



Westpac Banking Corporation's general short form disclosure statement

for the nine months ended 30 June 2005

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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 2005 (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. 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 - Funding company
 - BLE Capital (NZ) Limited - Finance company
 - Hastings Forestry Investments Limited - Non-trading company
- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the “**NZ Bank**”) – refers to the New Zealand operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

The most recently published financial statements of the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2004 and the six months ended 31 March 2005, respectively.

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

General matters

REGISTERED BANK

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

OVERSEAS BANK

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

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

Credit ratings

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

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

DESCRIPTIONS OF CREDIT RATING SCALES

	Standard & Poor's	Moody's Investors Service Inc.	Fitch IBCA
The following grades display investment grade characteristics:			
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 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, will be provided immediately, free of charge, to any person requesting a copy where the request is made at the NZ Bank's head office, Level 15, 188 Quay Street, Auckland or are available, free of charge, within five working days of any request made at any branch, agency, or any other staffed premises primarily engaged in the business of the NZ Bank to which its customers have access in order to conduct banking business.

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

Risk management policies

There have been no material changes to the risk management policies and no new categories of risk to which the NZ Banking Group has become exposed in the three months prior to 30 June 2005.

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 2005 (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 2005 (31 March 2004 for comparatives).

	Peak end-of-day for the three months ended		Peak end-of-day for the three months ended	
	As at 30 June 2005 Unaudited \$m	30 June 2005 Unaudited \$m	As at 30 June 2004 Unaudited \$m	30 June 2004 Unaudited \$m
Aggregate interest rate exposure	174	263	117	230
As a percentage of the Overseas Banking Group's equity	0.98%	1.49%	0.65%	1.27%
Aggregate foreign currency exposure	2	7	1	1
As a percentage of the Overseas Banking Group's equity	0.01%	0.04%	0.01%	0.01%

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

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

However, the Westpac Banking Corporation Act 1982 in New Zealand gives New Zealand depositors priority to the New Zealand assets of the Overseas Bank. Accordingly, New Zealand depositors will rank ahead of other unsecured creditors of the Overseas Bank in respect of claims against the New Zealand assets of the Overseas Bank. The following legislation is relevant to limitations on possible claims made by unsecured creditors of the NZ Bank on the assets of the Overseas Bank relative to those of any other class of unsecured creditors of the Overseas Bank, in the event of a winding-up of the Overseas Bank.

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

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

Section 13A(3) of the Banking Act 1959 (Australia) affects all the unsecured deposit liabilities of the NZ Bank which as at 30 June 2005 amounted to \$27,549 million (30 June 2004: \$25,164 million; 30 September 2004: \$25,520 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 ("APRA") has authorised the ADI to hold assets of a lesser value. The Overseas Bank has at all times held in Australia assets (other than goodwill) of not less than the value of the Overseas Bank's total deposit liabilities in Australia.

The Overseas Bank is an ADI within the meaning of sections 13A(3) and 13A(4). The requirements of these sections have the potential to impact on the management of the liquidity of the NZ Banking Group.

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

"Deposit liabilities –

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

Since the commencement of the reporting period beginning 1 October 2004, the NZ Bank has at all times held in New Zealand assets (other than goodwill) of not less than the value of the NZ Bank's total deposit liabilities in New Zealand. The Overseas Bank is the "Continuing Bank" within the meaning of section 23.

Local incorporation

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

Conditions of registration

The conditions of registration imposed on the NZ Bank, which applied from 1 July 2004, 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.
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 APRA.

6. That the Overseas Bank complies with the following minimum capital adequacy requirements, as administered by APRA:

- Tier One Capital of the Overseas Banking Group is not less than four percent of risk weighted exposures;
- Capital of the Overseas Banking Group is not less than eight percent of risk weighted exposures.

Further information on the capital adequacy of the Overseas Bank is contained in note 14 to the financial statements.

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

Registered bank: directorate

DIRECTORS

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

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

David Raymond Morgan, BEc, MSc, PhD

Gordon McKellar Cairns, MA (Hons.)

David Alexander Crawford, BCom, LLB, FCA, FCPA

Edward Alfred Evans, AC, BEcon

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

Helen Ann Lynch, AM

Peter David Wilson, CA

There have been no changes to the composition of the Overseas Bank's Board of Directors since the publication of the March 2005 General Disclosure Statement.

NEW ZEALAND CHIEF EXECUTIVE OFFICER/RESPONSIBLE PERSON

The New Zealand Chief Executive Officer, Ann Sherry, has been authorised in writing by each Director named on this page, in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, to sign this General Short Form Disclosure Statement on the Directors' behalf. Accordingly, Ann Sherry is a Responsible Person under the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2005 (New Zealand).

Ann Sherry, AO, BA, GradDiplR, MAICD, FAIBF, FIPAA

Chief Executive Officer, Westpac New Zealand

Directors' statement

Each Director of the Overseas Bank believes and the Chief Executive Officer, Westpac New Zealand 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 2005 (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, Westpac New Zealand believes, after due enquiry, that, over the nine months ended 30 June 2005:

- (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 10th day of August 2005.

Consolidated short form financial statements

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Consolidated statement of financial performance

For the nine months ended 30 June 2005

NZ Banking Group			
Note	Nine months ended 30 June 2005 Unaudited \$m	Nine months ended 30 June 2004 Unaudited \$m	Year ended 30 September 2004 Audited \$m
	2,222	1,896	2,596
Interest income			
Interest expense	(1,397)	(1,074)	(1,499)
Net interest income	825	822	1,097
Non-interest income	389	377	520
Trading income	63	57	71
Operating income	1,277	1,256	1,688
Non-interest expenses	(540)	(536)	(731)
Operating profit before bad and doubtful debts expense	737	720	957
Bad and doubtful debts expense	(32)	(25)	(39)
5			
Operating profit before income tax expense	705	695	918
Income tax expense	(226)	(227)	(297)
Operating profit after income tax expense	479	468	621
Operating profit after income tax expense attributable to intragroup minority interests in subsidiary companies	(13)	(3)	(4)
Operating profit after income tax expense attributable to NZ Banking Group equity holders	466	465	617

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 2005

	NZ Banking Group		
	Nine months ended 30 June 2005 Unaudited \$m	Nine months ended 30 June 2004 Unaudited \$m	Year ended 30 September 2004 Audited \$m
Balance at beginning of the period	4,427	5,025	5,025
Operating profit after income tax expense attributable to NZ Banking Group equity holders	466	465	617
Operating profit after income tax expense attributable to intragroup minority interests in subsidiary companies	13	3	4
Total recognised revenue and expenses	479	468	621
Ordinary share capital:			
Issue of ordinary share capital	-	50	50
Convertible debentures:			
Dividends paid or provided for on convertible debentures (net of tax)	(63)	(96)	(138)
Redemption of convertible debentures ¹	-	(605)	(605)
NZ Class Shares:			
Dividends paid or provided for on NZ Class Shares	(53)	(53)	(50)
Purchase of NZ Class Shares - Treasury Stock	(1)	(2)	(19)
Other minority interests	(660)	(101)	(107)
Remittance to Overseas Bank	-	(350)	(350)
Balance at end of the period	4,129	4,336	4,427

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 and related tax of \$19 million.

Consolidated statement of financial position

As at 30 June 2005

				NZ Banking Group		
	Note	30 June 2005 Unaudited \$m	30 June 2004 Unaudited \$m	30 September 2004 Audited \$m		
ASSETS						
Cash		101	101	101		
Due from other financial institutions		1,912	139	354		
Trading securities	2	3,004	2,847	2,653		
Loans	3	35,911	35,547	36,049		
Due from related entities		1,876	1,070	750		
Future income tax benefit		120	109	115		
Property, plant and equipment		195	217	212		
Intangible assets		528	576	564		
Other assets		2,037	1,721	1,693		
Total assets		45,684	42,327	42,491		
Less:						
LIABILITIES						
Due to other financial institutions		1,186	730	1,071		
Deposits	7	27,449	24,974	25,325		
Bonds, notes and commercial paper		9,720	7,134	7,772		
Deferred tax liability		18	-	6		
Other liabilities		1,773	3,113	2,583		
Total liabilities excluding subordinated debt and due to related entities		40,146	35,951	36,757		
Subordinated debt	8	749	885	785		
Total liabilities excluding due to related entities		40,895	36,836	37,542		
Due to related entities		660	1,155	522		
Total liabilities		41,555	37,991	38,064		
Net assets		4,129	4,336	4,427		
Represented by:						
EQUITY						
Ordinary share capital		132	132	132		
Convertible debentures	9	1,994	1,994	1,994		
Retained earnings		1,415	952	1,065		
Total NZ Banking Group equity		3,541	3,078	3,191		
NZ Class Shares	10	578	596	579		
Other minority interests		10	662	657		
Total equity		4,129	4,336	4,427		

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 2005

	NZ Banking Group		
	Nine months ended 30 June 2005 Unaudited \$m	Nine months ended 30 June 2004 Unaudited \$m	Year ended 30 September 2004 Audited \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received	2,246	1,864	2,579
Non-interest income received	471	393	516
Increase in trading securities and derivative financial instruments	(1,370)	(413)	(574)
Interest expense paid	(1,384)	(935)	(1,456)
Non-interest expenses paid	(515)	(495)	(645)
Income tax paid	(152)	(128)	(261)
Net cash flows from operating activities	(704)	286	159
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of property, plant and equipment	6	1	3
Purchase of property, plant and equipment	(41)	(43)	(58)
Decrease/(increase) in due from other financial institutions - term	22	-	(67)
Increase in loans	(4,054)	(2,356)	(2,878)
Disposal of related entities	3,500	188	427
Increase in other assets	(146)	(76)	(85)
Net cash flows from investing activities	(713)	(2,286)	(2,658)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in due to other financial institutions - term	20	534	832
Increase in deposits	2,129	2,432	2,783
Increase/(decrease) in bonds, notes and commercial paper	1,948	(1,115)	(477)
Decrease in amounts due to and due from related entities	(1,024)	(61)	(16)
Decrease in other liabilities	(51)	(37)	(6)
Issue of ordinary share capital	-	50	50
Issue of subordinated debt (net of issue costs)	-	781	781
Redemption of convertible debentures	-	-	(605)
Decrease in subordinated debt	-	-	(50)
Dividends paid on convertible debentures	(93)	(139)	(204)
Dividends paid on NZ Class Shares	(26)	(28)	(50)
Purchase of NZ Class Shares - Treasury Stock	(1)	(2)	(19)
Remittance to the Overseas Bank	-	(350)	(350)
Net cash flows from financing activities	2,902	2,065	2,669
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period	208	38	38
Cash and cash equivalents at end of the period	1,693	103	208
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash	101	101	101
Due from other financial institutions - call	1,867	139	287
Due to other financial institutions - call	(275)	(137)	(180)
Cash and cash equivalents at end of the period	1,693	103	208

Consolidated statement of cash flows continued

For the nine months ended 30 June 2005

	NZ Banking Group		
	Nine months ended 30 June 2005 Unaudited \$m	Nine months ended 30 June 2004 Unaudited \$m	Year ended 30 September 2004 Audited \$m
RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX EXPENSE TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit after income tax expense attributable to NZ Banking Group equity holders	466	465	617
Adjustments:			
Amortisation of intangible assets	36	35	47
Bad and doubtful debts expense	32	25	39
Depreciation/amortisation	52	51	70
Intragroup minority interests in subsidiary companies	13	3	4
Movement in accrued assets	(10)	(62)	(64)
Movement in accrued liabilities	(15)	10	57
Movement in income tax provisions	74	93	37
Movement in trading securities and derivative financial instruments	(1,352)	(334)	(648)
Net cash flows from operating activities	(704)	286	159

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 STATEMENT OF 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 2005 (New Zealand), the Reserve Bank of New Zealand Act 1989, and all applicable financial reporting standards and other generally accepted accounting practices in New Zealand.

These consolidated short form financial statements have been prepared in accordance with Financial Reporting Standard No. 24 *Interim Financial Statements* and should be read in conjunction with the General Disclosure Statement for the year ended 30 September 2004 and the six months ended 31 March 2005, 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.
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- Westpac Banking Corporation New Zealand Branch (otherwise referred to as the “**NZ Bank**”) – refers to the New Zealand operations of Westpac Banking Corporation (trading as Westpac and Westpac Institutional Bank).

The most recently published financial statements for the Overseas Bank and the Overseas Banking Group are for the year ended 30 September 2004 and the six months ended 31 March 2005, respectively.

These financial statements were authorised for issue by the Board of Directors on 10 August 2005.

Measurement Base

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

Basis of Aggregation

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

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

Comparative Figures

Certain comparative figures have been restated so as to enhance comparability with the current reporting period.

A portion of the deposits balance had been incorrectly classified as interest bearing. The comparative figures as at 30 June 2004 and 30 September 2004 have been restated by reclassifying interest bearing deposits of around \$1 billion to non-interest bearing. The impact on operating profit was nil.

Notes to the consolidated short form financial statements

NOTE 01 STATEMENT OF ACCOUNTING POLICIES *continued*

Changes in accounting policies

For the year ended 30 September 2004, a new accounting policy was introduced relating to the accounting for the redemption of convertible debentures. There have been no other changes in accounting policies used in the preparation of this General Short Form Disclosure Statement for the nine months ended 30 June 2005 and those used in the preparation of the General Short Form Disclosure Statement for the nine months ended 30 June 2004 and the General Disclosure Statement for the year ended 30 September 2004. There have been no changes in accounting policies since the publication of the General Disclosure Statement for the six months ended 31 March 2005. All accounting policies have been applied on a basis consistent with those used in the previous financial reporting periods.

Adoption of International Financial Reporting Standards

As disclosed in the Overseas Banking Group's Annual Financial Report for the year ended 30 September 2004, the Overseas Banking Group anticipates it will be adopting the Australian equivalent to the International Financial Reporting Standards ("IFRS") from 1 October 2005. The NZ Banking Group will adopt the New Zealand equivalent to IFRS ("NZ IFRS") at the same time. For the purpose of producing comparative figures the NZ Banking Group transition date will be 1 October 2004. However, the opening balance sheet and the comparative figures for the year ending 30 September 2005 will exclude the impact of NZ IAS 32 *Financial Instruments: Presentation and Disclosure* and NZ IAS 39 *Financial Instruments: Recognition and Measurement*. These standards will be applied prospectively from 1 October 2005. The adoption of NZ IFRS will be first reflected in the General Short Form Disclosure Statement for the three months ending 31 December 2005.

The Overseas Banking Group (including relevant NZ Bank personnel) has operated a dedicated project team that has:

- (a) identified the differences between the NZ Banking Group's current accounting policies and NZ IFRS;
- (b) formulated revised accounting policies and process changes to allow compliance; and
- (c) commenced implementation of the required changes.

The implementation stage is well underway and expected to be completed prior to 30 September 2005.

With the introduction of NZ IFRS the statement of financial performance will become the income statement and the statement of financial position will become the balance sheet.

The potential adjustments disclosed in this note are based on management's interpretation of the currently issued standards. These standards or management's interpretation could change and therefore, until the NZ Banking Group prepares its first full NZ IFRS financial statements, there is a possibility that the accompanying disclosures may have to be adjusted and the adjusted amounts could be material.

The primary impacts of the new standards for the NZ Banking Group are described below:

Hedge Accounting (NZ IAS 39 *Financial Instruments: Recognition and Measurement*)

Initial impact on retained profit (impact not currently ascertained).

Volatility in future earnings.

New assets/liabilities recognised.

From 1 October 2005, all derivative contracts, whether used as hedging instruments or otherwise, will be carried at fair value on the NZ Banking Group's balance sheet. NZ IFRS allows fair value hedge accounting and cash flow hedge accounting and these can only be applied when effectiveness tests are met.

Ineffectiveness could prevent the use of hedge accounting and/or result in significant volatility in the income statement.

Notes to the consolidated short form financial statements

NOTE 01 STATEMENT OF ACCOUNTING POLICIES *continued*

Adoption of International Financial Reporting Standards *continued*

The hedging rules will impact the way the NZ Banking Group accounts for hedges of its net interest margin, assets and liabilities. Trading activities, where all derivatives are currently carried at fair value, will not be significantly impacted.

Effective Yield (NZ IAS 39 *Financial Instruments: Recognition and Measurement*)

Initial impact on retained profit (estimated reduction of \$46 million before income tax).

Increased deferral of fee income.

From 1 October 2005, certain fees received and expenses incurred in the origination of loans will be required to be deferred on the NZ Banking Group's balance sheet and subsequently recognised as a yield adjustment to interest income.

Although the annual impact on net profit is not expected to be material the classification of income will change.

Income Recognition (NZ IAS 18 *Revenue*)

Initial impact on retained profit (estimated reduction of \$10 million before income tax).

Increased deferral of fee income.

On initial adoption of NZ IFRS certain fees that were previously recognised immediately will be deferred on the balance sheet to be recognised in the income statement over the period of service. The annual impact on net profit from this change is not expected to be material.

Loan Impairment (NZ IAS 39 *Financial Instruments: Recognition and Measurement*)

Initial impact on retained profit (impact not currently ascertained).

Volatility in future earnings.

Lower credit provision.

From 1 October 2005, under NZ IFRS the NZ Banking Group will be required to apply an incurred loss approach for loan provisioning and follow specific rules on the measurement of incurred losses. Specific provisions will be raised for losses that have already been incurred on loans that are known to be impaired. However, the estimated losses on these impaired loans will be discounted to their present value and as this discount unwinds, interest will be recognised in the income statement. Loans not found to be individually impaired will be collectively assessed for impairment in pools of similar assets with similar risk characteristics. The size of the provision will be estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data.

It is anticipated that the proposed changes will result in a reduction in the level of provisioning which the NZ Banking Group holds against its credit exposures. The extent of this reduction has not yet been determined. The proposed changes will result in increased volatility in the income statement.

Goodwill (NZ IFRS 3 *Business Combinations*)

Initial impact on retained profit (increase of \$47 million).

Lower expenses (reduction of \$47 million).

Volatility in earnings in the event of an impairment.

Notes to the consolidated short form financial statements

NOTE 01 STATEMENT OF ACCOUNTING POLICIES *continued*

Adoption of International Financial Reporting Standards *continued*

From initial adoption goodwill acquired in business combinations will no longer require amortisation, but will be subject to impairment testing at least annually. Impairment will be recognised immediately in the income statement if it occurs. The goodwill amortised in the year ending 30 September 2005 will be reversed against opening retained profits on transition to NZ IFRS.

Employee Benefits (NZ IAS 19 *Employee Benefits*)

Initial impact on retained profit (estimated reduction of \$59 million before income tax).

Since 1 October 2001, the NZ Banking Group has applied the principles outlined in IAS 19 *Employee Benefits* in accounting for its defined benefit employee superannuation scheme. On initial adoption of NZ IFRS the NZ Banking Group expects to make an adjustment to retained profits to recognise previously unrecognised actuarial losses permitted by the IFRS transition arrangements. The NZ Banking Group expects that subsequent actuarial gains or losses will be recognised in accordance with the existing corridor approach.

Securitisation (NZ IAS 27 *Consolidated and Separate Financial Statements*)

New assets/liabilities recognised.

A difference in the interpretation of the consolidation and derecognition rules under NZ IFRS and existing accounting standards will result in the NZ Banking Group consolidating a number of special purpose vehicles used for the securitisation of the NZ Banking Group's own and customer's assets. The consolidation of these vehicles will result in an increase in both assets and liabilities of the NZ Banking Group with no impact on net assets. There is not expected to be any material impact on net profit as a result of this change.

Hybrid Instruments (NZ IAS 32 *Financial Instruments: Disclosure and Presentation*)

New liabilities recognised (expected reclassification from equity to debt of \$715 million).

Higher interest expense (expected \$57 million before income tax).

The NZ Banking Group has issued convertible debentures to other entities, which are currently classified as equity. As the NZ Banking Group expects to apply NZ IAS 32 *Financial Instruments: Disclosure and Presentation* prospectively from 1 October 2005, after this date the convertible debentures relating to Westpac Fixed Interest Resetable Trust Securities with a carrying value of \$715 million, are expected to be reclassified as debt and annual distributions on them of approximately \$57 million treated as interest expense.

Notes to the consolidated short form financial statements

	NZ Banking Group		
	30 June 2005 Unaudited \$m	30 June 2004 Unaudited \$m	30 September 2004 Audited \$m
NOTE 02 TRADING SECURITIES			
Treasury bills	789	749	1,092
Certificates of deposit	1,720	1,256	1,147
Commercial paper	287	430	124
New Zealand Government stock	94	246	157
Other trading securities	114	166	133
Total trading securities	3,004	2,847	2,653

Trading securities as at 30 June 2005 included securities of \$183 million encumbered through repurchase agreements (30 June 2004: \$674 million; 30 September 2004: \$154 million).

	NZ Banking Group		
	30 June 2005 Unaudited \$m	30 June 2004 Unaudited \$m	30 September 2004 Audited \$m
NOTE 03 LOANS			
Overdrafts	1,192	1,101	1,046
Credit card outstandings	975	913	923
Overnight and at call money market loans	1,489	1,018	1,187
Term loans:			
Housing	20,765	18,112	18,835
Non-housing	11,038	9,649	9,566
Other	749	5,020	4,769
Total gross loans	36,208	35,813	36,326
Provisions for bad and doubtful debts	(297)	(266)	(277)
Total net loans	35,911	35,547	36,049

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

Notes to the consolidated short form financial statements

NZ Banking Group									
	Nine months ended 30 June 2005			Nine months ended 30 June 2004			Year ended 30 September 2004		
	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
	NOTE 04 IMPAIRED ASSETS								
Gross impaired assets	56	1	57	59	-	59	58	-	58
Specific provisions	(9)	-	(9)	(10)	-	(10)	(8)	-	(8)
Net impaired assets	47	1	48	49	-	49	50	-	50
GROSS IMPAIRED ASSETS									
Balance at beginning of the period	58	-	58	71	-	71	71	-	71
Additions	26	1	27	203	-	203	221	-	221
Amounts written off	(1)	-	(1)	(13)	-	(13)	(14)	-	(14)
Returned to performing or repaid	(27)	-	(27)	(202)	-	(202)	(220)	-	(220)
Balance at end of the period	56	1	57	59	-	59	58	-	58
Interest income forgone for the period on the above impaired assets	1	-	1	1	-	1	2	-	2
SPECIFIC PROVISIONS									
Balance at beginning of the period	8	-	8	8	-	8	8	-	8
Charge to statement of financial performance	8	-	8	16	-	16	17	-	17
Specific provisions no longer required	(6)	-	(6)	(7)	-	(7)	(10)	-	(10)
Bad debts written off	(1)	-	(1)	(7)	-	(7)	(7)	-	(7)
Balance at end of the period	9	-	9	10	-	10	8	-	8
			Nine months ended 30 June 2005 Unaudited \$m			Nine months ended 30 June 2004 Unaudited \$m			Year ended 30 September 2004 Audited \$m
GENERAL PROVISION									
Balance at beginning of the period			269			258			258
Charge/(credit) to statement of financial performance			19			(2)			11
Balance at end of the period			288			256			269
PAST DUE ASSETS									
Balance at beginning of the period			31			197			197
Additions			29			29			37
Deletions			(17)			(193)			(203)
Balance at end of the period			43			33			31
Interest income forgone for the period on the above past due assets			-			-			-
OTHER ASSETS UNDER ADMINISTRATION									
Balance at beginning of the period			56			-			-
Additions			15			53			57
Deletions			(56)			-			(1)
Balance at end of the period			15			53			56

There are no unrecognised impaired assets. Other Assets Under Administration is a new requirement with effect from 30 March 2005. The data to ascertain the opening position as at 1 October 2003 is not available. The NZ Banking Group does not have any real estate or other assets acquired through security enforcement.

Notes to the consolidated short form financial statements

	NZ Banking Group		
	Nine months ended 30 June 2005 Unaudited \$m	Nine months ended 30 June 2004 Unaudited \$m	Year ended 30 September 2004 Audited \$m
NOTE 05 BAD AND DOUBTFUL DEBTS EXPENSE			
Specific provisions	8	16	17
Specific provisions no longer required	(6)	(7)	(10)
General provision	19	(2)	11
Write-offs direct	24	28	38
Recoveries	(13)	(10)	(17)
Total bad and doubtful debts expense	32	25	39

	NZ Banking Group		
	30 June 2005 Unaudited \$m	30 June 2004 Unaudited \$m	30 September 2004 Audited \$m
NOTE 06 INTEREST EARNING ASSETS AND INTEREST BEARING LIABILITIES			
Total interest earning assets	41,737	39,022	39,347
Total interest bearing liabilities	37,011	32,670	33,039

NOTE 07 DEPOSITS

Non-interest bearing ¹	2,038	1,967	1,919
Certificates of deposit	4,141	3,097	3,311
Other interest bearing:			
At call ¹	8,983	8,499	8,224
Term ¹	12,287	11,411	11,871
Total deposits	27,449	24,974	25,325

1. During the current reporting period, a number of deposits were reclassified between non-interest bearing and interest bearing and between at call and term. Prior reporting periods have been restated to assist comparability.

	NZ Banking Group		
	30 June 2005 Unaudited \$m	30 June 2004 Unaudited \$m	30 September 2004 Audited \$m
NOTE 08 SUBORDINATED DEBT			
Subordinated bonds	-	50	-
Subordinated debentures	749	835	785
Total subordinated debt	749	885	785

SUBORDINATED BONDS

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

Notes to the consolidated short form financial statements

NOTE 08 SUBORDINATED DEBT *continued*

SUBORDINATED DEBENTURES

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

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

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 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.

	NZ Banking Group		
	30 June 2005 Unaudited \$m	30 June 2004 Unaudited \$m	30 September 2004 Audited \$m
NOTE 09 CONVERTIBLE DEBENTURES			
Fixed Interest Resettable Trust Securities	715	715	715
Trust Preferred Securities	1,279	1,279	1,279
Total convertible debentures	1,994	1,994	1,994

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 Resettable Trust Securities ("Westpac FIRsTS") issued by Westpac Funds Management Limited as responsible entity of the Westpac First Trust. Both the Westpac First Trust and the Westpac Second Trust are Australian registered managed investment schemes and are members of the Overseas Banking Group.

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

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

Notes to the consolidated short form financial statements

NOTE 09 CONVERTIBLE DEBENTURES continued

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 FIRsTS is threatened.

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

TRUST PREFERRED SECURITIES

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

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

The convertible debentures will pay semi-annual distributions (31 March and 30 September) in arrears at the annual rate of 7.57% up to, but excluding 30 September 2013. From, and including, 30 September 2013 the convertible debentures will pay quarterly distributions (31 December, 31 March, 30 June and 30 September) in arrears at a floating rate equal to the New Zealand Bank Bill Rate plus 2.20% per 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 2003 TPS until 30 September 2013, after which the rate will be a floating rate equal to LIBOR plus a fixed margin.

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

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

Notes to the consolidated short form financial statements

	NZ Banking Group		
	30 June 2005 Unaudited \$m	30 June 2004 Unaudited \$m	30 September 2004 Audited \$m
NOTE 10 NZ CLASS SHARES			
NZ Class Shares on issue	598	598	598
NZ Class Shares held as Treasury Stock	-	(2)	(19)
NZ Class Shares held as Treasury Stock now cancelled	(20)	-	-
Balance at end of the period	578	596	579

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

Following a number of buybacks since 2002, as at 30 June 2005, there were 52,569,931 NZ Class Shares on issue (30 June 2004: 53,694,931; 30 September 2004: 52,635,530) with no NZ Class Shares held as Treasury Stock (30 June 2004: 114,401; 30 September 2004: 1,059,401).

Key features of these shares are:

- each NZ Class Share is entitled to dividends if declared. Any dividends paid on the NZ Class Shares will be the New Zealand dollar equivalent of the dividends paid on the Overseas Bank 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 the Overseas Bank ordinary shares upon the occurrence of certain events. In particular, in the event of liquidation of WNZIL, the NZ Class Shares must be exchanged. Once this exchange occurs, the current holders of the NZ Class Shares are not entitled to participate in the residual net assets of WNZIL in the event of a liquidation; and
- NZ Class Shares held as Treasury Stock have none of the features mentioned above as all their rights and obligations are suspended until they are reissued.

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

TREASURY STOCK

On 6 May 2004, WNZIL gave notice that it intended to commence an on-market buy-back of approximately 1 million NZ Class Shares for a period of six months from around 17 May 2004. The WNZIL Board approved the buy-back with the intention that the WNZIL buy-back would be proportionally equivalent to the off-market ordinary share buy-back undertaken by the Overseas Bank in June 2004. Final calculations indicated that the percentage of Overseas Bank ordinary shares purchased was slightly higher than anticipated, and as a result on 29 July 2004, WNZIL elected to increase the size of its share buy-back to 1.125 million NZ Class Shares. As at 30 September 2004, WNZIL had acquired 1,059,401 NZ Class Shares for a total amount of \$19 million. The 'on-market' buy-back of NZ Class Shares was completed on 29 November 2004. During the reporting period ended 30 June 2005, 65,599 NZ Class Shares were bought back at an average price of \$19.73 for a total cost of \$1 million. The NZ Class Shares bought back were being held as Treasury Stock, with all rights and obligations suspended until reissued or cancelled. These shares, representing 2.1% of the NZ Class Shares on issue at the commencement of the buy-back, have been cancelled effective 5 May 2005.

Notes to the consolidated short form financial statements

NOTE 10 NZ CLASS SHARES *continued*

EXCHANGE EVENT

The Overseas Bank has previously advised WNZIL that it has the option to exercise a right to an Exchange Event as a consequence of the impact of new Australian tax rules (New Business Tax System (Debt and Equity) Act 2001) becoming law and affecting some payments in the NZ Class Share structure. The Overseas Bank is adversely affected by these new Australian tax rules as the Overseas Bank would be subject to Australian franking debits in relation to the NZ Class Share structure from 1 July 2005.

In the Exchange Deed made by the Overseas Bank in favour of each NZ Class Shareholder, the Overseas Bank has certain rights to exchange NZ Class Shares for the Overseas Bank ordinary shares upon the occurrence of an Exchange Event. On 5 May 2005, the Overseas Bank announced that it intended to exercise that right.

NZ Class Shares ceased trading on the New Zealand Stock Market from the close of business on 1 July 2005. Formal notification of the exchange was sent to NZ Class Shareholders on 7 July 2005. As a result, NZ Class Shareholders were entitled to receive one Overseas Bank ordinary share for each NZ Class Share held on the exchange date. The Overseas Bank ordinary shares were allotted on 11 July 2005. In exchange, NZ Class Shares were transferred to the Overseas Bank.

NZ Class Shareholders received a final imputed dividend on the NZ Class Shares, which was paid on 1 July 2005.

BUY-BACK AND CANCELLATION

On 27 July 2005 WNZIL bought back all the NZ Class Shares held by the Overseas Bank for \$618 million and the shares were subsequently cancelled.

	NZ Banking Group		
	30 June 2005 Unaudited \$m	30 June 2004 Unaudited \$m	30 September 2004 Audited \$m
NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES			
CONTINGENT LIABILITIES			
Direct credit substitutes	285	256	372
Transaction related contingent items	588	533	535
Trade related contingent liabilities	619	603	628
Total contingent liabilities	1,492	1,392	1,535

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

NEW ZEALAND INLAND REVENUE DEPARTMENT INVESTIGATION

As previously disclosed in the General Disclosure Statement, 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.

The transactions in question have been progressively run down, with the last of the transactions being unwound during the current quarter. As a consequence of the maintenance of these transactions for part of the quarter ended 30 June 2005, additional amounts of tax, from that previously disclosed have accrued. Potential interest continues to accrue on the core tax if the NZIRD is successful in its challenge.

On 30 September 2004, the NZ Bank received assessments totalling \$18 million (\$25 million with interest) in respect of three transactions for the 1999 tax year. On 31 March 2005, the NZIRD issued further amended tax assessments relating to the 2000 tax year which will impact three structured finance transactions in place in the 1999 year and an additional two structured finance transactions undertaken in the 2000 year only. The maximum potential tax liability reassessed for the 2000 year is \$61 million (with interest this increases to \$85 million). The potential primary tax in dispute for all five of these transactions for the periods up to and including 30 June 2005 is \$220 million (this includes the amounts noted above). With interest this increases to \$293 million (calculated to 30 June 2005). The additional tax assessed in respect of the 1999 and 2000 tax years (\$79 million tax plus interest as noted above) has been paid to the NZIRD as "tax in dispute" to prevent further interest accruing. This has been recorded in the financial statements as a receivable in "Other assets" reflecting the NZ Bank position as noted below.

Notes to the consolidated short form financial statements

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES continued

The NZIRD is also investigating other transactions undertaken by the NZ Bank, which have materially similar features to those for which assessments have been received. Should the NZIRD take the same position across all of these transactions, for the periods up to and including the nine month period ended 30 June 2005, the overall primary tax in dispute will be approximately \$611 million (this includes the amounts noted above). With interest this increases to approximately \$739 million (calculated to 30 June 2005).

The NZ Bank 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.

As previously disclosed, the NZ Bank is confident that the original tax treatment applied by it in all cases is correct. The NZ Bank remains of the view that the transactions are legitimate and do not constitute tax avoidance. Accordingly, no tax provision has been raised in respect of these matters. 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.

OTHER CONTINGENT ASSETS AND LIABILITIES

The New Zealand Commerce Commission is prosecuting the NZ Bank along with five other banks and two card services companies, under the Fair Trading Act 1986 in relation to disclosure of international currency conversion fees charged on foreign currency credit card and debit card transactions. 105 charges have been served on the NZ Bank. The Commerce Commission may also prosecute The Warehouse Financial Services Limited, a member of the NZ Banking Group. As at the date of signing, charges have not been served on The Warehouse Financial Services Limited. Penalties under the Fair Trading Act 1986 could include a refund of some or all of the international currency conversion fees collected by the NZ Bank or The Warehouse Financial Services Limited and a fine of up to \$200,000 per charge. The NZ Bank is considering its position in relation to the charges, but at this stage does not consider it necessary to raise a specific provision in its financial statements.

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 programmes 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 estimated to be \$14 million. The NZ Bank believes that it is highly unlikely it would incur a material operating loss as a result of this in the normal course of its business operations.

The NZ Banking Group has a contingent asset in respect of \$2 million (30 June 2004: \$16 million; 30 September 2004: \$7 million) contributed to various funds managed by its wealth management subsidiaries. During the reporting period ended 30 June 2005, a sum of \$5 million was returned to the NZ Banking Group and was recognised in other non-interest income (30 June 2004: \$11 million; 30 September 2004: \$20 million). No portion of this repayment is included in other assets as at 30 June 2005 (30 June 2004: nil; 30 September 2004: \$6 million). The repayment of the remaining sum is dependent on the future performance of these funds.

OTHER COMMITMENTS

As at 30 June 2005, 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.

Notes to the consolidated short form financial statements

NOTE 12 CREDIT RISK

RISK WEIGHTED EXPOSURES

Risk weighted exposures are derived in accordance with the Reserve Bank of New Zealand's Capital Adequacy Framework (the "Framework") as required by the Registered Bank Disclosure Statement (Off-Quarter – Overseas Incorporated Registered Banks) Order 2005 (New Zealand).

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

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

The current exposure method has been used to calculate the credit equivalent of market related contracts with the exception of the following transaction where the carrying amount has been used:

- a debt/equity swap undertaken between WNZIL and the NZ Bank in which WNZIL will receive payments based on the dividend paid on Overseas Bank's ordinary shares. The purpose of this swap is to enable WNZIL to derive an income stream equivalent to the dividend payable on the NZ Class Shares.

Notes to the consolidated short form financial statements

NOTE 12 CREDIT RISK continued

	NZ Banking Group 30 June 2005 – Unaudited				
CALCULATION OF ON-BALANCE SHEET EXPOSURES					
	Principal Amount \$m		Risk Weighting		Risk Weighted Exposure \$m
Cash and short term claims on government	1,584		0%		-
Long term claims on government	99		10%		10
Claims on banks	3,701		20%		740
Claims on public sector entities	203		20%		41
Residential mortgages	20,814		50%		10,407
Other assets	17,979		100%		17,979
Non-risk weighted assets	1,304				-
Total on-balance sheet exposures	45,684				29,177
CALCULATION OF SECURITISED MORTGAGE EXPOSURES					
Securitised mortgages	759		50%		380
Total securitised mortgage exposures	759				380
CALCULATION OF OFF-BALANCE SHEET EXPOSURES					
	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
DIRECT CREDIT SUBSTITUTES					
Standby letters of credit and financial guarantees	285	100%	285	100%	285
Total direct credit substitutes	285		285		285
COMMITMENTS					
Commitments with certain drawdown	36	100%	36	100%	36
Housing loan commitments with certain drawdown	87	100%	87	50%	44
Transaction related contingent items	588	50%	294	100%	294
Short term, self liquidating trade related contingent liabilities	619	20%	124	100%	124
Other commitments to provide financial services which have an original maturity of one year or more	6,108	50%	3,054	100%	3,054
Other commitments with original maturity of less than one year or which can be unconditionally cancelled at any time	5,691	0%	-	0%	-
Total commitments	13,129		3,595		3,552
MARKET RELATED CONTRACTS (DERIVATIVES)					
Foreign exchange contracts:					
Forwards	32,439		645	26%	166
Options	300		3	33%	1
Swaps	12,273		770	28%	216
Interest rate contracts:					
Forwards	11,977		1	100%	1
Futures	12,883		-	0%	-
Options	7,693		6	50%	3
Swaps	91,386		973	33%	320
Total market related contracts (derivatives)	168,951		2,398		707
Total off-balance sheet exposures	182,365		6,278		4,544
Total risk weighted exposures					34,101

Notes to the consolidated short form financial statements

NOTE 12 CREDIT RISK continued

NZ Banking Group
30 June 2004 – Unaudited

CALCULATION OF ON-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Risk Weighting	Risk Weighted Exposure \$m
Cash and short term claims on government	1,201	0%	-
Long term claims on government	258	10%	26
Claims on banks	4,392	20%	878
Claims on public sector entities	204	20%	41
Residential mortgages	18,164	50%	9,082
Other assets	16,500	100%	16,500
Non-risk weighted assets	1,608		-
Total on-balance sheet exposures	42,327		26,527

CALCULATION OF SECURITISED MORTGAGE EXPOSURES

Securitised mortgages	806	50%	403
Total securitised mortgage exposures	806		403

CALCULATION OF OFF-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
DIRECT CREDIT SUBSTITUTES					
Standby letters of credit and financial guarantees	256	100%	256	100%	256
Total direct credit substitutes	256		256		256

COMMITMENTS

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%	-
Total commitments	11,490		2,982		2,962

MARKET RELATED CONTRACTS (DERIVATIVES)

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
Total market related contracts (derivatives)	148,367		2,797		722
Total off-balance sheet exposures	160,113		6,035		3,940
Total risk weighted exposures					30,870

Notes to the consolidated short form financial statements

NOTE 12 CREDIT RISK continued

NZ Banking Group
30 September 2004 – Audited

CALCULATION OF ON-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Risk Weighting	Risk Weighted Exposure \$m
Cash and short term claims on government	1,519	0%	-
Long term claims on government	100	10%	10
Claims on banks	4,589	20%	918
Claims on public sector entities	189	20%	38
Residential mortgages	18,888	50%	9,444
Other assets	15,654	100%	15,654
Non-risk weighted assets	1,552		-
Total on-balance sheet exposures	42,491		26,064

CALCULATION OF SECURITISED MORTGAGE EXPOSURES

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

CALCULATION OF OFF-BALANCE SHEET EXPOSURES

	Principal Amount \$m	Credit Conversion Factor	Credit Equivalent Amount \$m	Average Counterparty Risk Weighting	Risk Weighted Exposure \$m
DIRECT CREDIT SUBSTITUTES					
Standby letters of credit and financial guarantees	372	100%	372	100%	372
Total direct credit substitutes	372		372		372

COMMITMENTS

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

MARKET RELATED CONTRACTS (DERIVATIVES)

Foreign exchange contracts:					
Forwards	26,931		665	26%	174
Options	107		1	0%	-
Swaps	16,798		1,304	25%	332
Interest rate contracts:					
Forwards	11,673		8	50%	4
Futures	5,258		-	0%	-
Options	3,503		8	50%	4
Swaps	79,923		727	30%	221
Total market related contracts (derivatives)	144,193		2,713		735
Total off-balance sheet exposures	156,701		6,175		4,173
Total risk weighted exposures					30,616

Notes to the consolidated short form financial statements

NOTE 13 CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

ANALYSIS OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

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

Individual Counterparties

	Peak end-of-day for the three months ended		Peak end-of-day for the three months ended		Peak end-of-day for the three months ended	
	As at 30 June 2005 Unaudited	As at 30 June 2005 Unaudited	As at 30 June 2004 Unaudited	As at 30 June 2004 Unaudited	As at 30 September 2004 Audited	As at 30 September 2004 Audited
10 - 20% of Overseas Banking Group's equity						
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 2005 Unaudited	As at 30 June 2005 Unaudited	As at 30 June 2004 Unaudited	As at 30 June 2004 Unaudited	As at 30 September 2004 Audited	As at 30 September 2004 Audited
10 - 20% of Overseas Banking Group's equity						
Bank counterparties	-	1	1	1	1	1
Non-bank counterparties	-	-	-	-	-	-

The peak end-of-day exposure and as at exposures have been calculated using the Overseas Banking Group's equity as at 31 March 2005. The equity used in the 30 June 2004 comparatives was as at 31 March 2004. 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 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.

Individual Counterparties

	As at 30 June 2005 Unaudited	Percentage of large exposures Unaudited	As at 30 June 2004 Unaudited	Percentage of large exposures Unaudited	As at 30 September 2004 Audited	Percentage of large exposures Audited
	10 - 20% of Overseas Banking Group's Equity					
Credit rating of BBB- and above	-	-	-	-	-	-
Credit rating below BBB-	-	-	-	-	-	-
Without investment grade credit rating	-	-	-	-	-	-

Closely Related Counterparties

	As at 30 June 2005 Unaudited	Percentage of large exposures Unaudited	As at 30 June 2004 Unaudited	Percentage of large exposures Unaudited	As at 30 September 2004 Audited	Percentage of large exposures Audited
	10 - 20% of Overseas Banking Group's Equity					
Credit rating of BBB- and above	-	-	2,000	100.0	2,000	100.0
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 14 CAPITAL ADEQUACY

The Overseas Bank and the Overseas Banking Group 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 has been endorsed by banking supervisory authorities in the G10 and other industrial countries.

The most recent publicly available capital adequacy ratios of the Overseas Banking Group and the Overseas Bank are as at 31 March 2005, as shown below:

	Overseas Banking Group			
	31 March	31 March	30 September	Minimum Capital Adequacy Ratio as specified by APRA
	2005	2004	2004	
	Unaudited	Unaudited	Audited	
%	%	%		
Tier One Capital, expressed as a percentage of risk weighted exposures	7.1	7.2	6.9	4.0
Capital, expressed as a percentage of risk weighted exposures	10.0	10.2	9.7	8.0

	Overseas Bank			
	31 March	31 March	30 September	Minimum Capital Adequacy Ratio as specified by APRA
	2005	2004	2004	
	Unaudited	Unaudited	Audited	
%	%	%		
Tier One Capital, expressed as a percentage of risk weighted exposures	6.2	6.3	6.1	4.0
Capital, expressed as a percentage of risk weighted exposures	9.7	10.0	9.6	8.0

The Overseas Bank and Overseas Banking Group exceeded the minimum capital adequacy ratio requirement as specified by APRA as at 31 March 2005. The minimum capital adequacy requirements as specified by APRA are at least equal to those specified under the Basel framework.

NOTE 15 INSURANCE BUSINESS

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

The aggregate amount of the insurance business is:

	30 June	30 June	30 September
	2005	2004	2004
	Unaudited	Unaudited	Audited
	\$m	\$m	\$m
Total assets	76	71	79

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

