMENTS

Commitments with certain drawdown	23	100%	23	100%	23
Housing loan commitments with certain drawdown	46	100%	46	50%	23
Transaction related contingent items	366	50%	183	100%	183
Short term, self liquidating trade related contingent liabilities	235	20%	47	100%	47
Other commitments to provide financial services which have an original maturity of one year or more	4,297	50%	2,149	100%	2,149
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	6,439	0%	-	0%	-
<b>Total commitments</b>	<b>11,406</b>		<b>2,448</b>		<b>2,425</b>

#### MARKET RELATED CONTRACTS (DERIVATIVES)

Foreign exchange contracts:					
Forwards	27,896		930	25%	230
Options	10		1	0%	-
Swaps	16,357		1,127	23%	256
Interest rate contracts:					
Forwards	8,640		3	33%	1
Futures	25,896		-	0%	-
Options	485		3	33%	1
Swaps	67,882		1,311	27%	356
<b>Total market related contracts (derivatives)</b>	<b>147,166</b>		<b>3,375</b>		<b>844</b>
<b>Total off-balance sheet exposures</b>	<b>158,689</b>		<b>5,940</b>		<b>3,386</b>
<b>Total risk weighted exposures</b>					<b>27,622</b>

## Notes to the Consolidated Short Form Financial Statements continued

### NOTE 13 CREDIT RISK continued

NZ Banking Group  
30 September 2003 – Audited

#### CALCULATION OF ON-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Risk Weighting	Risk Weighted Exposure \$m
Cash and short term claims on government	1,116	0%	-
Long term claims on government	489	10%	49
Claims on banks and New Zealand local authorities	5,294	20%	1,059
Residential mortgages	16,031	50%	8,016
Other assets	15,150	100%	15,150
Non-risk weighted assets	1,865		-
<b>Total on-balance sheet exposures</b>	<b>39,945</b>		<b>24,274</b>

#### CALCULATION OF SECURITISED MORTGAGE EXPOSURES

Securitized mortgages	846	50%	423
<b>Total securitized mortgage exposures</b>	<b>846</b>		<b>423</b>

#### CALCULATION OF OFF-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
<b>DIRECT CREDIT SUBSTITUTES</b>					
Standby letters of credit and financial guarantees	192	100%	192	100%	192
<b>Total direct credit substitutes</b>	<b>192</b>		<b>192</b>		<b>192</b>
<b>COMMITMENTS</b>					
Commitments with certain drawdown	55	100%	55	100%	55
Housing loan commitments with certain drawdown	25	100%	25	50%	13
Transaction related contingent items	541	50%	271	100%	271
Short term, self liquidating trade related contingent liabilities	617	20%	123	100%	123
Other commitments to provide financial services which have an original maturity of one year or more	4,851	50%	2,426	100%	2,426
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	5,392	0%	-	0%	-
<b>Total commitments</b>	<b>11,481</b>		<b>2,900</b>		<b>2,888</b>
<b>MARKET RELATED CONTRACTS (DERIVATIVES)</b>					
Foreign exchange contracts:					
Forwards	23,838		777	24%	187
Options	25		1	0%	-
Swaps	17,985		1,180	23%	269
Interest rate contracts:					
Forwards	6,324		1	0%	-
Futures	28,285		-	0%	-
Options	685		2	50%	1
Swaps	68,184		1,005	25%	255
<b>Total market related contracts (derivatives)</b>	<b>145,326</b>		<b>2,966</b>		<b>712</b>
<b>Total off-balance sheet exposures</b>	<b>156,999</b>		<b>6,058</b>		<b>3,792</b>
<b>Total risk weighted exposures</b>					<b>28,489</b>

## Notes to the Consolidated Short Form Financial Statements continued

### NOTE 14 CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

#### ANALYSIS OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

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

#### Individual Counterparties

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

#### Closely Related Counterparties

	Peak end-of-day for the three months ended		Peak end-of-day for the three months ended		Peak end-of-day for the three months ended	
	As at 30 June 2004	As at 30 June 2004	As at 30 June 2003	As at 30 June 2003	As at 30 September 2003	As at 30 September 2003
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
<b>10 - 20% of Overseas Banking Group's equity</b>						
Bank counterparties	1	1	2	2	1	1
Non-bank counterparties	-	-	-	-	-	-

The peak end-of-day exposure and as at exposures have been calculated using the Overseas Banking Group's equity as at 31 March 2004. The equity used in the 30 June 2003 comparatives was as at 31 March 2003. Credit exposure used in the above calculations is determined with reference to actual credit exposures. Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties do not include exposures to those counterparties if they are recorded outside New Zealand nor exposures to any OECD government. These calculations relate only to exposures held in the financial records of the NZ Banking Group and were calculated net of specific provisions.

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

### NOTE 15 CAPITAL ADEQUACY

The Overseas Bank and the Overseas Banking Group are subject to the capital adequacy requirements as specified by the Australian Prudential Regulation Authority ("APRA"). The capital adequacy requirements are based on the framework proposed by the Basel Committee on Banking Supervision, which has been endorsed by banking supervisory authorities in the G10 and other industrial countries.

The most recently publicly available capital adequacy ratios of the Overseas Banking Group and the Overseas Bank are as at 31 March 2004, as shown below:

	Overseas Banking Group		
	31 March 2004 Unaudited %	31 March 2003 Unaudited %	Minimum Capital Adequacy Ratio as specified by APRA %
	Tier One Capital, expressed as a percentage of risk weighted exposures	7.2	6.4
Capital, expressed as a percentage of risk weighted exposures	10.2	9.7	8.0

  

	Overseas Bank		
	31 March 2004 Unaudited %	31 March 2003 Unaudited %	Minimum Capital Adequacy Ratio as specified by APRA %
	Tier One Capital, expressed as a percentage of risk weighted exposures	6.3	6.2
Capital, expressed as a percentage of risk weighted exposures	10.0	10.2	8.0

The Overseas Banking Group and Overseas Bank exceeded the minimum capital adequacy ratio requirement as specified by APRA as at 31 March 2004. The minimum capital adequacy requirements as specified by APRA are at least equal to those specified under the Basel framework.





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