



Media Release

Wednesday 15 December 2004

WESTPAC TO LOCALLY INCORPORATE IN NEW ZEALAND

Westpac today announced that it will locally incorporate its key operations in New Zealand.

The announcement follows advice from the Governor of the Reserve Bank of New Zealand (RBNZ), Dr Alan Bollard, that the RBNZ had rejected Westpac's buttressed branch proposal. The Westpac board has agreed to comply with the RBNZ's local incorporation policy.

This decision comes after 12 months of intensive effort by both Westpac and the RBNZ to find a suitable alternative to local incorporation, and after 143 years of Westpac operating as a branch in New Zealand.

Westpac is disappointed that the RBNZ found that its buttressed branch proposal is not acceptable. The local incorporation model requires the establishment of an entity with its own board. Under the RBNZ's Conditions of Registration for New Zealand incorporated banks, the New Zealand board is required to exercise its powers and perform its duties solely in the best interests of the locally incorporated bank (even where this may be in conflict with the parent bank).

The RBNZ's policy states that the appointment of directors and the chief executive for the locally incorporated company is subject to RBNZ veto¹.

While this is a change to the legal form under which Westpac operates in New Zealand, from a customer perspective there should be no disruption.

Westpac will now move forward to locally incorporate the systemically significant² parts of its New Zealand operations. As legislation will probably be required to incorporate, it is likely the process will take some time.

Recent Australian tax law changes relating to the tax treatment of goodwill will mean that there should not be any Capital Gains Tax (CGT) liability from the transfer of assets from the branch to the locally incorporated subsidiary.

Westpac is not yet in a position to fully quantify costs, but it is anticipated that the cost of local incorporation will not be material.

Tomorrow's AGM in Auckland is the first time in its 187-year history that Westpac has held the event outside of Australia.

ENDS.

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¹ RBNZ's *Statement of Principles: Bank Registration and Supervision, Appendix 1* – see <http://www.rbnz.govt.nz/infinstabl/banking/regulation/lbs1.pdf>

² As defined on page 8 of the above *Statement of Principles* document