



Westpac Banking Corporation's general short form disclosure statement

for the nine months ended 30 June 2007

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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 2007 (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 entities whose business is required to be reported in financial statements for the Overseas Banking Group's New Zealand business. As at 30 June 2007, the NZ Banking Group included the following subsidiary entities:
 - Westpac New Zealand Group Limited - Holding company
 - Westpac Group Investment - NZ - Limited - Holding company
 - Westpac Holdings - NZ - Limited - Holding company
 - Augusta (1962) Limited - Non-trading company
 - BT Financial Group (NZ) Limited and its subsidiary companies - Holding company
 - Westpac Equity Investments NZ Limited - Finance company
 - TBNZ Limited and its subsidiary companies - Holding company
 - 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 - Funding company
 - BLE Capital (NZ) Limited - Finance company
 - Hastings Forestry Investments Limited - Non-trading company
 - Tasman Funding No. 1 - Funding company
 - Tasman Funding No. 2 - Funding company
 - Westpac NZ Funding - Funding company
 - Westpac New Zealand Limited - Financial institution
 - Westpac Securities NZ Limited - Funding company
 - Westpac NZ Operations Limited - Holding company
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the '**NZ Branch**') – refers to the New Zealand operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2006 and the six months ended 31 March 2007.

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

General matters

Registered Bank

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

Overseas Bank

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

The Overseas Bank's principal office is located at 275 Kent Street, Sydney, New South Wales 2000, Australia.

Credit ratings

The Overseas Bank has the following credit ratings with respect to its long term senior unsecured obligations, including obligations payable in New Zealand in New Zealand dollars. On 22 February 2007, Standard & Poor's raised its long term credit rating to 'AA' from 'AA-'. On 4 May 2007, Moody's Investors Services raised its long term credit rating to 'Aa1' from 'Aa3'. There has been no change to the credit rating issued by Fitch Ratings in the two years preceding 30 June 2007.

These credit ratings are given without any qualifications:

Rating Agency	Current Credit Rating
Standard & Poor's	AA
Moody's Investors Service	Aa1
Fitch Ratings	AA-

Descriptions of credit rating scales

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

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

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

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

Local incorporation

It is a policy of the Reserve Bank of New Zealand (**'Reserve Bank'**) that all systemically important banks must incorporate as a local entity rather than operate through a branch structure. The Reserve Bank allows an overseas bank to operate in New Zealand as both a branch of its overseas parent and through a subsidiary. The Overseas Bank has determined that this type of 'dual registration' is the most effective option for it to comply with the Reserve Bank's policy while minimising disruption to the NZ Branch's investors and customers.

Accordingly, the Overseas Bank established Westpac New Zealand Limited (**'Westpac New Zealand'**) to assume and carry on the New Zealand consumer and business banking operations of the NZ Branch. Westpac New Zealand commenced operations as a locally incorporated registered bank on 1 November 2006. Pursuant to the Westpac New Zealand Act 2006, designated NZ Branch assets and liabilities vested in Westpac New Zealand on 1 November 2006 (refer to Note 18 for more information).

Therefore, from 1 November 2006, the NZ Branch's asset and liability profile was significantly reduced. With the vesting of assets and liabilities in Westpac New Zealand described above, the NZ Branch's operations were significantly reduced, largely to wholesale banking and financial markets business, trading as Westpac Institutional Bank. The vesting of assets and liabilities has not changed the overall position of the Overseas Banking Group.

Further information on Westpac New Zealand is available in Westpac New Zealand Limited's General Short Form Disclosure Statement for the nine months ended 30 June 2007.

Financial statements of the Overseas Bank and the Overseas Banking Group

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

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

Risk management policies

There have been no material changes to the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed in the nine months prior to 30 June 2007.

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 2007 (New Zealand).

The peak end-of-day exposures and as at exposures below have been calculated by determining the maximum end-of-day aggregate market risk exposure over the quarter, and then dividing that amount by the Overseas Banking Group's equity as at 30 June 2007 (30 June 2006 for comparatives).

	Peak End-of-Day For the Three Months Ended		Peak End-of-Day For the Three Months Ended	
	As at 30 June 2007 Unaudited \$m	30 June 2007 Unaudited \$m	As at 30 June 2006 Unaudited \$m	30 June 2006 Unaudited \$m
Aggregate interest rate exposure	256	608	264	435
As a percentage of the Overseas Banking Group's equity	1.41%	3.34%	1.44%	2.37%
Aggregate foreign currency exposure	4	4	5	9
As a percentage of the Overseas Banking Group's equity	0.02%	0.02%	0.03%	0.05%

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

Guarantee arrangements

No material obligations of the Overseas Bank are guaranteed.

Ranking of local creditors in a winding-up

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

The Banking Act 1959 in Australia gives priority over Australian assets of the Overseas Bank to Australian depositors. Accordingly, New Zealand depositors (together with all other senior unsecured creditors of the Overseas Bank) will rank after Australian depositors of the Overseas Bank in relation to claims against Australian assets.

The legislation described below is relevant to limitations on possible claims made by unsecured creditors of the NZ Branch on the assets of the Overseas Bank relative to those of any other class of unsecured creditors of the Overseas Bank, in the event of a winding-up of the Overseas Bank.

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

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

Section 13A(3) of the Banking Act 1959 (Australia) affects all of the unsecured deposit liabilities of the NZ Branch which as at 30 June 2007 amounted to \$4,249 million (30 June 2006 \$33,697 million, 30 September 2006 \$33,555 million).

Section 13A(4) of the Banking Act 1959 (Australia) states that it is an offence for an ADI not to hold assets (other than goodwill) in Australia of a value that is equal to or greater than the total amount of its deposit liabilities in Australia, unless the Australian Prudential Regulation Authority has authorised the ADI to hold assets of a lesser value. The Overseas Bank has at all times during the nine months ended 30 June 2007, held assets (other than goodwill) in Australia of not less than the value of the Overseas Bank's total deposit liabilities in Australia.

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

Conditions of registration

The Conditions of registration imposed on the NZ Branch, which applied from 2 November 2006, are as follows:

1. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
2. That the banking group's insurance business is not greater than 1% 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 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 banking group's insurance business:
 - (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
 - the total consolidated assets of the group headed by that entity;
 - or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
 - (b) otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
 - (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
 - (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.
3. That the business of the registered bank does not constitute a predominant proportion of the business of Westpac Banking Corporation.
4. That no appointment to the position of the New Zealand Chief Executive Officer of the registered bank shall be made unless:
 - (i) the Reserve Bank 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 Westpac Banking Corporation complies with the requirements imposed on it by the Australian Prudential Regulation Authority.
6. That Westpac Banking Corporation complies with the following minimum capital adequacy requirements, as administered by the Australian Prudential Regulation Authority:
 - tier one capital of Westpac Banking Corporation is not less than 4 percent of risk weighted exposures;
 - capital of Westpac Banking Corporation is not less than 8 percent of risk weighted exposures.
7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ\$10 billion.
8. That the retail deposits of the registered bank in New Zealand do not exceed \$200 million. For the purposes of this condition retail deposits are defined as deposits by natural persons, excluding deposits with an outstanding balance which exceeds \$250,000.

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

Registered bank: directorate

Directors

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

Edward Alfred Evans, AC, BEcon, DUni (Grif)

David Raymond Morgan, BEc, MSc, PhD

Elizabeth Blomfield Bryan, BA, MA (Econ)

Gordon McKellar Cairns, MA (Hons.)

David Alexander Crawford, BCom, LLB, FCA, FCPA

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

Peter David Wilson, CA

There have been no changes to the composition of the Overseas Bank's Board of Directors since the publication of the March 2007 General Disclosure Statement.

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

Directors' and the New Zealand chief executive officer's statement

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

- (a) the Short Form Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2007 (New Zealand); and
- (b) the Short Form Disclosure Statement is not false or misleading.

Each Director of the Overseas Bank believes and the Chief Executive Officer, NZ Branch believes, after due enquiry, that, over the nine months ended 30 June 2007:

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

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



Bradley John Cooper



David Mclean

Dated this the 27th day of August 2007.

Consolidated short form financial statements

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Consolidated income statement for the nine months ended 30 June 2007

	NZ Banking Group		
	Nine Months Ended 30 June 2007 Unaudited \$m	Nine Months Ended 30 June 2006 Unaudited \$m	Year Ended 30 September 2006 Audited \$m
Note			
Interest income	3,344	2,743	3,793
Interest expense	(2,410)	(1,878)	(2,625)
Net interest income	934	865	1,168
Non-interest income:			
Fees and commissions	273	270	372
Wealth management revenue	56	51	67
Trading income	39	66	80
Gain on ineffective hedges	-	-	-
Loss from disposal of assets	-	-	-
Other non-interest income	1	6	5
Total non-interest income	369	393	524
Net operating income	1,303	1,258	1,692
Operating expenses	(537)	(514)	(699)
Impairment losses on loans	(68)	(16)	(31)
	2		
Profit before income tax expense	698	728	962
Income tax expense	(223)	(238)	(319)
Profit after income tax expense	475	490	643
Profit attributable to minority interests	(3)	(3)	(4)
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group	472	487	639

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity for the nine months ended 30 June 2007

	NZ Banking Group							
	Head Office Account		NZ Banking Group Equity				Minority Interests \$m	Total \$m
	Branch Capital \$m	Retained Profits \$m	Share Capital \$m	Retained Profits \$m	Cash Flow Hedge Reserve \$m	Convertible Debentures \$m		
Previously reported balance as at 30 September 2005 (audited)	708	382	132	729	-	2,003	12	3,966
Adoption of NZ IAS 32/39	-	50	-	3	12	(719)	-	(654)
Adjusted opening balance as at 1 October 2005	708	432	132	732	12	1,284	12	3,312
Nine months ended 30 June 2006								
Change in cash flow hedges	-	-	-	-	(3)	-	-	(3)
Tax effect of change in cash flow hedges	-	-	-	-	1	-	-	1
Profit after income tax expense	-	422	-	65	-	-	3	490
Total recognised income and expenses for the nine months ended 30 June 2006	-	422	-	65	(2)	-	3	488
Share capital issued	-	-	1	-	-	-	-	1
Dividends:								
Dividends paid or provided for on convertible debentures (net of tax)	-	(34)	-	-	-	-	-	(34)
Dividends paid or provided for on ordinary shares	-	-	-	(150)	-	-	-	(150)
Share-based payments	3	-	-	-	-	-	-	3
As at 30 June 2006 (unaudited)	711	820	133	647	10	1,284	15	3,620
Year ended 30 September 2006								
Net change in available-for-sale investments (net of tax)	-	-	-	-	-	-	-	-
Change in cash flow hedges	-	-	-	-	10	-	-	10
Tax effect of change in cash flow hedges	-	-	-	-	(3)	-	-	(3)
Profit after income tax expense	-	553	-	86	-	-	4	643
Total recognised income and expenses for the year ended 30 September 2006	-	553	-	86	7	-	4	650
Share capital issued	-	-	1	-	-	-	-	1
Dividends:								
Dividends paid or provided for on ordinary shares	-	-	-	(150)	-	-	-	(150)
Dividends paid or provided for on convertible debentures (net of tax)	-	(67)	-	-	-	-	-	(67)
Share-based payments	3	-	-	-	-	-	-	3
Remittance to the Overseas Bank	-	(322)	-	-	-	-	-	(322)
Other minority interests	-	-	-	-	-	-	(10)	(10)
As at 30 September 2006 (audited)	711	596	133	668	19	1,284	6	3,417
Nine months ended 30 June 2007								
Net change in available-for-sale investments (net of tax)	-	-	-	-	-	-	-	-
Change in cash flow hedges	-	-	-	-	80	-	-	80
Tax effect of change in cash flow hedges	-	-	-	-	(26)	-	-	(26)
Profit after income tax expense	-	191	-	281	-	-	3	475
Total recognised income and expenses for the nine months ended 30 June 2007	-	191	-	281	54	-	3	529
Share capital issued	-	-	-	-	-	-	-	-
Dividends:								
Dividends paid or provided for on convertible debentures (net of tax)	-	(33)	-	-	-	-	-	(33)
Dividends paid or provided for on ordinary shares	-	-	-	-	-	-	-	-
Share-based payments	-	-	3	-	-	-	-	3
As at 30 June 2007 (unaudited)	711	754	136	949	73	1,284	9	3,916

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Consolidated balance sheet as at 30 June 2007

NZ Banking Group				
	Note	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Assets				
Cash and balances with central banks ¹		1,355	513	997
Due from other financial institutions ¹		834	36	309
Derivative financial instruments		2,895	1,973	1,372
Other trading securities	3	3,711	3,361	2,672
Other financial assets designated at fair value	3	-	1,550	1,550
Available-for-sale securities	4	13	450	472
Loans	5,6	48,559	40,335	41,791
Life insurance assets		90	85	75
Due from related entities		3,683	1,323	1,489
Goodwill and other intangible assets		675	670	676
Property, plant and equipment		91	92	97
Income tax receivable		12	12	-
Deferred tax assets		85	87	95
Other assets		801	463	541
Total assets		62,804	50,950	52,136
<i>Less:</i>				
Liabilities				
Due to other financial institutions		805	3,299	3,192
Deposits at fair value	8	4,389	4,835	4,122
Deposits at amortised cost	8	28,598	25,563	26,241
Derivative financial instruments		3,654	1,463	1,576
Other trading liabilities	9	249	309	139
Debt issues		12,070	7,761	7,211
Current tax liabilities		-	-	24
Deferred tax liabilities		-	-	-
Life insurance liabilities		-	-	-
Provisions		63	60	74
Other liabilities		593	492	535
Total liabilities excluding subordinated debentures and due to related entities		50,421	43,782	43,114
Subordinated debentures	10	1,353	1,504	1,489
Total liabilities excluding due to related entities		51,774	45,286	44,603
Due to related entities		7,114	2,044	4,116
Total liabilities		58,888	47,330	48,719
Net assets		3,916	3,620	3,417
<i>Represented by:</i>				
Head office account				
Branch capital		711	711	711
Retained profits		754	820	596
Total head office account		1,465	1,531	1,307
NZ Banking Group equity				
Ordinary share capital		136	133	133
Retained profits		949	647	668
Cash flow hedge reserve		73	10	19
Convertible debentures	11	1,284	1,284	1,284
Total NZ Banking Group equity		2,442	2,074	2,104
Minority interests				
Minority interests		9	15	6
Total head office account and equity		3,916	3,620	3,417

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

1 The 30 June 2006 comparative balance has been reclassified by \$399 million from due from other financial institutions to cash and balances with central banks (30 September 2006 \$749 million). This better reflects the classification of the exchange settlement account held with the Reserve Bank of New Zealand.

Consolidated statement of cash flows for the nine months ended 30 June 2007

	NZ Banking Group		
	Nine Months Ended 30 June 2007 Unaudited \$m	Nine Months Ended 30 June 2006 Unaudited \$m	Year Ended 30 September 2006 Audited \$m
Cash flows from operating activities			
Interest income received	3,303	2,733	3,776
Interest paid	(2,318)	(1,839)	(2,564)
Other non-interest income received	365	404	500
Net (acquisition)/disposal of other trading securities	(1,036)	766	1,455
Net disposal/(acquisition) of other trading liabilities	85	(36)	(206)
Net disposal/(acquisition) of derivative financial instruments	635	(664)	43
Non-interest expenses paid	(524)	(438)	(637)
Income tax paid	(259)	(149)	(213)
Net cash flows from operating activities	251	777	2,154
Cash flows from investing activities			
Net (increase)/decrease in due from other financial institutions - term	(525)	10	(264)
Net disposal/(acquisition) of other financial assets designated at fair value	1,550	(1,550)	(1,550)
Net disposal/(acquisition) of available-for-sale securities	459	(450)	(472)
Net loans advanced to customers	(6,836)	(2,941)	(4,413)
Net (acquisition) of life insurance assets	(15)	(19)	(8)
Net (increase) in due from related entities	(2,194)	(205)	(371)
Net (increase) in other assets	(228)	(30)	(63)
Purchase of capitalised computer software	(27)	(42)	(69)
Purchase of property, plant and equipment	(15)	(3)	(22)
Proceeds from disposal of property, plant and equipment	1	-	6
Proceeds from disposal of computer software	-	-	15
Net cash used in investing activities	(7,830)	(5,230)	(7,211)
Cash flows from financing activities			
Issue of ordinary share capital	-	1	1
Net (decrease)/increase in due to other financial institutions - term	(1,993)	480	480
Net increase in deposits	2,624	2,834	2,799
Net proceeds/(redemptions) from debt issues	4,859	(811)	(1,361)
Net increase in due to related entities	3,000	1,347	3,370
Net (decrease) in other liabilities	(110)	(169)	(83)
Payment of dividends on convertible debentures	(49)	(51)	(49)
Payment of dividends on ordinary shares	-	(150)	(150)
Remittance to the Overseas Bank	-	-	(322)
Other minority interests	-	-	(10)
Net cash provided by financing activities	8,331	3,481	4,675

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows (continued) for the nine months ended 30 June 2007

	NZ Banking Group		
	Nine Months Ended 30 June 2007 Unaudited \$m	Nine Months Ended 30 June 2006 Unaudited \$m	Year Ended 30 September 2006 Audited \$m
Net increase/(decrease) in cash and cash equivalents	752	(972)	(382)
Cash and cash equivalents at beginning of the period	(195)	187	187
Cash and cash equivalents at end of the period	557	(785)	(195)
Cash and cash equivalents comprise:			
Cash	1,355	513	997
Due to other financial institutions - at call	(798)	(1,298)	(1,192)
Cash and cash equivalents at end of the period	557	(785)	(195)
Reconciliation of profit after income tax expense to net cash flows from operating activities			
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group	472	487	639
<i>Adjustments:</i>			
Amortisation of intangible assets	28	23	31
Impairment losses on loans	68	16	31
Depreciation/amortisation	20	21	28
Gain on sale of property, plant and equipment	-	(1)	(2)
Share-based payments	3	3	3
Intragroup minority interests in subsidiary companies	3	3	4
Movement in accrued assets	(35)	4	(42)
Movement in accrued liabilities	44	(1)	65
Movement in income tax provisions	(26)	43	71
Tax on convertible debentures dividends	16	17	31
Net (acquisition)/disposal of other trading securities	(1,036)	766	1,455
Net acquisition/(disposal) of other trading liabilities	85	60	(206)
Net acquisition/(disposal) of derivative financial instruments	609	(664)	46
Net cash flows from operating activities	251	777	2,154

The accompanying notes (numbered 1 to 18) form part of, and should be read in conjunction with, these financial statements.

Notes to the consolidated short form financial statements

Note 1 Statement of accounting policies

General accounting policies

Statutory base

These consolidated short form financial statements are prepared and presented in accordance with the Financial Reporting Act 1993 (New Zealand), the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2007 (New Zealand), 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. Compliance with NZ IFRS ensures that the financial report comprising the financial statements and accompanying notes of the NZ Banking Group comply with International Financial Reporting Standards.

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

These consolidated short form financial statements were authorised for issue by the Board of Directors on 27th August 2007.

Basis of preparation

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

These consolidated short form financial statements have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*. The same accounting policies have been followed in preparing these financial statements that were used in preparing the General Disclosure Statement for the half year ended 31 March 2007.

Basis of aggregation

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

Change to corporate tax rate

In May 2007, the corporate tax rate in New Zealand was changed from 33% to 30% with effect from the 2008/2009 income tax year. The impact of this will take effect for the NZ Banking Group from 1 October 2008. This revised rate has not impacted the current tax liability balance for the current reporting period, but will do so in future periods. However, the impact of the change in the income tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period. The change in the income tax rate has resulted in a decrease in the deferred tax asset balance of \$7,600,293 and a decrease in the deferred tax liability balance of \$1,828,764. Of the adjustment arising from the change in income tax rates \$7,600,293 has been recognised in the income statement, while a credit of \$1,828,764 has been recognised directly in equity as it relates to items previously charged to equity. As the deferred tax liability balance is offset against the deferred tax asset balance, the net deferred tax asset balance has decreased by \$5,771,529 on the face of the balance sheet.

Notes to the consolidated short form financial statements

Note 1 Statement of accounting policies (continued)

Financial information for the six months ended 31 March 2007

As a result of a continuing analysis of the NZ Banking Group's hedge accounting, the Overseas Bank has identified derivatives in the NZ Branch that were incorrectly being treated by the NZ Branch as fair value or cash flow hedges, when they only qualified for hedge accounting at the NZ Banking Group level. This resulted in an understatement of the NZ Branch's profit before income tax of \$165 million, split between net interest income \$45 million and non-interest income \$120 million, and profit after income tax of \$111 million for the six months ended 31 March 2007. Within the Statement of Changes in Equity the change in the cash flow hedge reserve becomes a decrease of \$29 million with tax effect thereon of \$10 million, and the end of period balance becomes nil. In addition the profit after income tax changes from \$29 million to \$140 million. The table below restates the Income Statement for this period.

The results of previous financial periods have not been affected by this error. The error has been corrected in the current financial year. There has been no impact on the NZ Banking Group's previously reported results.

	NZ Branch Restated Six Months Ended 31 March 2007 Unaudited \$m
Interest income	1,013
Interest expense	(883)
Net interest income	130
Non-interest income:	
Fees and commissions	43
Wealth management revenue	-
Trading income	61
Gain on ineffective hedges	81
Other non-interest income	3
Total non-interest income	188
Net operating income	318
Operating expenses	(109)
Impairment losses on loans	(6)
Profit before income tax expense	203
Income tax expense	(63)
Profit after income tax expense	140
Profit attributable to minority interests	-
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group	140

Note 2 Impairment losses on loans

	NZ Banking Group		
	Nine Months Ended 30 June 2007 Unaudited \$m	Nine Months Ended 30 June 2006 Unaudited \$m	Year Ended 30 September 2006 Audited \$m
Individually assessed provisions	15	13	17
Individually assessed provisions no longer required	(10)	(16)	(19)
Collectively assessed provision	72	28	45
Write-offs direct	2	2	2
Recoveries	-	(3)	(3)
Interest adjustments	(11)	(8)	(11)
Total impairment losses on loans	68	16	31

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

	NZ Banking Group		
	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Other trading securities			
Trading securities	3,426	2,929	2,339
Securities purchased under agreement to resell	285	432	333
Total other trading securities	3,711	3,361	2,672
Other financial assets at fair value	-	1,550	1,550
Total other trading securities and other financial assets designated at fair value	3,711	4,911	4,222
Listed trading securities			
NZ Government securities	203	705	334
NZ corporate securities	71	75	82
Other	37	-	7
Total listed trading securities	311	780	423
Unlisted trading securities			
NZ Government securities	2	6	7
NZ corporate securities:			
Certificates of deposit	1,192	1,721	1,641
Corporate bonds	200	-	-
Commercial paper	470	408	266
Mortgage backed securities	1	14	2
Other trading securities	1,250	-	-
Total unlisted trading securities	3,115	2,149	1,916
Total trading securities	3,426	2,929	2,339

Note 4 Available-for-sale securities

	NZ Banking Group		
	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Listed securities			
NZ corporate securities	13	450	472
Total available-for-sale securities	13	450	472

Note 5 Loans

	NZ Banking Group		
	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Overdrafts	1,332	1,216	1,350
Credit card outstandings	1,051	1,006	1,009
Overnight and at call money market loans	2,019	1,628	1,687
Term loans:			
Housing	28,347	23,626	24,493
Non-housing	15,215	12,278	12,725
Other	795	730	682
Total gross loans	48,759	40,484	41,946
Provisions for impairment losses on loans	(200)	(149)	(155)
Total net loans	48,559	40,335	41,791

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

Notes to the consolidated short form financial statements

Note 6 Impaired assets

	NZ Banking Group		
	Nine Months Ended 30 June 2007 Unaudited \$m	Nine Months Ended 30 June 2006 Unaudited \$m	Year Ended 30 September 2006 Audited \$m
Gross individually impaired assets	72	56	66
Individually assessed provisions	(17)	(14)	(14)
Net individually impaired assets	55	42	52
Gross individually impaired assets			
Balance at beginning of the period	66	80	80
Additions	71	86	105
Amounts written off	(5)	(4)	(6)
Returned to performing or repaid	(60)	(106)	(113)
Balance at end of the period excluding restructured assets	72	56	66
Restructured assets			
Balance at beginning of the period	-	-	-
Additions	-	-	-
Returned to performing or repaid	-	-	-
Balance at end of the period	-	-	-
Total gross individually impaired assets	72	56	66
Interest forgone for the period on the above impaired assets	2	2	2
Individually assessed provisions			
Balance at beginning of the period	14	20	20
Adoption of NZ IAS 32/39	-	(2)	(2)
Impairment losses on loans	15	13	17
Individually assessed provisions no longer required	(10)	(16)	(19)
Impairment losses on loans written off	(3)	(2)	(4)
Interest adjustments	1	1	2
Balance at end of the period	17	14	14
Collectively assessed provision			
Balance at beginning of the period	161	281	281
Adoption of NZ IAS 32/39	-	(138)	(138)
Impairment losses on loans	48	8	18
Balance at end of the period	209	151	161
Total impairment provisions	226	165	175
Provisions for impairment losses on loans	200	149	155
Provisions for impairment losses on off-balance sheet credit exposures	26	16	20
Total impairment provisions	226	165	175
Past due assets¹			
Balance at beginning of the period	34	37	37
Additions	77	58	72
Deletions	(62)	(47)	(75)
Balance at end of the period	49	48	34
Interest forgone for the period on the above past due assets	-	-	-
Other assets under administration¹			
Balance at beginning of the period	3	16	16
Additions	2	-	2
Deletions	(1)	(13)	(15)
Balance at end of the period	4	3	3
Interest income accrued on impaired assets²	7	7	9

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 30 June 2007 (30 June 2006 nil, 30 September 2006 nil).

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

Note 7 Interest earning assets and interest bearing liabilities

	NZ Banking Group		
	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Interest earning and discounted bearing assets	54,359	46,223	47,416
Interest bearing and discounted bearing liabilities	49,039	41,441	42,948

Note 8 Deposits

	NZ Banking Group		
	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Deposits at fair value			
Certificates of deposit	4,389	4,835	4,122
Total deposits at fair value	4,389	4,835	4,122
Deposits at amortised cost			
Non-interest bearing, repayable at call	2,304	2,061	2,155
Other interest bearing:			
At call	12,604	10,860	11,274
Term	13,690	12,642	12,812
Total deposits at amortised cost	28,598	25,563	26,241
Total deposits	32,987	30,398	30,363

As a result of the vesting of assets and liabilities in Westpac New Zealand Limited (as described in Note 18), the NZ Branch held no retail deposits as at 30 June 2007 (30 June 2006 \$23,173 million, 30 September 2006 \$28,745 million).

Note 9 Other trading liabilities

	NZ Banking Group		
	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Other trading liabilities			
Securities sold short	34	161	105
Securities sold under agreements to repurchase	215	148	34
Total other trading liabilities	249	309	139

Notes to the consolidated short form financial statements

Note 10 Subordinated debentures

	NZ Banking Group		
	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Junior subordinated debentures	624	778	762
Fixed Interest Resetable Trust Securities	729	726	727
Total subordinated debentures	1,353	1,504	1,489

Junior subordinated debentures

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

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

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

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

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

Fixed Interest Resetable Trust Securities

On 19 December 2002, the NZ Branch issued Convertible Debentures to Westpac Financial Services Limited as responsible entity (a public company with an Australian financial services license to operate a registered managed investment scheme) of Westpac Second Trust. The investment in convertible debentures was ultimately sourced from the proceeds of approximately A\$655 million (net of issue costs) of Westpac Fixed Interest Resetable Securities ('Westpac FIRsTS') issued by Westpac Funds Management Limited as responsible entity of Westpac First Trust. Both Westpac First Trust and Westpac Second Trust are Australian registered managed investment schemes and are members of the Overseas Banking Group.

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

A distribution will only be paid on the convertible debentures if it is declared payable by a committee appointed by the Board of Directors. A distribution must not be declared if APRA has objected to it, or, if certain conditions exist, a distribution must not be declared payable unless approved by APRA. Distributions on the convertible debentures will be payable, if declared, on a quarterly basis on the last day of each quarter or the following business day. 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 legal impediment and cannot issue preference shares) on 19 December 2052 or where the NZ Branch 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 (e.g. if a proceeding is commenced for the Overseas Bank to be wound up or liquidated). The Overseas Bank may elect to convert the convertible debentures into Overseas Bank ordinary shares in certain limited circumstances, such as where its ability to acquire or redeem Westpac FIRsTS is threatened.

These convertible debentures must be redeemed for cash at any time where the Overseas Bank has acquired the Westpac FIRsTS from holders and has required Westpac Funds Management Limited to redeem the Westpac FIRsTS. The convertible debentures may also be redeemed for cash in other limited circumstances, such as where the ability of the Overseas Bank to acquire or redeem Westpac FIRsTS is threatened.

Note 11 Convertible debentures

	NZ Banking Group		
	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Trust preferred securities	1,284	1,284	1,284

Trust preferred securities

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

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

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

The convertible debentures have no stated maturity, but will automatically convert into ADRs each representing 40 Overseas Bank preference shares (non-cumulative preference shares with a liquidation amount of US\$25) on 30 September 2053, or earlier in the event that a distribution is not made or certain other events occur. The 2003 TPS will then be redeemed for ADRs. The dividend payment dates on the Overseas Bank preference shares will be the same as those otherwise applicable to 2003 TPS. The dividend payment rate on the Overseas Bank preference shares will also be the same as that applicable to the 2003 TPS until 30 September 2013, after which the rate will be a floating rate equal to LIBOR plus a fixed margin.

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

With the prior written consent of APRA, if required, the NZ Branch may elect to redeem the convertible debentures for cash before 30 September 2013 in whole upon the occurrence of certain specific events, and in whole or in part on any distribution date on or after 30 September 2013. The proceeds received by Funding Trust III from the redemption of the convertible debentures must be used to redeem the 2003 TPS. The holders of the convertible debentures do not have an option to require redemption of these instruments.

Notes to the consolidated short form financial statements

Note 12 Commitments and contingent liabilities

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

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

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

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

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

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

	NZ Banking Group		
	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Contingent liabilities			
Direct credit substitutes	293	284	281
Transaction related contingent items	790	566	595
Short term, self liquidating trade related contingent liabilities	710	650	680
Total contingent liabilities	1,793	1,500	1,556

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

The New Zealand Inland Revenue Department ('NZIRD') is reviewing a number of structured finance transactions undertaken in New Zealand and has issued amended reassessments in respect of nine transactions, three undertaken in the 1999 tax year, two undertaken in the 2000 tax year, two undertaken in the 2001 tax year and two undertaken in the 2002 tax year. The maximum potential liability reassessed for the 1999 year is \$18 million (\$25 million with interest), for the 2000 year is \$61 million (\$84 million with interest) and for the 2001 year is \$90 million (\$126 million with interest) and for the 2002 year it is \$108 million (\$158 million with interest). Interest for each year has been calculated to 30 June 2007.

The NZIRD is also investigating other transactions undertaken by the NZ Branch, which have materially similar features to those for which reassessments have been received. Should the NZIRD take the same position across all of these transactions, for the periods up to and including 30 June 2007, the overall primary tax in dispute will be approximately \$595 million (this includes the amounts noted above). With interest this increases to approximately \$807 million (calculated to 30 June 2007).

Proceedings disputing the reassessments with respect to the 1999, 2000, 2001 and 2002 tax years have been commenced. Westpac is confident that the tax treatment applied in all cases is correct. A ruling was sought 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.

Other contingent liabilities

The New Zealand Commerce Commission issued proceedings on 9 November 2006 against the NZ Branch, Westpac New Zealand Limited and The Warehouse Financial Services Limited (members of the NZ Banking Group), Visa International, Cards NZ Limited, MasterCard International and all New Zealand issuers of Visa and MasterCard credit cards 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 NZ Branch, Westpac New Zealand Limited, 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 NZ Branch is considering its position in relation to both proceedings. As at the date of this General Short Form Disclosure Statement, no provision has been made in the financial statements in relation to these proceedings.

Note 12 Commitments and contingent liabilities (continued)

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

Other commitments

As at 30 June 2007, the NZ Banking Group had commitments in respect of forward purchases and sales of foreign currencies, interest rate and currency swap transactions, futures and options contracts, provision of credit, underwriting facilities and other engagements entered into in the normal course of business. The NZ Banking Group has management systems and operational controls in place to manage interest rate risk and currency risk. Accordingly, it is not envisaged that any liability resulting in material loss to the NZ Banking Group will arise from these transactions.

Overseas Banking Group guarantees and undertakings

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

Note 13 Credit risk

Risk weighted exposures

The 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 2007 (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.

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

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

Notes to the consolidated short form financial statements

Note 13 Credit risk (continued)

Calculation of on-balance sheet exposures

NZ Banking Group					
30 June 2007 – Unaudited					
	Principal Amount \$m		Risk Weighting	Risk Weighted Exposure \$m	
Cash and short term claims on government	1,849		0%	-	
Long term claims on government	13		10%	1	
Claims on banks	3,515		20%	703	
Claims on public sector entities	236		20%	47	
Residential mortgages	28,352		50%	14,176	
Other assets	21,826		100%	21,826	
Non-risk weighted assets	7,013			-	
Total on-balance sheet exposures	62,804			36,753	
Calculation of off-balance sheet securitised mortgage exposures					
Securitised mortgages	597		50%	299	
Total off-balance sheet securitised mortgage exposures	597			299	
Calculation of off-balance sheet and derivative exposures					
	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
Direct credit substitutes					
Standby letters of credit and financial guarantees	293	100%	293	82%	240
Total direct credit substitutes	293		293		240
Commitments					
Commitments with certain drawdown	31	100%	31	20%	6
Housing loan commitments with certain drawdown	165	100%	165	50%	83
Transaction related contingent items	790	50%	395	87%	344
Short term, self liquidating trade related contingent liabilities	710	20%	142	100%	142
Other commitments to provide financial services which have an original maturity of one year or more	8,481	50%	4,241	67%	2,841
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	6,795	0%	-	0%	-
Total commitments	16,972		4,974		3,416
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	69,072		2,220	50%	1,110
Options	-		-	0%	-
Swaps	27,866		1,508	28%	422
Interest rate contracts:					
Forwards	11,316		3	33%	1
Futures	18,627		-	0%	-
Options	5,282		4	25%	1
Swaps	197,311		2,178	30%	653
Total market related contracts (derivatives)	329,474		5,913		2,187
Total off-balance sheet and derivative exposures	346,739		11,180		5,843
Total risk weighted exposures					42,895

Note 13 Credit risk (continued)

Calculation of on-balance sheet exposures

NZ Banking Group
30 June 2006 – Unaudited

	Principal Amount \$m	Risk Weighting	Risk Weighted Exposure \$m
Cash and short term claims on government	1,248	0%	-
Long term claims on government	20	10%	2
Claims on banks	4,169	20%	834
Claims on public sector entities	233	20%	47
Residential mortgages	23,645	50%	11,823
Other assets	17,603	100%	17,603
Non-risk weighted assets	4,032		-
Total on-balance sheet exposures	50,950		30,309

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	619	50%	310
Total off-balance sheet securitised mortgage exposures	619		310

Calculation of off-balance sheet and derivative exposures

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
Direct credit substitutes					
Standby letters of credit and financial guarantees	284	100%	284	100%	284
Total direct credit substitutes	284		284		284
Commitments					
Commitments with certain drawdown	44	100%	44	100%	44
Housing loan commitments with certain drawdown	129	100%	129	50%	65
Transaction related contingent items	566	50%	283	90%	254
Short term, self liquidating trade related contingent liabilities	650	20%	130	99%	129
Other commitments to provide financial services which have an original maturity of one year or more	6,936	50%	3,468	66%	2,303
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	5,951	0%	-	0%	-
Total commitments	14,276		4,054		2,795
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	58,440		1,305	24%	315
Options	-		-	0%	-
Swaps	26,267		1,968	24%	471
Interest rate contracts:					
Forwards	15,375		2	50%	1
Futures	15,490		-	0%	-
Options	1,787		3	33%	1
Swaps	115,141		819	27%	225
Total market related contracts (derivatives)	232,500		4,097		1,013
Total off-balance sheet and derivative exposures	247,060		8,435		4,092
Total risk weighted exposures					34,711

Notes to the consolidated short form financial statements

Note 13 Credit risk (continued)

Calculation of on-balance sheet exposures

NZ Banking Group				
30 September 2006 – Audited				
	Principal Amount \$m		Risk Weighting	Risk Weighted Exposure \$m
Cash and short term claims on government	897		-	-
Long term claims on government	31		10%	3
Claims on banks	4,758		20%	952
Claims on public sector entities	243		20%	49
Residential mortgages	24,514		50%	12,257
Other assets	18,087		100%	18,087
Non-risk weighted assets	3,606			-
Total on-balance sheet exposures	52,136			31,348

Calculation of off-balance sheet securitised mortgage exposures

Securitised mortgages	643		50%	322
Total off-balance sheet securitised mortgage exposures	643			322

Calculation of off-balance sheet and derivative exposures

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
Direct credit substitutes					
Standby letters of credit and financial guarantees	281	100%	281	80%	225
Total direct credit substitutes	281		281		225
Commitments					
Commitments with certain drawdown	50	100%	50	100%	50
Housing loan commitments with certain drawdown	143	100%	143	50%	72
Transaction related contingent items	595	50%	298	90%	269
Short term, self liquidating trade related contingent liabilities	680	20%	136	100%	136
Other commitments to provide financial services which have an original maturity of one year or more	7,014	50%	3,507	65%	2,276
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	5,787	0%	-	0%	-
Total commitments	14,269		4,134		2,803
Market related contracts (derivatives)					
Foreign exchange contracts:					
Forwards	54,950		1,265	24%	301
Options	-		-	0%	-
Swaps	22,233		1,343	25%	337
Interest rate contracts:					
Forwards	26,252		12	50%	6
Futures	10,634		-	0%	-
Options	5,114		2	50%	1
Swaps	129,636		1,048	27%	281
Total market related contracts (derivatives)	248,819		3,670		926
Total off-balance sheet and derivative exposures	263,369		8,085		3,954
Total risk weighted exposures					35,624

Note 14 Concentration of credit exposures

Analysis of credit exposures to individual counterparties

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

	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 2007 Unaudited	30 June 2007 Unaudited	As at 30 June 2006 Unaudited	30 June 2006 Unaudited	As at 30 September 2006 Audited	30 September 2006 Audited
10 - 20% of Overseas Banking Group's equity						
Individual counterparties						
Bank counterparties	-	-	-	-	-	-
Non-bank counterparties	-	-	-	-	-	-
Closely related counterparties						
Bank counterparties	-	-	-	-	-	-
Non-bank counterparties	-	-	-	-	-	-

The peak end-of-day exposures have been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the three month period, and then dividing that amount by the Overseas Banking Group's equity as at 31 March 2007. The comparative peak end-of-day exposures have been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant period, and then dividing that amount by the Overseas Banking Group's equity as at 31 March 2006. The equity used in the 30 September 2006 comparatives was as at 30 September 2006. Credit exposures used in the above calculations are determined with reference to actual credit exposures. Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties do not include exposures to those counterparties if they are recorded outside New Zealand nor exposures to any OECD government. These calculations relate only to exposures held in the financial records of the NZ Banking Group and were calculated net of individually assessed provisions.

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

	As at 30 June 2007 Unaudited	Percentage of Large Exposures Unaudited	As at 30 June 2006 Unaudited	Percentage of Large Exposures Unaudited	As at 30 September 2006 Audited	Percentage of Large Exposures Audited
	10 - 20% of Overseas Banking Group's equity					
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 NZ Banking Group predominantly has its market related contracts (derivatives) with other financial institutions (which include other banks and corporates) and the Overseas Banking Group.

Notes to the consolidated short form financial statements

Note 15 Capital adequacy

	31 March 2007 Unaudited %	31 March 2006 Unaudited %	30 September 2006 Audited %	Minimum Capital Adequacy Ratio As Specified By APRA %
Overseas Banking 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
Overseas 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 Overseas Banking Group and the Overseas Bank are subject to the capital adequacy requirements as specified by 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 Overseas Banking Group and the Overseas Bank are required to hold minimum capital at least equal to that specified under the Basel framework.

The Overseas Banking Group and the Overseas Bank exceeded the minimum capital adequacy requirements as specified by APRA as at 31 March 2007. The minimum capital adequacy requirements specified by APRA are at least equal to those specified under the Basel framework.

Note 16 Segment information

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

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

Primary reporting – business segments

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

	NZ Banking Group			
	Nine Months Ended 30 June 2007 – Unaudited			
	New Zealand Retail \$m	Institutional Banking \$m	Other Banking \$m	Total \$m
Net operating income	1,077	125	101	1,303
Operating expenses and impairment losses	(573)	(31)	(1)	(605)
Profit before income tax expense	504	94	100	698
Income tax expense				(223)
Profit attributable to minority interest				(3)
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group				472
Total external assets excluding tax	42,736	10,574	5,714	59,024
Intragroup assets				3,683
Tax assets				97
Total assets				62,804
Total external liabilities excluding tax	24,494	6,505	19,422	50,421
Intragroup liabilities				8,467
Tax liabilities				-
Total liabilities				58,888

Note 16 Segment information (continued)

	NZ Banking Group			
	Nine Months Ended 30 June 2006 – Unaudited			
	New Zealand Retail \$m	Institutional Banking \$m	Other Banking \$m	Total \$m
Net operating income	1,042	116	100	1,258
Operating expenses and impairment losses	(513)	(22)	5	(530)
Profit before income tax expense	529	94	105	728
Income tax expense				(238)
Profit attributable to minority interest				(3)
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group				487
Total external assets excluding tax	37,156	7,197	5,175	49,528
Intragroup assets				1,323
Tax assets				99
Total assets				50,950
Total external liabilities excluding tax	21,587	3,971	18,224	43,782
Intragroup liabilities				3,548
Tax liabilities				-
Total liabilities				47,330

	NZ Banking Group			
	Year Ended 30 September 2006 – Audited			
	New Zealand Retail \$m	Institutional Banking \$m	Other Banking \$m	Total \$m
Net operating income	1,372	158	162	1,692
Operating expenses and impairment losses	(691)	(33)	(6)	(730)
Profit before income tax expense	681	125	156	962
Income tax expense				(319)
Profit attributable to minority interest				(4)
Profit after income tax expense attributable to head office account and equity holders of NZ Banking Group				639
Total external assets excluding tax	38,568	7,297	4,687	50,552
Intragroup assets				1,489
Tax assets				95
Total assets				52,136
Total external liabilities excluding tax	22,032	3,915	17,143	43,090
Intragroup liabilities				5,605
Tax liabilities				24
Total liabilities				48,719

Secondary reporting – geographic segments

The NZ Banking Group operates predominately within New Zealand.

Note 17 Insurance business

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

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

	30 June 2007 Unaudited \$m	30 June 2006 Unaudited \$m	30 September 2006 Audited \$m
Total assets	92	86	78

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

Notes to the consolidated short form financial statements

Note 18 Local incorporation and vested assets and liabilities as at 1 November 2006

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

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

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

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

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

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

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

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

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

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

Further information on Westpac New Zealand is available in Westpac New Zealand Limited's General Short Form Disclosure Statement for the nine months ended 30 June 2007.

Note 18 Local incorporation and vested assets and liabilities as at 1 November 2006 (continued)

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

FreePost Authority Number 4030



Supplemental Disclosure Statement
Company Secretariat
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AUCKLAND

Supplemental disclosure statement

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

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

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ANNUAL REPORT 2006 *

2007 HALF-YEAR PROFIT RESULTS **

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

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