This interim profit announcement has been prepared for distribution in the United States of America.

FOR THE SIX MONTHS ENDED 31 MARCH 2004

Incorporating the requirements of Appendix 4D

Westpac Banking Corporation, ABN 33 007 457 141

Profit Announcement

Westpac
Australia's First Bank

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Total revenue	up	18.0%	to	$ 8,664 m
Profit from ordinary activities after tax attributable to equity holders of Westpac Banking Corporation	up	16.6%	to	$ 1,225 m
Net profit for the period attributable to equity holders of Westpac Banking Corporation	up	16.6%	to	$ 1,225 m

Dividend Distributions (cents per share)	Amount per security	Franked amount per security
Interim Dividend	42 cents	42 cents

Record date for determining entitlements to the interim dividend	10 June 2004 (Sydney) 9 June 2004 (New York) 11 June 2004 (NZ Class shares)

In this announcement references to 'Westpac', 'the Group', 'we', 'us' and 'our' are to Westpac Banking Corporation and its controlled entities.

The 2004 Interim Profit Announcement contains 'forward-looking statements' within the meaning of Section 21E of the US Securities Exchange Act of 1934. Refer section 6.3 for further details regarding 'forward-looking statements'.

This interim profit announcement has been prepared for distribution in the United States.

Our interim period refers to the six months ended 31 March 2004. Throughout this profit announcement we also refer to the six months ended 31 March 2003 (the prior corresponding period) and the six months ended 30 September 2003 (the prior period).

The selected financial information contained in this profit announcement (other than certain percentages and average amounts quoted) has been derived from the unaudited consolidated interim financial report for Westpac Banking Corporation and its controlled entities (Westpac or the Group) for the half years ended 31 March 2004 and 31 March 2003. The interim financial report has been prepared in accordance with Australian generally accepted accounting principles (GAAP). In addition to discussing the Australian GAAP financial information in this announcement we also discuss the following non-GAAP financial information:

- **Cash earnings**: Net profit attributable to equity holders in this announcement is calculated in accordance with Australian GAAP. Cash earnings adds back to net profit attributable to equity holders the amortisation of goodwill and subtracts distributions paid on other[1] equity instruments. Management believes cash earnings is useful to investors because it adjusts our results for two material items that do not reflect cash flows attributable to ordinary shareholders: amortisation of goodwill and distributions paid on other equity instruments. A reconciliation of our Group cash earnings to our net profit attributable to equity holders is contained in section 2.1, Earnings. A reconciliation of Business Unit cash earnings to net profit after tax for each business unit is contained in section 4, Business Unit Performance.
- **Economic profit**: Economic profit is defined as cash earnings less a capital charge calculated by management at 11.6%[2] of ordinary equity, plus 70% of the value of franking credits paid to shareholders. Economic profit is used as a key measure of our financial performance because it focuses on shareholder value by requiring a return in excess of a risk adjusted cost of capital. A reconciliation of Group economic profit to net profit attributable to equity holders is contained in section 2.1.1, Key Financial Data. A reconciliation of Business Unit economic profit to net profit after tax for each business unit is contained in section 4, Business Unit Performance.
- **Adjusted Common Equity (ACE)**: Tier 1 capital is calculated in accordance with Australian Prudential Regulation Authority (APRA) guidelines for determining a bank's minimum capital requirements. Adjusted Common Equity (ACE) is calculated as Tier 1 capital less investments in non-banking subsidiaries and other equity instruments. The ACE ratio has become the capital measure most frequently used by analysts and rating agencies to assess a bank's capital strength. Management believes that the ACE ratio is widely accepted and is a conservative measure of the amount of ordinary equity that explicitly supports a banking business, deducting the entire investment in non-banking subsidiaries from shareholders' equity. A reconciliation of Tier 1 capital to ACE is contained in section 2.2.1, Key Financial Data.
- **Performance Ratios**: In this announcement we present certain performance ratios using both the Australian GAAP measure of net profit attributable to equity holders and the measure of cash earnings. Management believes it is useful to present certain performance ratios using both the Australian GAAP and cash earnings measures for the reasons outlined in the cash earnings discussion above. The following ratios have been presented as Australian GAAP and cash earnings measures respectively:
  - Basic earnings per ordinary share and cash earnings per ordinary share
  - Dividend payout ratio and cash earnings dividend payout ratio
  - Net profit return on average adjusted ordinary equity and cash earnings return on average adjusted ordinary equity

  Where these ratios are calculated using cash earnings instead of net profit attributable to equity holders, the ratio does not include the impact of goodwill amortisation and distributions paid on other equity instruments.

1. *Other equity instruments include Trust Originated Preferred Securities (TOPrS[SM]), Fixed Interest Resettable Trust Securities (FIRsTS) and Trust Preferred Securities (TPS).*
2. *Following a review of the appropriateness of the interest rate used to determine the capital charge, management has reduced the capital charge to 11.6% for the 2004 year (previously 12%). Prior period and prior corresponding period comparatives have been changed to reflect this new rate. We have not changed the capital charge for Business unit economic profit, which remains at 12%.*

- **Average Adjusted Ordinary Equity**: Average (ordinary) shareholder's equity is calculated as average total equity less average outside equity interests and less average other equity instruments, as per Note 3, Average Balance Sheet and Interest Rates, contained in section 5.5 of the interim profit announcement. Average adjusted ordinary equity is calculated as average ordinary shareholder's equity plus average accumulated goodwill amortisation less the average interim dividend accrual net of the estimated dividend reinvestment. Management believes this measure of average equity is useful in the calculation of Return on Equity (ROE) and cash earnings ROE, as it takes into consideration the original cost of acquisitions by adding back accumulated goodwill amortisation and also adjusts equity for the distribution of expected dividends known at period end, however, not accrued in accordance with Australian generally accepted accounting principles.

The profit announcement also includes information which has been prepared in accordance with US generally accepted accounting principles (GAAP). This information has been derived from the unaudited consolidated financial statements for Westpac after having made adjustments for US GAAP requirements.

All dollar values in this announcement are in Australian dollars unless otherwise noted. References to 'US$' or US dollars are to United States dollars, references to 'dollar amounts', '$' or 'A$' are to Australian dollars and references to 'NZ$' are to New Zealand dollars. For the convenience of the reader, this profit announcement contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or have been or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translation of Australian dollars into US dollars have been made at the rate of A$1 = US$0.7620, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the 'noon buying rate') on 31 March 2004. Refer section 6.2, 'Exchange rates' for information regarding the rates of exchange between the Australian dollar and the US dollar for the two prior six month periods.

When necessary, comparative figures for the six months to 31 March 2003 and the six months to 30 September 2003 have been adjusted to conform to changes in presentation and classification in this interim period.

PRESS RELEASE

Westpac Banking Corporation today announced a record net profit attributable to equity holders[1] of $1,225 million for the half year ended March 2004, up 17% for the same period last year. Cash earnings increased 13% to $1,233 million.

Key features of the result include:

- Basic earnings per ordinary share up 11% to 62.1 cents;
- Cash earnings[2] per ordinary share up 11% to 66.7 cents;
- Fully franked interim dividend 42 cents up 11%;
- Group operating expense to income ratio down 290 basis points to 49.6%;
- Banking operating expense-income ratio (excluding wealth management) further reduced to 48.7%;
- Return on equity[3] (ROE) at 19%; and
- Cash earnings ROE[4] at 20%.

All comparisons with 2003 interim results

Westpac also announced today that it would buy back approximately $500 million of its shares, in its first structured off-market buy-back (further details in accompanying statement). It will also conduct an on-market buy-back of an equivalent proportion of its NZ Class Shares (approximately one million shares).

Westpac Chief Executive Officer, Dr David Morgan said: "This result delivers emphatically for our shareholders. It continues Westpac's strong earnings momentum.

"Our business units have performed strongly. In particular our decision to acquire the BT business in August 2002 has proven to be the right one. BT is now a major contributor to our financial performance and places Westpac in a strong position in the funds management industry.

"Our customer focussed strategy is delivering profitable growth. Over the last five years our results have been driven by continuing revenue growth while at the same time containing expenses.

"It is also very pleasing that growth in our lending portfolio has been achieved without compromising asset quality. The charge for bad and doubtful debts decreased by $7 million or 3% on the prior corresponding period, and was down $64 million or 24% on the previous half year.

"A key element of Westpac's growth momentum is to consistently improve customer satisfaction levels, a key driver of our strategy.

"While we have made good progress, we believe that we can continue to improve customer experience and satisfaction levels, further improving long term earnings sustainability.

"Our ability to build on our competitive and well executed customer strategy means that we are consistently delivering high quality performance for customers, staff, the community and shareholders," he said.

OUTLOOK

"We have established a sound base for the 2004 financial year with first half results above our medium term guidance. We will also continue to benefit from the market share and customer service improvements that we have seen.

"We are therefore positive about the outlook for solid earnings growth for the year as a whole," Dr Morgan said.

1. *Net profit attributable to equity holders of Westpac Banking Corporation is calculated in accordance with Australian GAAP. Cash earnings adds back to net profit attributable to equity holders the amortisation of goodwill and subtracts distributions paid on other equity instruments.*
2. *Cash earnings divided by the daily weighted average number of ordinary shares outstanding, calculated in accordance with Australian accounting standard AASB 1027, Earnings per Share.*
3. *Net profit attributable to equity holders less distributions on our hybrid equity divided by average adjusted ordinary equity. Equity used in the calculation of 'return on equity' is based on average adjusted ordinary equity. A reconciliation of average adjusted ordinary equity is contained in section 2.2.1, Key Financial Data.*
4. *Calculated as net profit attributable to equity holders plus amortisation of goodwill less distributions on other equity instruments divided by average adjusted ordinary equity.*

1.1 OVERVIEW OF THE 2004 INTERIM RESULTS

We have delivered a strong first half (interim) net profit attributable to equity holders of $1,225 million, up 17% on the six months to 31 March 2003 (prior corresponding period) and up 8% on the six months to 30 September 2003 (the prior period), as a result of consistent execution of our strategy. Basic earnings per ordinary share increased to 62.1 cents per share, up 11% on the prior corresponding period.

Our preferred earnings measure, cash earnings attributable to ordinary shareholders (cash earnings) increased 13% to $1,233 million on the prior corresponding period. Cash earnings per share increased to 66.7 cents per share, up 11% on the prior corresponding period. Economic profit[1], which captures the capital consumed by the business and the benefit of dividend franking, grew 14% on the prior corresponding period.

We have continued our momentum from last year and remain well positioned to achieve against all key stakeholder measures.

Stakeholder Results
Shareholders • Basic earnings per ordinary share at 62.1 cents, up 11% on the prior corresponding period. • Cash earnings per ordinary share at 66.7 cents, up 11% on the prior corresponding period. • Economic profit up 14% to $763 million on the prior corresponding period. • Return on Equity (ROE)[2] at 19% and cash earnings ROE at 20%.
Customers • The percentage of Australian customers[3] who are very or fairly satisfied: - Consumer: 68%, up 4% on March 2003; - Small and Medium Enterprises (SME): 62%, up 6% on March 2003; and - Priority and Middle Market: 70%, up 3% on March 2003. • The percentage of New Zealand customers[4] who rate our service as either excellent, very good or quite good was 84%.
Staff • Employee morale[5] at 7.4 out of 10 at February 2004, compared with 7.6 at 31 March 2003 and in line with the 7.4 achieved at 30 September 2003.
Corporate Reputation and Sustainability • First place among all banks globally in the Dow Jones Sustainability Index for the second consecutive year. • No. 1 rating by the Reputex Social Responsibility Ratings. (The only Australian corporate to be awarded a AAA rating). • ASX award for outstanding overall corporate governance, the only company to be commended for outstanding effort in reporting against the new corporate governance principles. • The only Australian company to receive the top governance ranking by Governance Metrics International.

1. *Net profit attributable to equity holders adjusted for amortisation of goodwill and distributions on other equity instruments (ie. cash earnings) plus 70% of the value of franking credits paid to shareholders, less a cost of capital charge of 11.6%. Refer to section 2.1.1 for a reconciliation of Group net profit attributable to equity holders to economic profit. Management believes that economic profit is a key measure of our financial performance because it focuses on shareholder value by requiring a return in excess of a risk adjusted cost of capital.*
2. *Net profit attributable to equity holders less distributions on our hybrid equity divided by average adjusted ordinary equity.*
3. *Consumer: Roy Morgan Research; Business: Taylor Nelson Sofres. Data based on rolling four quarter average. Consumer satisfaction (based on consumers aged 14+ who regard Westpac as their main financial institution) for the period ending February 2004. Business satisfaction for the period ending March 2004.*
4. *Source: AC Nielson, December 2003.*
5. *Monthly Westpac morale survey conducted by Ekas Marketing Research Services.*

Other key features of this result compared to the prior corresponding period are:

- net loans and acceptances up 14%;
- Group net interest margin down 9 basis points to 2.56%;
- operating expenses growth contained at 4%;
- Group operating expense to income ratio down 290 basis points to 49.6%;
- banking[1] expense to income ratio down 300 basis points to 48.7%;
- bad debts charge to average loans and acceptances[2] down 5 basis points to 24 basis points;
- total impaired assets to gross loans and acceptances flat at 0.3%; and
- strong capital position, with our Tier 1 ratio increasing to 7.2% and Adjusted Common Equity (ACE) ratio increasing to 5.1%.

The Directors have determined to pay an interim dividend of 42 cents per ordinary share (fully franked), an increase of 11% on the 2003 interim dividend. The dividend payout ratio is 67.6%, down from 67.8% in the prior corresponding period, and 63% on a cash earnings basis, consistent with the prior corresponding period. Our franking capacity remains strong.

The growth in cash earnings over the prior corresponding period was achieved through strong performance from all business units. Net operating income grew 10% driven by resilient household credit growth and particularly strong deposit growth, as well as non-interest income growth in our wealth management businesses. Operating expense growth was contained to 4% despite increases in several compliance costs (including preparing for International Financial Reporting Standards (IFRS), Financial Services Reform (FSR), the US Sarbanes-Oxley (SOX) legislation and Basel II), higher superannuation expense and higher personnel expenses.

Bad debts expense was $207 million for the six months ended 31 March 2004, a fall of $7 million on the prior corresponding period.

Highlights from business unit performance relative to the prior corresponding period include:

- 21% growth in net profit after tax (19% cash earnings) in Australian Business and Consumer Banking (BCB) led by strong net interest income growth;
- 11% growth in net profit after tax (11% cash earnings) in the Institutional Bank, assisted by a sharp fall in bad debt charges;
- the resumption of profit growth in New Zealand with a 12% (4% local currency) increase in net profit after tax and 11% (4% local currency) increase in cash earnings driven by a 13% (5% local currency) lift in net operating income; and
- a sound contribution from BT Financial Group (Australia) as funds under management (FUM) and funds under administration (FUA) levels rose and life insurance claims experience remained favourable. BT Financial Group (Australia) net profit after tax increased 26% and cash earnings increased 25%.

In summary, we have delivered a strong result, through effective execution of our strategy, containing expenses and benefiting from a very positive credit environment.

1.2 OUTLOOK[3]

The Australian economy has continued to perform well with strong growth, sound employment conditions and positive consumer sentiment supported by emerging growth in the global economy.

The New Zealand economy has similarly performed well although growth has eased more recently with softer business confidence and lower migration levels.

Credit growth in Australia has remained at high levels growing at 15% for the year to March 2004. Within this, housing credit increased 24% and business credit grew at around 6% over the same period.

New Zealand credit growth has also been solid, with Private Sector Credit growing around 10%. Consistent with the sound economic environment, operating conditions for our wealth management businesses have also been favourable.

For the remainder of the financial year, little change in the overall economic growth outlook is anticipated. Although the composition of this growth is expected to change with lower consumer spending and dwelling expenditure offset by increased business investment and an improving net export position.

1. *The banking group comprises Business and Consumer Banking, Westpac Institutional Bank, the retail banking operations in New Zealand and Other segment.*
2. *Average loans and acceptances for the period are calculated on a daily basis.*

3. *This outlook section contains 'forward-looking statements'. Refer section 6.3 for further details regarding 'forward-looking statements'.*

The much anticipated decline in housing credit is also expected to emerge, given the evidence of a slowdown in real housing activity. This should see housing credit growth fall to below 20% by September 2004 and be on a declining path. Partially offsetting this decline will be an increase in business credit growth from 6% to over 8% per annum.

Given the economic and credit outlook, conditions for the financial services sector will continue to be positive. Competition across the business will also continue to intensify.

Westpac advised the market last year that we would not be providing specific earnings guidance given global governance requirements and that position has not changed.

We have established a sound base for the 2004 financial year with exceptional first half results. We will continue to benefit from the asset growth and margin performance that we have seen to date and will not diverge from our strategy of seeking profitable growth.

Accordingly, we are positive about the outlook as our key businesses are well placed to compete across the board and we are confident about achieving sound earnings growth for the year as a whole.

2.1 EARNINGS

Our 2004 interim earnings are presented below including net profit attributable to equity holders and cash earnings attributable to ordinary equity holders. We believe cash earnings are a useful measure of our financial performance as this basis adjusts our results for two material items which do not reflect cash flows available to ordinary shareholders: amortisation of goodwill and dividends paid on hybrid equity.

$m	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	*% Mov't* Sept 03-Mar 04 A$	*% Mov't* Mar 03-Mar 04 A$
Amounts in accordance with Australian GAAP						
Net interest income	1,782	2,339	2,228	2,098	*5*	*11*
Non-interest income[1]	1,173	1,539	1,565	1,439	*(2)*	*7*
Net operating income	2,955	3,878	3,793	3,537	*2*	*10*
Operating expenses[1]	(1,467)	(1,925)	(1,906)	(1,857)	*(1)*	*(4)*
Goodwill amortisation	(64)	(84)	(85)	(78)	*1*	*(8)*
Bad and doubtful debts	(158)	(207)	(271)	(214)	*24*	*3*
Profit from ordinary activities before income tax expense	1,266	1,662	1,531	1,388	*9*	*20*
Income tax expense	(328)	(431)	(395)	(333)	*(9)*	*(29)*
Net profit	938	1,231	1,136	1,055	*8*	*17*
Net profit attributable to outside equity interests:						
Managed investment schemes[1]	(1)	(1)	-	-	-	-
Other	(4)	(5)	(4)	(4)	*(25)*	*(25)*
Net profit attributable to equity holders	933	1,225	1,132	1,051	*8*	*17*
Goodwill amortisation	64	84	85	78	*1*	*(8)*
Distributions on other equity instruments	(58)	(76)	(41)	(34)	*(85)*	*(124)*
Cash earnings	939	1,233	1,176	1,095	*5*	*13*

$m	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	*% Mov't* Sept 03-Mar 04 A$	*% Mov't* Mar 03-Mar 04 A$
Amounts in accordance with US GAAP						
Net income	1,055	1,387	1,054	930	*32*	*49*

Differences between Australia and US Generally Accepted Accounting Principles (GAAP) results

Our earnings and summary financial position have been derived from Westpac's unaudited consolidated Interim Financial Report for the half years ended 31 March 2004 and 31 March 2003, which is prepared in accordance with generally accepted accounting principles (GAAP) applicable in Australia. These may differ in some material respects from generally accepted accounting principles in the United States (US GAAP).

Consolidated net income under US GAAP for the six months to 31 March 2004 was A$1,387 million, compared with A$930 million for the six months ended 31 March 2003. Equity attributable to equity holders of Westpac Banking Corporation according to US GAAP was A$12,545 million for the six months ended 31 March 2004 compared with A$11,111 million for the six months ended 31 March 2003.

1. *The six months to 31 March 2004 include the following amounts in regards to the consolidation of managed investment schemes by the Life Company: $2 million non-interest income; $1 million operating expenses; and $1 million net profit attributable to outside equity interests. These managed investment schemes have not been consolidated in prior periods and the comparatives do not include any contributions from those schemes.*

The significant differences between Australian and US GAAP results primarily relate to:

- premises and sites;
- goodwill amortisation;
- derivative instruments;
- consolidation of entities where Westpac is the primary beneficiary;
- deconsolidation of entities where Westpac is not a primary beneficiary;
- classification of other equity instruments as other debt instruments;
- recognition of distributions on other equity instruments as distributions on other debt instruments;
- restructuring costs;
- superannuation; and
- available-for-sale securities.

A reconciliation of net income and equity under US GAAP is included in section 5.5, Note 27, Reconciliation to US GAAP.

2.1.1 Key Financial Data

	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	% Mov't Sept 03-Mar 04 A$	% Mov't Mar 03-Mar 04 A$
Ratios in accordance with Australian GAAP						
Shareholder value						
Basic earnings per ordinary share (cents)[1]	47.3	62.1	59.6	56.0	*4%*	*11%*
Fully diluted earnings per ordinary share (cents)[2]	47.2	62.0	59.4	55.9	*4%*	*11%*
Cash earnings per ordinary share (cents)[3]	50.8	66.7	64.2	60.3	*4%*	*11%*
Weighted average ordinary shares (millions)[1]	1,849	1,849	1,832	1,815	*1%*	*2%*
Dividends per ordinary share (cents)	32	42	40	38	*5%*	*11%*
Dividend payout ratio (%)[4]	67.6	67.6	67.2	67.8	*40bps*	*-20bps*
Dividend payout ratio - cash earnings (%)[5]	63.0	63.0	62.3	63.0	*70bps*	*0bps*
Productivity and efficiency						
Operating expenses to income ratio (%)[6]	49.6	49.6	50.3	52.5	*70bps*	*290bps*
Total banking expense to income ratio (%)[7]	48.7	48.7	49.3	51.7	*60bps*	*300bps*
Full-time equivalent staff (FTE)	26,755	26,755	26,780	26,131	*0%*	*2%*
Business Performance						
Net interest spread (%)[8,11]	2.07	2.07	2.16	2.28	*-9bps*	*-21bps*
Net interest margin (%)[9,11]	2.56	2.56	2.59	2.65	*-3bps*	*-9bps*
Economic profit (A$m)[10]	581	763	725	672	*5%*	*14%*

	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	% Mov't Sept 03-Mar 04 A$	% Mov't Mar 03-Mar 04 A$
Ratios in accordance with US GAAP						
Basic earnings per ordinary share (cents)[1]	57.2	75.0	57.6	51.2	*30%*	*46%*
Fully diluted earnings per ordinary share (cents)[2]	56.9	74.6	57.3	51.0	*30%*	*46%*
Dividends per ordinary share (cents)	32	42	40	38	*5%*	*11%*
Dividend payout ratio (%)[4]	56.0	56.0	69.4	74.3	*-19%*	*-25%*
Earnings to fixed charges (%)	1.45	1.45	1.42	1.37	*3bps*	*8bps*

1. *Based on the average number of fully paid ordinary shares outstanding including 54 million New Zealand class shares (54 million at 30 September 2003, 54 million at 31 March 2003) and after deducting distributions on other equity instruments of A$76 million (A$41 million at 30 September 2003, A$34 million at 31 March 2003).*
2. *Based on the average number of shares and share equivalents after deducting non-converting preference dividends and distributions on other equity instruments from net profit after tax.*
3. *Based on the average number of fully paid ordinary shares outstanding including 54 million New Zealand class shares (54 million at 30 September 2003, 54 million at 31 March 2003) and after adding back amortisation of goodwill and deducting distributions on other equity instruments of A$76 million (A$41 million at 30 September 2003, A$34 million at 31 March 2003).*
4. *Calculated by dividing the dividends per ordinary share by the basic earnings per ordinary share.*
5. *Calculated by dividing the dividends per ordinary share by the cash earnings per ordinary share.*
6. *Operating expenses divided by net operating income.*
7. *Total banking operating expenses divided by total banking net operating income. Total banking business includes Business and Consumer Banking, Westpac Institutional Bank, New Zealand banking operations and Other segment.*
8. *Calculated as interest income (including gross up) divided by average interest-earning assets less interest expense divided by average interest-bearing liabilities.*
9. *Calculated by dividing net interest income (including gross up) by average interest-bearing assets.*
10. *Net profit attributable to equity holders adjusted for amortisation of goodwill and distributions on other equity instruments (ie. cash earnings) plus 70% of the value of franking credits paid to shareholders, less an 11.6% cost of capital charge.*
11. *Includes tax equivalent gross up of $106 million in the six months to 31 March 2004 ($98 million 1H03, $99 million 2H03). We have entered into various tax effective financing transactions that derive income subject to a reduced rate of income tax. In order to provide comparability, this income is presented on tax equivalent basis for the purpose of margin calculations. In the presentation of an average balance sheet, net interest spread and net interest margin are also presented on a tax equivalent basis.*

2.1.1 Key Financial Data (Continued)

Economic Profit

Economic profit is defined as cash earnings less a capital charge calculated at 11.6% of average adjusted ordinary equity plus 70% of the value of franking credits paid to shareholders.

Economic profit is used by management as a key measure of our financial performance because it focuses on shareholder value by requiring a return in excess of a risk-adjusted cost of capital.

$m	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	% Mov't Sept 03-Mar 04 A$	% Mov't Mar 03-Mar 04 A$
Reconciliation of net profit attributable to equity holders to economic profit						
Net profit attributable to equity holders	933	1,225	1,132	1,051	*8*	*17*
Goodwill amortisation	64	84	85	78	*1*	*(8)*
Distributions on other equity instruments	(58)	(76)	(41)	(34)	*(85)*	*(124)*
Cash earnings	939	1,233	1,176	1,095	*5*	*13*
Franking benefit	178	234	218	209	*7*	*12*
Adjusted cash earnings	1,118	1,467	1,394	1,304	*5*	*13*
Average adjusted ordinary equity	9,233	12,117	11,556	10,910	*5*	*11*
Equity charge (11.6%)[1]	536	703	669	632	*5*	*11*
Economic profit	**581**	**763**	**725**	**672**	*5*	*14*

$m	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	% Mov't Sept 03-Mar 04 A$	% Mov't Mar 03-Mar 04 A$
Reconciliation of average adjusted ordinary equity						
Average ordinary shareholders' equity	8,996	11,806	11,321	10,618	*4*	*11*
Average dividend accrual net of dividend reinvestment	(368)	(483)	(486)	(351)	*(1)*	*38*
Average accumulated goodwill amortisation	605	794	721	643	*10*	*23*
Average adjusted ordinary equity ($m)	**9,233**	**12,117**	**11,556**	**10,910**	*5*	*11*

1. *Following a review of the appropriateness of the interest rate used to determine the capital charge, management has reduced the capital charge to 11.6% for the 2004 year (previously 12%). Prior period and prior corresponding period comparatives have been changed to reflect this new rate. We have not changed the capital charge for Business unit economic profit, which remains at 12%.*

2.2 SUMMARY FINANCIAL POSITION

$m	31 March 2004 US$	31 March 2004 A$	30 Sept 2003 A$	31 March 2003 A$	% Mov't Sept 03- Mar 04 A$	% Mov't Mar 03- Mar 04 A$
Amounts in accordance with Australian GAAP						
Assets						
Cash	1,535	2,015	1,786	1,924	*13*	*5*
Due from other financial institutions	7,072	9,281	6,035	5,010	*54*	*85*
Trading and investment securities[1]	8,585	11,266	12,449	11,882	*(10)*	*(5)*
Loans and acceptances[2]	133,294	174,927	164,261	153,773	*6*	*14*
Life insurance assets[3]	9,385	12,316	10,522	9,936	*17*	*24*
All other assets[4]	18,796	24,666	26,286	23,905	*(6)*	*3*
Total assets	178,667	234,471	221,339	206,430	*6*	*14*
Liabilities						
Due to other financial institutions	3,413	4,479	3,831	3,646	*17*	*23*
Deposits	103,593	135,949	129,071	122,029	*5*	*11*
Debt issues	27,405	35,964	29,970	29,764	*20*	*21*
Acceptances	3,349	4,395	3,788	3,883	*16*	*13*
Life insurance policy liabilities	7,876	10,336	9,896	9,348	*4*	*11*
Loan capital	3,374	4,428	4,544	4,728	*(3)*	*(6)*
All other liabilities[3,5]	17,593	23,088	26,243	20,748	*(12)*	*11*
Total liabilities	166,603	218,639	207,343	194,146	*5*	*13*
Equity						
Equity attributable to equity holders of WBC	10,988	14,420	13,965	12,262	*3*	*18*
Outside equity interests[3]	1,076	1,412	31	22	*large*	*large*
Total equity	12,064	15,832	13,996	12,284	*13*	*29*
Average balances						
Total assets	177,211	232,561	218,612	202,142	*6*	*15*
Loans net of provisions for bad and doubtful debts	165,436	217,108	205,846	190,672	*5*	*14*
Total equity	11,775	15,453	12,766	11,470	*21*	*35*

$m	31 March 2004 US$	31 March 2004 A$	30 Sept 2003 A$	31 March 2003 A$	% Mov't Sept 03- Mar 04 A$	% Mov't Mar 03- Mar 04 A$
Amounts in accordance with US GAAP						
Total assets	182,664	239,716	221,768	206,760	*8*	*16*
Total equity	9,559	12,545	11,774	11,111	*7*	*13*
Average total assets	181,208	237,806	210,806	202,472	*13*	*17*
Average total equity	9,266	12,160	11,182	10,456	*9*	*16*

1. *Trading securities include short term and long term public, bank or other debt securities and equities. Investment securities include public and other debt securities.*
2. *Include loans, advances, other receivables and acceptances of customers.*
3. *The 31 March 2004 financial position includes the consolidation of certain managed investment schemes controlled by the Life Company: $1,357 million in assets, $2 million in other liabilities and $1,355 million in outside equity interests. These managed investment schemes have not been consolidated in prior periods and comparatives do not include any amounts in relation to those schemes.*
4. *Includes other assets, goodwill, fixed assets, deferred tax assets and regulatory deposits with central banks overseas.*
5. *Includes other liabilities, provisions and tax liabilities.*

2.2.1 Key Financial Data

	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	*% Mov't* Sept 03-Mar 04 A$	*% Mov't* Mar 03-Mar 04 A$
Ratios in accordance with Australian GAAP						
Profitability and capital adequacy						
Return on average adjusted ordinary equity[1]	19.0%	19.0%	18.9%	18.6%	*10bps*	*40bps*
Return on average total equity[2]	15.9%	15.9%	17.7%	18.3%	*-180bps*	*-240bps*
Return on average total assets[3]	1.1%	1.1%	1.0%	1.0%	*10bps*	*10bps*
Cash earnings return on average adjusted ordinary equity[4]	20.4%	20.4%	20.4%	20.1%	*0bps*	*30bps*
Net capital ratio	10.2%	10.2%	10.5%	9.7%	*-30bps*	*50bps*
Tier 1 capital ratio	7.2%	7.2%	7.2%	6.4%	*0bps*	*80bps*
Adjusted common equity to risk weighted assets	5.1%	5.1%	5.0%	4.8%	*10bps*	*30bps*
Average total equity to average total assets	6.6%	6.6%	5.8%	5.7%	*80bps*	*90bps*
Risk weighted assets (A$m)	113,509	148,962	142,909	137,828	*4%*	*8%*
Total committed exposures	217,806	285,834	266,191	251,530	*7%*	*14%*
Average adjusted ordinary equity (A$m)[5]	9,233	12,117	11,556	10,910	*5%*	*11%*
Average total equity (A$m)[6]	11,775	15,453	12,766	11,470	*21%*	*35%*
Asset quality						
Total impaired assets to gross loans and acceptances	0.3%	0.3%	0.4%	0.3%	*-10bps*	*0bps*
Net impaired assets to equity and general provisions	2.2%	2.2%	2.9%	2.3%	*-70bps*	*-10bps*
Specific provisions to total impaired assets	35.7%	35.7%	26.3%	42.1%	*940bps*	*-640bps*
General provisions to non-housing loans and acceptances[7]	1.7%	1.7%	1.7%	1.7%	*0bps*	*0bps*
General provisions to risk weighted assets	1.0%	1.0%	1.0%	0.9%	*0bps*	*10bps*
Total provisions to gross loans and acceptances	0.9%	0.9%	0.9%	1.0%	*0bps*	*-10bps*
Total bad and doubtful debt charge to average loans and acceptances annualised (basis points)	24	24	34	29	*-10bps*	*-5bps*
Bad debts written off to average gross loans and acceptances annualised (basis points)	12	12	28	15	*-16bps*	*-3bps*

	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	*% Mov't* Sept 03-Mar 04 A$	*% Mov't* Mar 03-Mar 04 A$
Ratios in accordance with US GAAP						
Net interest margin	2.48	2.48	2.55	2.64	*-7bps*	*-16bps*
Net income to average total assets	1.2%	1.2%	1.0%	0.9%	*20bps*	*30bps*
Net income to average total equity	22.8%	22.8%	18.9%	17.8%	*390bps*	*500bps*
Average total equity to average total assets	5.1%	5.1%	5.3%	5.2%	*-20bps*	*-10bps*
Leverage ratio[8]	4.4%	4.4%	4.4%	3.9%	*0bps*	*50bps*

1. *Calculated as net profit attributable to equity holders less distributions on other equity instruments divided by average adjusted ordinary equity.*
2. *Calculated by dividing net profit attributable to equity holders by average total equity.*
3. *Calculated by dividing net profit attributable to equity holders by average total assets.*
4. *Calculated as net profit attributable to our equity holders plus amortisation of goodwill less distributions on other equity instruments divided by average adjusted ordinary equity.*
5. *Average adjusted ordinary equity is equal to average ordinary equity plus the average balance of accumulated amortised goodwill, less the average interim dividend accrual net of the estimated dividend re-investment. Average ordinary equity is average total equity less average outside equity interests and average other equity instruments. Refer to section 2.2.1 for a reconciliation of average adjusted ordinary equity.*
6. *Average total equity is the average balance of total shareholders equity including New Zealand Class shares, for the period.*
7. *Non-housing loans have been determined on a product basis, rather than on a loan purpose basis.*
8. *Leverage ratios have been calculated in accordance with guidelines promulgated by the Board of Governors of the Federal Reserve System. The ratio is calculated by dividing Tier 1 capital in accordance with US GAAP by total average assets for leverage capital purpose in accordance with US GAAP.*

Adjusted Common Equity Reconciliation

As at A$m	31 March 2004	30 Sept 2003	31 March 2003
Adjusted common equity			
Total Tier 1 capital	10,656	10,338	8,754
Less: Hybrid capital (net of excess of 25% of Tier 1 capital)	(2,252)	(2,212)	(1,120)
Less: Other deductions in relation to non-consolidated subsidiaries[1]	(842)	(913)	(1,030)
Adjusted common equity	**7,562**	**7,213**	**6,604**
Risk weighted assets	**148,962**	**142,909**	**137,828**
Adjusted common equity to risk weighted assets	**5.1%**	**5.0%**	**4.8%**

1. Capital relating to non-banking subsidiaries.

3.1 SUMMARY

We have produced a record interim result: net profit attributable to equity holders was $1,225 million, up 17% on the prior corresponding period and cash earnings were $1,233 million up 13%. This result has been achieved through effective execution of our customer-focused strategy and exercising tight expense control, while capitalising on the significant earnings momentum generated in the second half of 2003. The result has also been assisted by a relatively low bad debts charge despite continued asset growth. This has been a function of the positive resolution of some long outstanding corporate exposures and the favourable credit environment.

Basic earnings per ordinary share for the six months ended 31 March 2004 was 62.1 cents, up 11% on the prior corresponding period and cash earnings per share was 66.7 cents, up 11% on the prior corresponding period. Economic profit was $763 million, up 14% on the prior corresponding period. We have maintained our strong growth trajectory while undertaking key strategic initiatives and consistently delivering high returns on equity for our ordinary shareholders: ROE at 19% and cash earnings ROE at 20% for the six months ended 31 March 2004.

The Directors have determined to pay a fully franked interim dividend of 42 cents per ordinary share, an increase of 4 cents (11%) over the interim fully franked dividend last year and an increase of 2 cents (5%) over the final fully franked dividend last year.

This strong interim result has been achieved through a concerted effort by all business units in delivering superior customer service. Effective execution of this strategy has produced the following business unit highlights:

- record result from our Australian retail banking franchise, BCB, driven by strong net interest income, through double digit growth in both assets and liabilities as well as improved margins earned on non-interest and low interest bearing deposits. In addition, BCB has benefited from the favourable credit environment with bad debt charges increasing in line with asset growth;
- improved contribution from our Institutional Bank assisted by a $45 million fall in bad debt charges reflecting the resolution of a number of existing large impairments and no additional impaired assets in the current half;
- a resumption of profit growth in our New Zealand business. Net profit after tax increased 12% (4% local currency) and cash earnings increased 11% (4% local currency) driven by a 13% increase in operating income (5% local currency), including a 14% lift in non-interest income (7% local currency) and a 9% (15% local currency) decrease in bad debt charges. The New Zealand business is now on a new growth trajectory, confirmed by market share increases in recent months; and
- a 26% increase in net profit after tax from BT Financial Group (Australia), driven by a 14% increase in operating income and a 10% increase in operating expenses. With the integration of our wealth businesses approaching completion, BT Financial Group (Australia) is consistently delivering strong earnings growth, assisted by improved asset consultant ratings and improved equity performance.

3.2 REVIEW OF EARNINGS

A$m	31 March 2004	30 Sept 2003	31 March 2003	% Mov't Sept 03- Mar 04	% Mov't Mar 03- Mar 04
Net interest income	2,339	2,228	2,098	*5*	*11*
Non-interest income[1]	1,539	1,565	1,439	*(2)*	*7*
Net operating income	3,878	3,793	3,537	*2*	*10*
Operating expenses	(1,925)	(1,906)	(1,857)	*(1)*	*(4)*
Goodwill amortisation	(84)	(85)	(78)	*1*	*(8)*
Bad and doubtful debts	(207)	(271)	(214)	*24*	*3*
Operating profit from ordinary activities	1,662	1,531	1,388	*9*	*20*
Income tax expense[1]	(431)	(395)	(333)	*(9)*	*(29)*
Net profit attributable to outside equity interests:					
Managed investment schemes	(1)	-	-	-	-
Other	(5)	(4)	(4)	*(25)*	*(25)*
Net profit attributable to equity holders	1,225	1,132	1,051	*8*	*17*
Goodwill amortisation	84	85	78	*1*	*(8)*
Distributions on other equity instruments	(76)	(41)	(34)	*(85)*	*(124)*
Cash earnings	1,233	1,176	1,095	*5*	*13*

Net operating income

Net operating income of $3,878 million represents an increase of $341 million or 10% on the prior corresponding period and $85 million or 2% on the prior period. Net operating income growth was inflated by two items which do not represent income available to ordinary shareholders: policyholder tax recoveries and distributions on our preference capital being reported through equity. Adjusting for these items, net operating income grew 8% on the prior corresponding period.

Net operating income has continued to benefit from strong credit growth, positive Australian equity markets and rebounding global markets. Interest rates in both Australia and New Zealand have had a mixed impact on net interest income. Australian interest rates rose 50 basis points in late 2003, the first movement in official interest rates since June 2002. New Zealand interest rates fell by 75 basis points in mid-2003 and increased by 25 basis points in January 2004. The net impact was improved margins on non-interest bearing and low rate deposit products, partially offset by the lag in repricing our variable rate loan book. An increase in price-based competition has also placed pressure on margins.

1. *In accordance with the requirements of Australian accounting standard AASB 1038, Life Insurance Business, we recognise the tax position of policyholders in our life company in income and reverse its impact in tax expense. This treatment has no impact on net profit attributable to equity holders or on cash earnings.*

Net interest income

Net interest income increased $241 million or 11% on the prior corresponding period and $111 million or 5% on the prior period as a result of strong asset growth and improved performance on deposit margins following increases in interest rates in both Australia and New Zealand during the six months ended 31 March 2004. Strong asset growth and improved deposit margins were partially offset by a decline in margins due to continuing competitive pressures and book composition.

Loan Growth A$bn	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03 - Mar 04	% Mov't Mar 03 - Mar 04
Business Unit					
BCB					
Consumer (Australia)	92.1	85.9	78.5	7%	17%
*Housing **	85.2	79.3	72.1	7%	18%
Personal (loans and cards)	6.9	6.6	6.4	5%	8%
Business (incl. equip. finance) (Australia)	33.3	31.2	28.3	7%	18%
Westpac Institutional Bank	22.6	22.2	22.4	2%	1%
New Zealand ($NZ)	26.7	24.5	23.1	9%	16%
BT Financial Group	1.7	1.6	1.5	6%	13%
Group					
Net loans and acceptances	174.9	164.3	153.8	6%	14%
Risk weighted assets	149.0	142.9	137.8	4%	8%
Average interest earning assets	190.7	179.3	166.2	6%	15%

** Securitised loans deducted from total.*

Interest spread fell 21 basis points on the prior corresponding period and 9 basis points on the prior year, to 2.07%. The decline in interest spread was primarily caused by:

- continued strong growth in mortgages, with the composition of our lending portfolio changing more towards lower margin products;
- the lag in repricing the variable interest loan book following official cash rate increases in Australia in late 2003; and
- loan growth funded by a higher proportion of wholesale funds. Average loans and other receivables increased 15% on the prior corresponding period while average deposits increased 11%.

Interest spread contraction was partially offset by improved returns on low-interest and non-interest bearing liabilities and equity following increases in official cash rates during the six months ended 31 March 2004. The combined effect of spread contraction and increases in interest rates produced a fall in interest margins of 9 basis points on the prior corresponding period.

Average interest earning assets grew 15% on the prior corresponding period and 6% on the prior period. Growth was attributable to continued strength in mortgage lending in both Australia and New Zealand, growth in credit cards including the Virgin Card and increased business finance lending. The growth rate in mortgage lending began to slow over the prior period, consistent with industry trends.

Australia

Australia's interest spread fell 25 basis points on the prior corresponding period to 1.99%. The decline in spread is exaggerated by the lag in repricing our variable rate loan book. Spread contraction was partially offset by improved returns on non-interest bearing deposits and equity following official rate increases late last year. Overall, Australia's interest margin fell 11 basis points on the prior corresponding period to 2.46%.

New Zealand

New Zealand's interest spread increased 4 basis points on the prior corresponding period to 2.52%, which is in line with the prior period. New Zealand's interest spread has benefited from a lower cost of funds in relation to its wholesale funding as well as a small benefit from the realignment of pricing of interest earning assets and liabilities in the last six months. The increase in interest spread was offset by a 17 basis point fall in benefit of net non-interest bearing liabilities and equity. Overall, New Zealand's interest margin fell 13 basis points over the prior corresponding period and decreased 1 basis point on the prior period.

Non-interest income

Non-interest income increased $100 million or 7% on the prior corresponding period. Excluding the impact of policyholders' tax recoveries, non-interest income increased $66 million or 5% on the prior corresponding period. While non-interest income has increased, the composition has changed compared to March 2003. In the first half of 2004, we experienced a material reduction in credit card interchange income, however, this decline was offset by revenue from a fee repricing program which commenced in mid-2003.

The increase in non-interest income compared to the prior corresponding period is due to:

- $32 million increase in fees and commissions including the benefit from the realignment of our fee structures during 2003, partially offset by a $27 million reduction in credit card interchange income;
- $18 million increase in wealth management income benefiting from positive market conditions, favourable investment performance reflected in improved research house and asset consultant ratings and a good contribution from our life business, particularly our direct marketed risk products;
- $34 million contribution from policyholder tax recoveries: $15 million increase in income in the current period compared to a $26 million increase in the prior period and a $19 million reduction in income in the prior corresponding period; and
- $56 million increase in other income including improved distributions from a specialist fund and gains associated with hedging our New Zealand earnings.

These increases were partially offset by a $40 million decrease trading income including a $23 million decrease in Financial Markets revenue as a result of lower trading income and the translation impact of a stronger Australian dollar relative to the US dollar. Other fee-based revenue derived from our core products continued to grow with financing and transactional products both experiencing strong growth.

Non-interest income decreased $26 million on the previous half year. Excluding the impact of policyholders' tax recoveries, non-interest income decreased $15 million or 1% on the previous half. The softer performance compared to the second half of last year was largely attributable to a decline in interchange fee revenue, a lag in the repricing of our credit card reward scheme and a marginally weaker Financial Markets performance. The impact of the reduction in interchange revenue on non-interest income is more apparent compared to the second half of 2003. The second half of 2003 included both full priced interchange income as well as the early benefits from the fee repricing program initiated in anticipation of the decline in interchange revenue. This program has continued to deliver benefits in the six months ended 31 March 2004 but has not completely offset the reduction in interchange revenue experienced in this half year.

The market value of our offshore high yield securities portfolio has strengthened in the current interest rate and credit environment. The remaining carrying value of this portfolio as at 31 March 2004 was US$97 million (US$110 million as at 30 September 2003), with changes arising from sales and maturities. Current period earnings do not include any revaluations associated with this portfolio.

Financial Markets Income

$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03- Mar 04	% Mov't Mar 03- Mar 04
Product					
Foreign exchange	59	61	109	*(3)*	*(46)*
Interest rate[1]	65	75	87	*(13)*	*(25)*
Other	72	73	49	*(1)*	*47*
Total financial markets product income	196	209	245	*(6)*	*(20)*
Income classification					
Net interest income	20	31	46	*(35)*	*(57)*
Non-interest income	176	178	199	*(1)*	*(12)*
Trading income	*135*	*125*	*153*	*8*	*(12)*
Dividend income	*14*	*21*	*15*	*(33)*	*(7)*
Other non-interest income	*27*	*32*	*31*	*(16)*	*(13)*
Total financial markets product income	196	209	245	*(6)*	*(20)*

Operating expenses

Operating expenses increased $68 million or 4% on the prior corresponding period and 1% on the previous half. The increase in operating expenses is explained by:

- higher superannuation charges associated with our defined benefit funds (up $10 million on the prior corresponding period);
- higher costs associated with several compliance projects, including Financial Services Reform, tax consolidations, IFRS, Sarbanes-Oxley legislation in the US and Basel II;
- higher project expenses, including an $8 million increase in capitalised software amortisation, compared to the prior corresponding period;
- higher personnel expenses, including the Enterprise Development Agreement (EDA) increase in October 2003; and
- an additional one month's expenses from BTFM ($15 million).

Operating expense growth was partially offset by the fall in the New Zealand dollar against the Australian dollar ($10 million benefit).

Analysis of movement in full-time equivalent (FTE) Staff	
FTE as at 30 September 2003	**26,780**
Less: Reduction in temporary staff	(333)
Plus: Additional permanent staff	308
FTE as at 31 March 2004	**26,755**

Total FTE fell by 25 in the six months ended 31 March 2004, comprising a 308 increase in permanent FTE and a 333 reduction in temporary FTE.

The growth in permanent FTE has been caused by:

- a temporary duplication of call centre staff due to the timing of our call centre consolidation projects; and
- an increase in customer facing staff in New Zealand.

The increase in permanent FTE was partially offset by a reduction in IT staff following an internal restructure.

The decrease in the number of temporary staff was caused by a lower level of staff required for IT projects over the half, the ongoing benefit of BT Financial Group (Australia) synergies and a reduction in demand for temporary staff due to a restructure of some work practices.

In the half year to 31 March 2004, we have successfully managed our expense growth within acceptable levels while delivering strong revenue growth. We expect current productivity initiatives to deliver further benefits in the future.

1. *Interest rate products includes interest rate derivatives and secondary markets activity in debt securities, but excludes primary markets activity.*

Bad debts

The charge for bad and doubtful debts decreased by $7 million or 3% on the prior corresponding period, and was down $64 million or 24% on the previous half year.

The lower charge was principally due to a reduction in the number of new stressed loans and lower dynamic provisioning factors following a review of our loss given default experience and the quality of security held in our business banking portfolios in Australia and New Zealand. The growth in the general provision reflects the growth in our loan book rather than any credit outlook concerns.

The lower dynamic provisioning charge was partially offset by higher specific provisions compared to the prior corresponding period, due to increased provisioning coverage on two existing impaired exposures.

A review of our credit quality is contained in Section 3.3.

Tax

Tax expense increased $98 million or 29% on the prior corresponding period reflecting higher profit from ordinary activities before tax and an apparent increase in our effective tax rate, up 190 basis points to 25.9%.

Adjusting for the reversal of policyholders' tax recoveries and concessional tax rates associated with our life business, our effective tax rate only increased 30 basis points.

Tax Consolidation

During the half year ended 31 March 2004, Westpac Banking Corporation and its Australian wholly-owned entities entered into tax consolidation, effective from 1 October 2002. The Australian Taxation Office has been notified of this decision. Implementation of tax consolidation has not had a material effect on the Group's financial position.

NZIRD Review

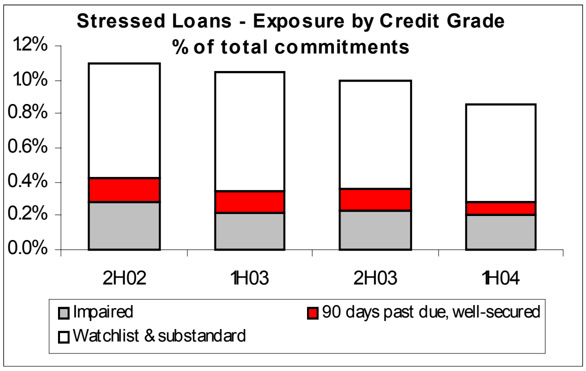
The New Zealand Inland Revenue Department (NZIRD) is reviewing a number of structured finance transactions as part of its audit of the 1999 and 2000 tax years. This is part of a broader NZIRD investigation and review of structured finance transactions in the New Zealand market (as referenced in our New Zealand General Disclosure Statement issued for the quarter ended 31 December 2003). No formal notices or amended assessments have been received in relation to these transactions.

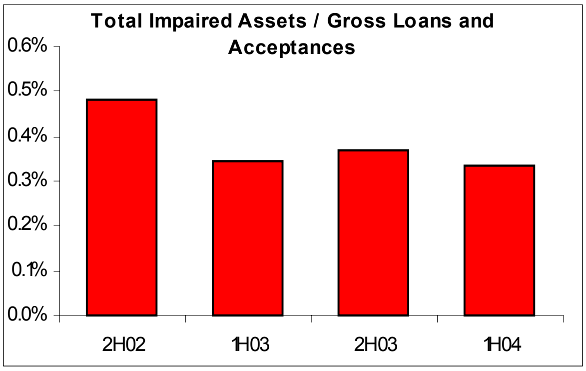
Westpac is working cooperatively with the NZIRD and has voluntarily granted a six month waiver on the statutory time bar in relation to the 1999 tax year transactions to allow full consideration of these transactions and the related tax treatment.

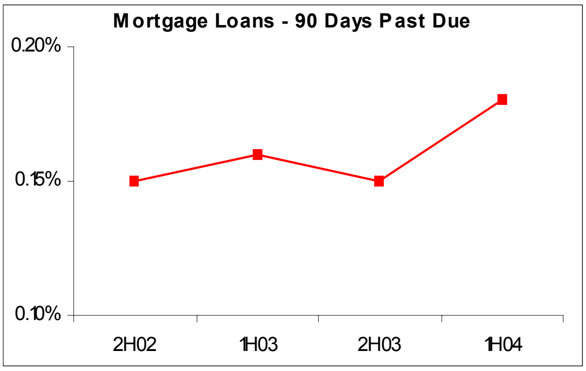
Westpac sought a binding tax ruling on an initial transaction in 1999, which was granted by the NZIRD in early 2001 following extensive discussions. The principles underlying the transaction subject to the ruling have been adhered to in subsequent transactions.

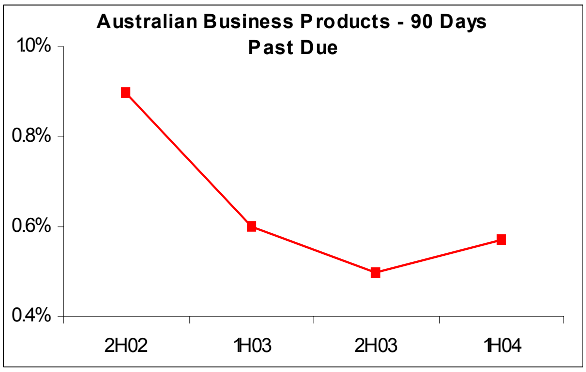
Westpac is confident that the appropriate tax treatment has been applied to these transactions and that the NZIRD review should not ultimately result in a material adverse outcome.

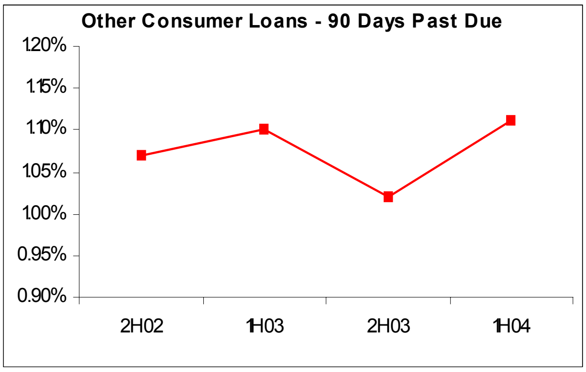
3.3 CREDIT QUALITY

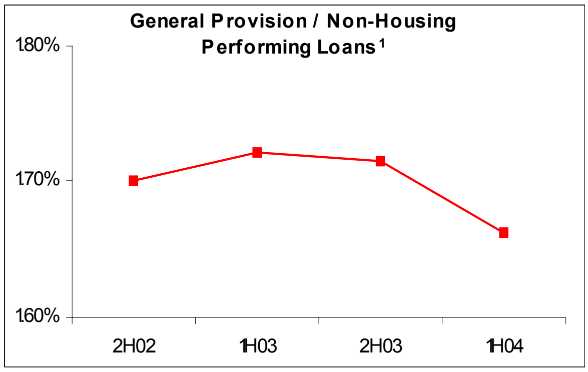












Balancing risk and reward is central to our business. Strong economic activity in the Australian and New Zealand markets has led to our asset quality improving.

- Stressed loans to total commitments declined 19 basis points from 31 March 2003 and 14 basis points from 30 September 2003 to 0.86%.
- At 31 March 2004 only one impaired exposure was greater than $50 million, accounting for 22% of total impaired assets. A further 13 impaired exposures were less than $50 million, but greater than $5 million. Specific coverage of impaired assets is 36% (down from 42% at 31 March 2003 and up from 26% at 30 September 2003). The increase from 30 September 2003 was driven by increased provisioning on two existing impaired exposures. Our recent specific provisioning coverage is appropriate for the underlying risks.
- The proportion of mortgage loans accruing but 90 days past due compared to mortgage outstandings has increased 2 basis points from 31 March 2003 and 3 basis points from 30 September 2003 to 0.18%.
- Growth in our business lending portfolio has been achieved without compromising asset quality. The proportion of Australian business products 90 days past due at 0.57% continues to be near record low levels. This has been achieved through writing high quality new business, close monitoring of existing outstandings, the effective workout of impaired facilities and the favourable economic environment.
- Other consumer loans 90 days past due (including credit card and personal loan products) at 1.11% have increased 1 basis point from 31 March 2003 and 9 basis points from 30 September 2003.
- General provisions as a percentage of non-housing performing loans were 1.66%, 6 basis points lower than 31 March 2003 and 30 September 2003. This reflects continuing reductions in the levels of stressed loans.

1. Non-housing performing loans have been determined on a product basis, rather than on a loan purpose basis.

3.4 CAPITAL AND DIVIDENDS

Capital

As at 31 March 2004 the Tier 1 capital ratio to Risk Weighted Assets (RWA) was 7.2% and the Adjusted Common Equity to RWA ratio (ACE/RWA) was 5.1%. These are above our capital target ranges of:

- Tier 1/RWA in the range 6.0 - 6.75%; and
- ACE/RWA in the range 4.5 - 5.0%.

RWA growth has been strong; increasing $6.0 billion (4%) during the six months to 31 March 2004. This represents an 8% increase on the prior corresponding period.

ACE ratio

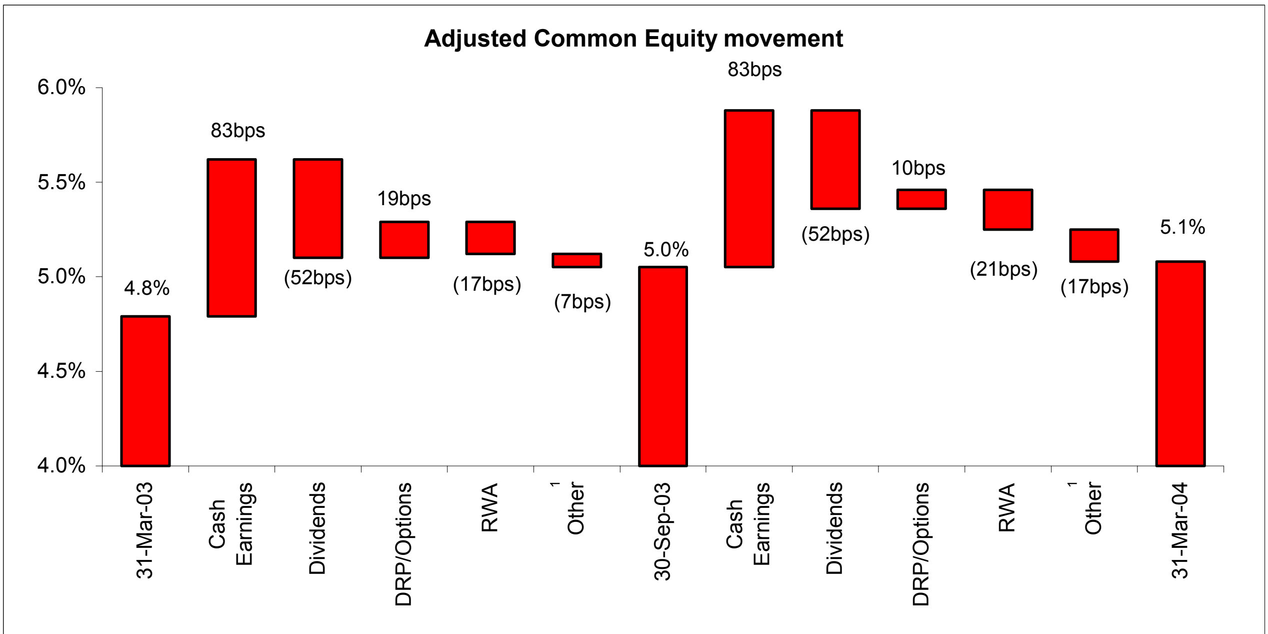
During the twelve months ended 31 March 2004, the ACE/RWA ratio increased to 5.1% from 4.8%, representing an increase in surplus capital (over the midpoint of our target range (4.75%)) of $429 million.

Organic capital generation during the six months ended 31 March 2004 was consistent with the prior period with cash earnings net of dividends contributing 31 basis points to the ACE ratio; however, overall growth in the ACE ratio was lower due to lower Dividend Reinvestment Plan (DRP) participation and higher levels of capital usage.

Capital usage by the banking business was strong with increased growth in RWA reducing the ACE ratio by 21 basis points (17 basis points reduction in the prior period).

The level of capital employed in non-banking subsidiaries increased this period mainly due to growth in the life insurance business, reducing the ACE ratio by 9 basis points (9 basis points increase in the prior period due to a return of surplus capital). A reduction in the level of Specialised Capital Group (SCG) investments has increased the ACE ratio by 2 basis points (6 basis points reduction in the prior period).

Two volatile components of the ACE ratio curtailed surplus capital generation during the half: the Foreign Currency Translation Reserve (FCTR) reduced as a result of a strengthening A$/US$ and the net deferred tax asset balance increased. Together, these two items reduced the ACE ratio by 15 basis points (12 basis points reduction prior period).



Hybrid Equity

On 5 April 2004, Tier 1 capital was increased by the issue of the US$525 million trust preferred securities (2004 TPS) hybrid instrument.

Foreign exchange risk arising from our foreign currency hybrid instruments has previously been offset by maintaining the equivalent value of assets in offshore branches. This structure has the effect of creating volatility in capital ratios as the assets were translated through the FCTR while the US$ hybrid instruments are recorded at historic values.

1. *"Other" includes capital employed by non-banking subsidiaries, SCG investments and movements in the FCTR and deferred tax balances.*

We are not holding additional branch assets to offset the 2004 TPS. At the time the US$ 2004 TPS hybrid instruments were issued, the proceeds were swapped into New Zealand dollars. As we have chosen not to hold the equivalent value in offshore branch assets, the revaluation of this currency swap (but not the hybrid instruments) will cause reported earnings volatility. This earnings volatility is a non-cash item and will be excluded from cash earnings when presenting our financial performance in the future. This issue will exist only until the adoption of IFRS on 1 October 2005 when the 2004 TPS instrument is expected to be reclassified as a liability and the matching swap accorded hedge treatment.

The US$322.5 million TOPrS hybrid equity issued in 1999 have their first call date on 16 July 2004. It is our intention to redeem these securities at this time.

Following the issue of the 2004 TPS and the redemption of the TOPrS hybrid issue, Westpac will have approximately $2.95 billion of hybrid equity on issue. This is at the maximum level that the Australian Prudential Regulation Authority (APRA) allows for qualifying Tier 1 capital purposes.

Off-market structured buy-back

On 6 May 2004 we announced an off-market buy-back of approximately $500 million of ordinary shares as a mechanism to return surplus capital to shareholders. Eligible shareholders will be able to tender their Westpac ordinary shares within a pre-determined tender range. The buy-back tender period is due to close on Friday 18 June 2004. Westpac retains the discretion to determine the final number of shares to be bought back.

An on-market buy-back of an equivalent proportion of our NZ Class shares (approximately 1 million shares) was also announced today to be conducted over a period of up to six months.

Dividends

We continue our policy of increasing dividends in line with sustainable growth in cash earnings and franking capacity. The Directors have determined to pay a fully franked interim dividend of 42 cents per share. This represents an increase of 4 cents (11%) over the prior corresponding period and remains in line with cash earnings per share growth of 11%.

Our dividend payout ratio of 67.6% of net profit attributable to equity holders and 63% of cash earnings for the six months ended 31 March 2004, is also in line with the prior corresponding period.

Our ability to continue to fully frank dividends remains strong, with our adjusted franking account balance at $692 million as at 31 March 2004 after allowing for the interim dividend (30 September: $612 million, 31 March 2003: $408 million).

3.5 CORPORATE GOVERNANCE AND RESPONSIBILITY

Sustainability Initiatives

In conjunction with strong financial results, we have continued to enhance the sustainability of our business practices across the financial, social and environmental dimensions. We have focused on embedding further sustainability practices within Westpac in support of Westpac's service-profit chain business model.

The assessment of global and local developments in best practice corporate governance was adapted to ensure we remain at the forefront in protecting stakeholder interests. Westpac's corporate governance practices, as set out in the 2003 Concise Annual Report, have been widely acknowledged as a best practice benchmark.

In the half, engagement with stakeholders was enhanced through the establishment of the Community Consultative Council, chaired by the CEO. The Council brings together the leaders of Westpac's key external stakeholders to provide feedback on Westpac's policies and strategic direction and to explore how best to collaborate in addressing key sustainability issues. The Internal Sustainability Council has also brought together key decision-makers across Westpac's businesses to accelerate the sustainability agenda.

To ensure Westpac remains at best practice, involvement with key global intermediaries has been strengthened including the Global Compact, the World Business Council for Sustainable Development, the United Nations sponsored Global Reporting Initiative, and the United Nations Environment Programme Finance Initiatives (UNEP-FI). This has involved participation in collaborative studies, international benchmarking of performance, extensive outreach activities, and the promotion of sustainable business practices in industry and other forums.

Significant progress was made during the first half in assessing the social ethical and environmental performance of our suppliers. As a services business, much of our impact on society resides within our supply chain. The majority of Westpac's current top 100 suppliers, accounting for approximately 80% of procurement spend, have now been assessed against comprehensive performance criteria. All new suppliers are also assessed against the same criteria, with assessment results significantly weighted within the procurement decision.

Throughout the half, we also continued to build on our employment brand by enhancing workplace conditions and environment for all staff. This has included workplace diversity initiatives targeting working mothers and mature-aged workers, as well as childcare and other initiatives.

External Governance and Responsibility Assessment

Our progress in embedding good corporate governance and sustainability practices is continually being tested through independent external assessments.

The following summarises our latest/current sustainability and governance ratings:

- the Dow Jones Sustainability Index 2003-2004: number one rating for banks globally for the second year in a row;
- Governance Metrics International Global Corporate Governance Ratings 2004: one of only 22 companies and the only Australian company and only bank globally to receive a top score of 10.0, ranked against some 2,100 rated companies globally;
- RepuTex Social Responsibility Ratings 2003: number one company overall and the only company to receive a AAA rating, ranked against Australia's top 100 companies;
- Corp Rate 2003: Westpac was top rated for corporate responsibility amongst the ASX top 50 companies in this joint assessment by The Australian Consumers' Association, Oxfam Community Aid Abroad and the Australian Conservation Foundation;
- ASX Corporate Governance Council: commended for outstanding effort in reporting against the new corporate governance principles;
- Corporate Monitor, reported in Ethical Investor magazine: the top rated large company; and
- Storebrand Investments: Rated best in class for social and environmental performance and number one of 94 global banks rated.

Business unit results are presented on a management reporting basis. Internal charges and transfer pricing adjustments are included in the performance of each business reflecting the management, rather than the legal structure. Consequently these results cannot be compared to results for individual legal entities.

Where the management reporting structure or accounting classification has changed, comparatives have been restated and may differ from results previously reported.

An internal transfer pricing framework attributes value between business units. Its primary attributes are:

- product groups pay the distribution areas an arm's length fee based on external market benchmarks;
- product balances are fully transfer priced at interbank rates according to the tenor of the underlying transactions;
- all overhead costs are applied to revenue generating businesses; and
- capital is allocated to business groups using designated risk factors.

Net profit attributable to equity holders of WBC A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't* Sept 03- Mar 04	*% Mov't* Mar 03- Mar 04
Business and Consumer Banking	623	590	517	*6*	*21*
Westpac Institutional Bank	224	180	202	*24*	*11*
New Zealand[1]	171	150	153	*14*	*12*
BT Financial Group (Australia)[2]	63	59	50	*7*	*26*
Corporate Centre & Group Items	144	153	129	*(6)*	*12*
Net profit attributable to equity holders of WBC	**1,225**	**1,132**	**1,051**	***8***	***17***
Wealth management					
Australia	63	59	50	*7*	*26*
New Zealand	14	12	10	*17*	*40*
Total wealth management	**77**	**71**	**60**	***8***	***28***
Total banking net profit attributable to equity holders of WBC	**1,148**	**1,061**	**991**	***8***	***16***

Operating expenses[3] to income ratio (%)				***bps Mov't***	***bps Mov't***
Business and Consumer Banking	52.3%	53.9%	55.2%	*160bps*	*290bps*
Westpac Institutional Bank	42.4%	42.4%	41.8%	*0bps*	*-60bps*
New Zealand	48.9%	51.0%	47.4%	*210bps*	*-150bps*
BT Financial Group (Australia)	60.4%	61.5%	62.6%	*110bps*	*220bps*
Total Group ratio	**49.6%**	**50.3%**	**52.5%**	***70bps***	***290bps***
Wealth management ratio[4]					
Funds Management	66.5%	68.5%	69.5%	*200bps*	*300bps*
Life Insurance	32.4%	32.8%	26.4%	*40bps*	*-600bps*
Total wealth management ratio	**58.5%**	**60.2%**	**61.2%**	***170bps***	***270bps***
Total banking ratio	**48.7%**	**49.3%**	**51.7%**	***60bps***	***300bps***

1. *New Zealand represents our New Zealand retail banking operations and New Zealand's wealth management businesses, including: Westpac Investment Management, our New Zealand Life business and BT New Zealand.*
2. *BT Financial Group (Australia) represents our Australian wealth management business and incorporates our legacy Westpac Financial Services (WFS) and Westpac Life businesses, as well as Rothschild Australia Asset Management (RAAM) and BT Funds Management (BTFM).*
3. *Operating expenses do not include goodwill amortisation and bad and doubtful debts.*
4. *Includes our New Zealand and Australian wealth management businesses.*

4.1 BUSINESS AND CONSUMER BANKING

Business and Consumer Banking (BCB) is responsible for sales, servicing and product development for all consumer, small to medium-sized businesses and wealth customers within Australia. Core business activities are conducted through a nationwide network of branches, call centres, ATMs, internet banking services and mobile sales forces. BCB's front line staff are responsible for the delivery of sales and service related functions on a broad range of financial products including home, personal and business finance lending, savings and investment accounts, credit cards and wealth products.

4.1.1 Total BCB

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't* Sept 03-Mar 04	*% Mov't* Mar 03-Mar 04
Net interest income	1,670	1,582	1,461	*6*	*14*
Non-interest income	643	697	611	*(8)*	*5*
Net operating income	2,313	2,279	2,072	*1*	*12*
Operating expenses	(1,210)	(1,228)	(1,143)	*1*	*(6)*
Goodwill amortisation	(29)	(29)	(29)	-	-
Bad and doubtful debts	(171)	(174)	(147)	*2*	*(16)*
Profit from ordinary activities before income tax expense	903	848	753	*6*	*20*
Income tax expense and outside equity interests	(280)	(258)	(236)	*(9)*	*(19)*
Net profit after tax	623	590	517	*6*	*21*
Goodwill amortisation	29	29	29	-	-
Cash earnings	652	619	546	*5*	*19*
Economic profit	514	487	406	*6*	*27*
Expense to income ratio	52.3%	53.9%	55.2%	*160bps*	*290bps*
	$bn	**$bn**	**$bn**		
Deposits	72.8	69.5	65.2	*5*	*12*
Net loans and acceptances	128.8	120.8	111.1	*7*	*16*
Total assets	131.4	123.3	113.5	*7*	*16*

Reconciliation of Economic Profit A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't* Sept 03-Mar 04	*% Mov't* Mar 03-Mar 04
Net profit after tax	623	590	517	*6*	*21*
Goodwill amortisation	29	29	29	-	-
Cash earnings	652	619	546	*5*	*19*
Franking benefit	196	181	165	*8*	*19*
Adjusted cash earnings	848	800	711	*6*	*19*
Average adjusted equity	5,573	5,200	5,108	*7*	*9*
Equity charge (12%)	334	313	305	*7*	*10*
Economic profit[1]	**514**	**487**	**406**	***6***	***27***

1. *Business Unit economic profit is defined as cash earnings less a capital charge calculated at 12% of allocated capital plus 70% of the value of Australian tax paid.*

Financial Performance

First Half 04 – First Half 03

BCB contributed net profit after tax of $623 million, an increase of $106 million or 21% on the prior corresponding period and cash earnings of $652 million, an increase of $106 million or 19% on the prior corresponding period.

Net interest income was up $209 million or 14%. Significant drivers of net interest income growth included:

- strong growth across all key loan and deposit portfolios. On a spot basis, mortgage outstandings grew 18%, cards by 17%, business finance and working capital lending by 18% and deposits by 12%; and
- an increase in margins earned on non-interest bearing and low rate retail deposits as a result of the official cash rate increases in November and December 2003. This increase has been partially offset by the lag in repricing the variable rate loan book in response to the interest rate changes.

Non-interest income increased by $32 million or 5%. The material reduction in interchange income since the implementation of the Reserve Bank of Australia (RBA) credit card reforms in November 2003 will, in time, be largely mitigated by increased fee revenue from other retail products, mainly due to a fee repricing program implemented in mid-2003. This program was initiated in anticipation of the decline in interchange income but some elements were not finalised until late in the current reporting period. Non-interest income also benefited from stronger wealth commissions, due to the improvement in equity markets since March 2003.

While operating expenses increased by $67 million or 6% on the prior corresponding period, the expense to income ratio has improved to 52.3% (55.2% at 31 March 2003). Operating expense growth includes strategic investment spend on BCB's customer relationship capabilities, implementing a common technology platform across the business and the streamlining of various origination processes.

The bad debts charge increased $24 million or 16% on the prior corresponding period due to increased dynamic provisioning to cover continued strong portfolio growth.

First Half 04 – Second Half 03

Net profit after tax increased $33 million or 6% and cash earnings increased $33 million or 5% on the previous half.

The strong revenue momentum in the second half of 2003 continued into the current year with net operating income benefiting from continued balance sheet growth and favourable deposit margins. However, non-interest income fell compared to the prior period as the benefits of the credit card fee repricing program which commenced in mid-2003 were unable to offset the reduction in interchange income this half. This shortfall in non-interest income is expected to reverse in the second half of 2004 as the benefits of the repricing program are fully realised.

Operating expenses are lower than the prior period due to restructuring costs and higher investment spend in the second half of 2003.

Bad debt charges are lower than the prior period due to seasonally higher loan activity in the second half of the year.

4.1.2 Consumer Distribution

The Consumer Distribution segment comprises customers that have a personal relationship with BCB through a range of products including home lending, credit cards, transaction and deposit accounts, personal lending, general insurance and wealth. Sales & servicing activities occur through the nationwide service network, home loan sales force and wealth distribution sales force. Product commissions passed to the product business are recorded as a charge against net interest income. This explains why net interest income numbers are net negative. The bad debts charge for consumer customers is recognised in the consumer product division.

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't* Sept 03- Mar 04	*% Mov't* Mar 03- Mar 04
Net interest income	(27)	(21)	(15)	*(29)*	*(80)*
Non-interest income	655	616	601	*6*	*9*
Net operating income	628	595	586	*6*	*7*
Operating expenses	(396)	(396)	(379)	-	*(4)*
Goodwill amortisation	(8)	(8)	(8)	-	-
Bad and doubtful debts	-	-	-	-	-
Profit from ordinary activities before income tax expense	224	191	199	*17*	*13*
Income tax expense and outside equity interests	(70)	(57)	(63)	*(23)*	*(11)*
Net profit after tax	154	134	136	*15*	*13*
Goodwill amortisation	8	8	8	-	-
Cash earnings	162	142	144	*14*	*13*
Expense to income ratio	63.1%	66.6%	64.7%	*350bps*	*160bps*
	$bn	**$bn**	**$bn**		
Assets	0.5	0.4	0.5	*25*	-

Financial Performance

First Half 04 - First Half 03

Consumer Distribution contributed net profit after tax of $154 million, an increase of $18 million or 13% on the prior corresponding period and $162 million in cash earnings, an increase of $18 million or 13% on the prior corresponding period.

Operating income increased $42 million or 7% with continued growth in retail lending and deposits supported by renewed growth in wealth sales. Significant components of this result included:

- growth in new mortgage lending (up 3.2%);
- an increase in wealth commissions (up 3.3%); and
- an increase in retail deposits (up 11%).

Net operating expenses increased $17 million or 4% after providing for ongoing investment in a number of key strategic projects covering distribution capability and on-line service, including straight through processing and credit checks.

First Half 04 - Second Half 03

Net profit after tax increased $20 million or 15% and cash earnings increased $20 million or 14% on the prior period.

Net operating income increased $33 million or 6%, driven by the same factors highlighted above.

Operating expenses were flat relative to the prior period, despite a 4% EDA personnel expense and sustained levels of strategic investment spend; the benefits from previous expense initiatives offset other inflationary increases.

4.1.3 Consumer Products

Consumer Products comprises home lending, credit cards, transaction and deposit accounts, personal loans, and general insurance. Sales and service commissions passed to the distribution businesses are recorded as a charge against non-interest income. Accordingly, Consumer Products non-interest income numbers are net negative. The bad debts charge for consumer customers is recognised in this division.

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03- Mar 04	% Mov't Mar 03- Mar 04
Net interest income	1,142	1,080	998	*6*	*14*
Non-interest income	(534)	(415)	(456)	*(29)*	*(17)*
Net operating income	608	665	542	*(9)*	*12*
Operating expenses	(226)	(226)	(206)	-	*(10)*
Goodwill amortisation	(9)	(9)	(9)	-	-
Bad and doubtful debts	(153)	(119)	(104)	*(29)*	*(47)*
Profit from ordinary activities before income tax expense	220	311	223	*(29)*	*(1)*
Income tax expense and outside equity interests	(68)	(97)	(70)	*30*	*3*
Net profit after tax	152	214	153	*(29)*	*(1)*
Goodwill amortisation	9	9	9	-	-
Cash earnings	161	223	162	*(28)*	*(1)*
Expense to income ratio	37.2%	34.0%	38.0%	*-320bps*	*80bps*
	$bn	**$bn**	**$bn**		
Deposits	49.0	46.8	44.1	*5*	*11*
Net loans and acceptances	95.0	89.0	82.4	*7*	*15*
Total assets	95.8	89.7	83.1	*7*	*15*

Financial Performance

First Half 04 - First Half 03

Consumer Products contributed net profit after tax of $152 million, a decrease of $1 million or 1% on the prior corresponding period and $161 million in cash earnings, a decrease of $1 million or 1% on the prior corresponding period.

Net operating income increased $66 million or 12%. Significant drivers of this result included:

- home loan outstandings increased $13 billion or 18%, retail deposit outstandings up $4.7 billion or 11%, and card outstandings up $0.7 billion or 17%;
- spread on our retail deposits has recovered by 14 basis points following recent official rate increases; however, this was partially offset by spread compression in mortgages (4 basis points); and
- the material reduction in interchange income since the November 2003 implementation of the RBA credit card reforms and the delay in repricing of reward points on our Altitude cards product affected the result for the half.

Net operating expenses increased $20 million or 10% due to increased strategic investment spend in debt origination systems, customer management systems and the outsourcing card processing to a new platform.

The bad debts charge increased $49 million or 47% as a result of additional dynamic provisioning in line with growth in loan outstandings, with the largest contributor being the growth in card outstandings.

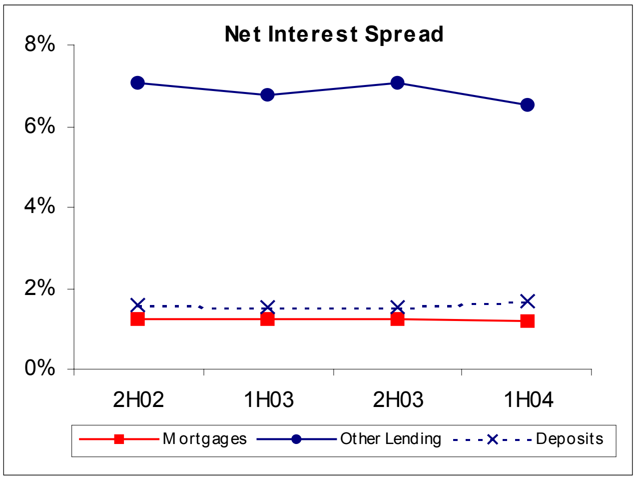
First Half 04 - Second Half 03

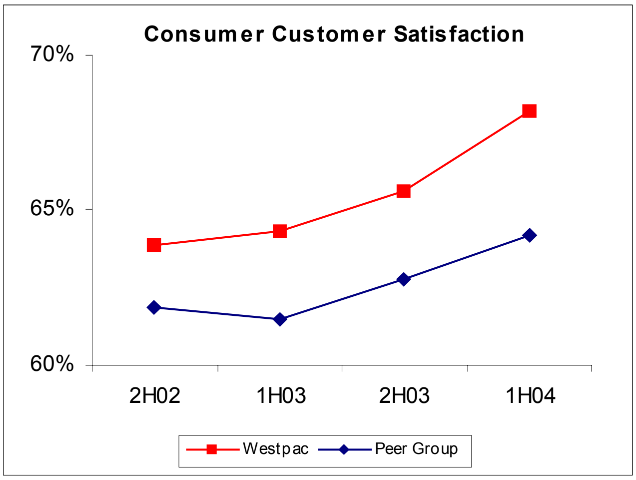
Net profit after tax decreased $62 million or 29% and cash earnings decreased by $62 million or 28% over the prior period. This decrease is due to a decline in net operating income, down $57 million or 9%. This was principally driven by the material reduction in credit card interchange income since the implementation of the RBA credit card reforms in November 2003.

Operating expenses have remained flat over the prior period.

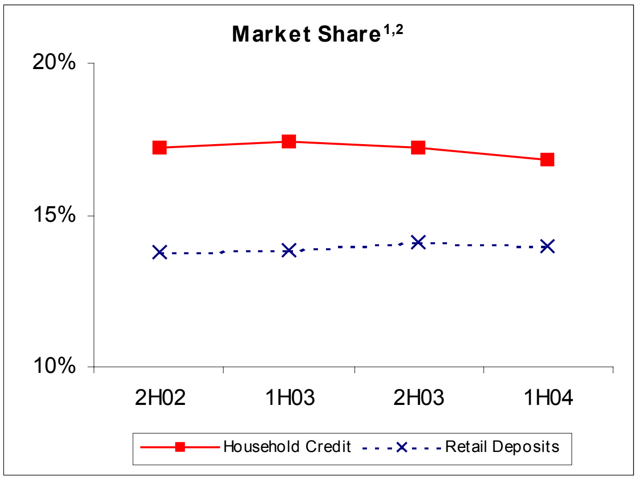
The bad debts charge increased $34 million or 29% as a result of additional dynamic provisioning driven by growth in loan outstandings, with the largest contributor being the growth in card outstandings.

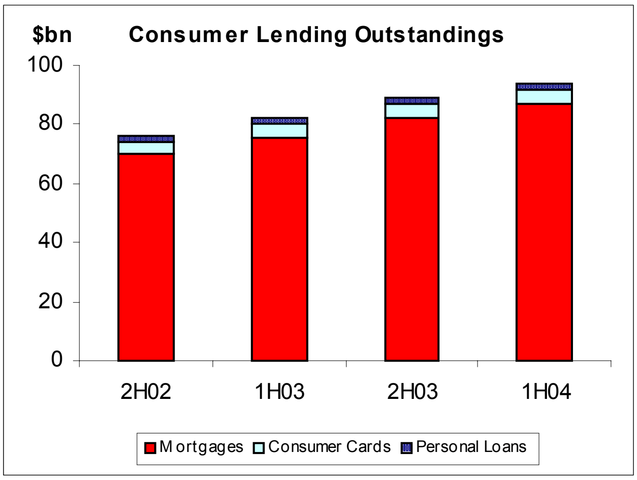
4.1.4 Consumer Customers Key Business Drivers



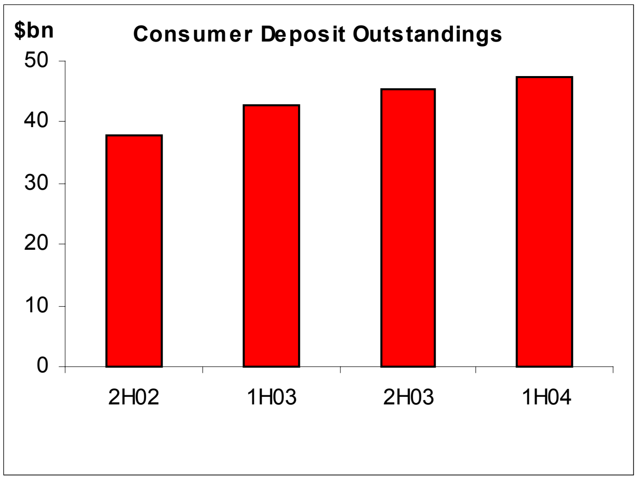


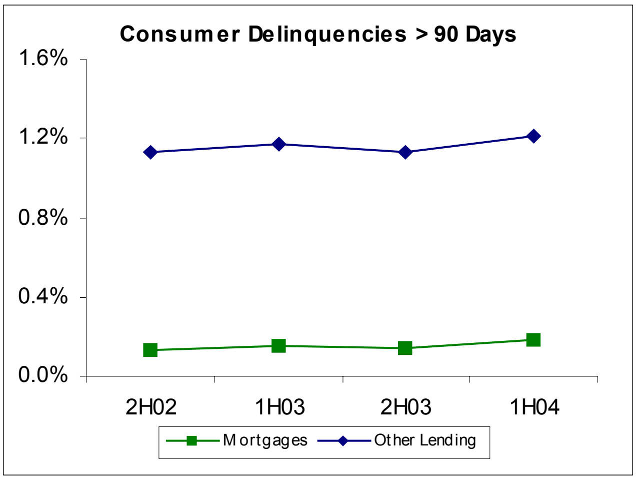
Source: Roy Morgan Research (% Very/Fairly Satisfied, 4 Quarter Average)





Source: Australian Prudential Regulation Authority /Reserve Bank of Australia.





1. *Household Credit includes margin lending.*
2. *Retail Deposits at 31 March 2004 comprise 47% consumer deposits, 53% business deposits.*

4.1.4 Consumer Customers Key Business Drivers (Continued)

Business Developments

- Home lending has continued to be the key source of growth in consumer lending. Annualised portfolio growth in home lending was 15% for the first half of 2004 versus 19% in the prior corresponding period. The fall in loan growth on the prior period results from an 18% fall in new lending, and is consistent with below market share growth over the period and our strategy to limit exposure to investment property lending. Mortgage churn[1] has remained constant on the prior period at 15% of loans.
- Consistent with our housing strategy, we have focused on strengthening relationships with customers beyond traditional mortgage products through Equity Access Loans (EALs), which have grown significantly faster than housing system credit. Our EALs are growing as a source of finance for home and personal purposes. Our EAL portfolio grew $1.4 billion or 15% on the prior period and $3.6 billion or 48% on the prior corresponding period.
- Credit card outstandings have increased $744 million or 17% compared with the prior period. At the end of March, total outstandings had grown to $5 billion. The predominant driver of growth has been the Virgin Credit Card.
- Term Deposits have driven growth in the Consumer Deposit portfolio, increasing $2.9 billion or 16% over the prior period, representing 63% of total deposit growth. Growth in term deposits have resulted from premium in term deposit rates over cash rates.
- Mortgage spread has reduced 4 basis points on the prior period due to a higher proportion of fixed rate mortgages, continued competition for new loans driving new lending margins below overall portfolio margins and the lag in repricing the variable rate loan book in response to RBA rate changes.
- Deposit margins increased 10 basis points on the prior period as a result of recent official cash rate increases.
- Other lending margins have fallen as a result of a lower proportion of customers paying interest on cards outstandings and the Virgin Introductory Rate on the portfolio margin.
- Since September 2002, we have lifted consumer customer satisfaction 4.3 percentage points. These results show that our Ask Once service initiatives and more flexible branch hours are continuing to deliver positive and tangible improvements for our customers.
- The credit environment has remained favourable. While there was a small increase in 90 day delinquencies over the half year, this is principally due to the impact of seasonal factors in unsecured personal lending.

1. *Mortgage churn percentage compares the total of above schedule mortgage repayments (net of redraws) and refinanced loan closure amounts to the total mortgage portfolio.*

4.1.5 Business Distribution

The Business Distribution segment comprises our small to medium-sized business customers. Sales & servicing of these customers occurs though our middle market and small business sales force and service centres. Products include business lending, deposit and transaction accounts and working capital activities. The bad debts charge for business customers is recognised in this division.

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't Sept 03- Mar 04*	*% Mov't Mar 03- Mar 04*
Net interest income	46	38	34	*21*	*35*
Non-interest income	785	741	691	*6*	*14*
Net operating income	831	779	725	*7*	*15*
Operating expenses	(443)	(465)	(420)	*5*	*(5)*
Goodwill amortisation	(11)	(11)	(11)	-	-
Bad and doubtful debts	(18)	(55)	(43)	*67*	*58*
Profit from ordinary activities before income tax expense	359	248	251	*45*	*43*
Income tax expense and outside equity interests	(111)	(74)	(79)	*(50)*	*(41)*
Net profit after tax	248	174	172	*43*	*44*
Goodwill amortisation	11	11	11	-	-
Cash earnings	259	185	183	*40*	*42*
Expense to income ratio	53.3%	59.7%	57.9%	*640bps*	*460bps*
	$bn	**$bn**	**$bn**		
Assets	0.8	0.9	0.9	*(11)*	*(11)*

Financial Performance

First Half 04 - First Half 03

Business Distribution contributed net profit after tax of $248 million, an increase of $76 million or 44% on the prior corresponding period and $259 million in cash earnings, an increase of $76 million or 42% on the prior corresponding period.

Net operating income increased $106 million or 15%. This result was driven by strong growth in the principal lending and deposit portfolios, in particular:

- the equipment finance portfolio increased $2.2 billion or 61% to $5.8 billion; and
- the business finance portfolio grew $2.8 billion or 11%.

Net operating expenses increased by $23 million or 5% on the prior corresponding period after further investment pursuing strategic objectives in the SME sector. Projects undertaken continued to target operational capability to better access customer markets including additional business banking managers and further piloting of our Customer Relationship Management (CRM) tools.

The bad debts charge decreased $25 million primarily due to a revision of dynamic provisioning credit factors resulting from an improved bad debt experience across the business portfolio.

First Half 04 - Second Half 03

Net profit after tax increased $74 million or 43% and cash earnings increased $74 million or 40% on the prior period.

Net operating income increased by $52 million or 7% due to the factors highlighted above. The equipment finance portfolio increased $0.9 billion on the prior period.

Operating expenses are lower than the prior period by $22 million or 5%, primarily due to one-off restructuring costs and higher project investment spend in the second half of 2003.

Bad debt charges are lower than the prior period by $37 million for reasons highlighted above.

4.1.6 Business Products

Business Products includes business lending, deposit and transaction accounts, and working capital activities. Sales and service commissions passed to the distribution businesses are recorded as a charge against non-interest income. This explains why non-interest income numbers are negative. The bad debts charge for business customers is recognised in the business distribution business.

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03- Mar 04	% Mov't Mar 03- Mar 04
Net interest income	509	485	444	*5*	*15*
Non-interest income	(263)	(245)	(225)	*(7)*	*(17)*
Net operating income	246	240	219	*3*	*12*
Operating expenses	(145)	(141)	(138)	*(3)*	*(5)*
Goodwill amortisation	(1)	(1)	(1)	-	-
Bad and doubtful debts	-	-	-	-	-
Profit from ordinary activities before income tax expense	100	98	80	*2*	*25*
Income tax expense and outside equity interests	(31)	(30)	(24)	*(3)*	*(29)*
Net profit after tax	69	68	56	*1*	*23*
Goodwill amortisation	1	1	1	-	-
Cash earnings	70	69	57	*1*	*23*
Expense to income ratio	58.9%	58.8%	63.0%	*-10bps*	*410bps*
	$bn	**$bn**	**$bn**		
Deposits	23.8	22.7	21.1	*5*	*13*
Net loans and acceptances	33.8	31.8	28.7	*6*	*18*
Total assets	34.3	32.3	29.1	*6*	*18*

Financial Performance

First Half 04 - First Half 03

Business Products contributed net profit after tax of $69 million and cash earnings of $70 million, both representing an increase of $13 million or 23% on the prior corresponding period.

Net operating income increased by $27 million or 12%. Significant drivers of this result included:

- strong growth in business lending. The equipment finance portfolio increased $2.2 billion or 61%, term lending and commercial bill outstandings grew $2.7 billion or 12%; and
- strong growth in our merchant acquiring business through both increased spend and increased number of merchant terminals.

Operating expenses increased $7 million or 5%, predominantly due to strategic investment spend in debt origination systems and customer management systems.

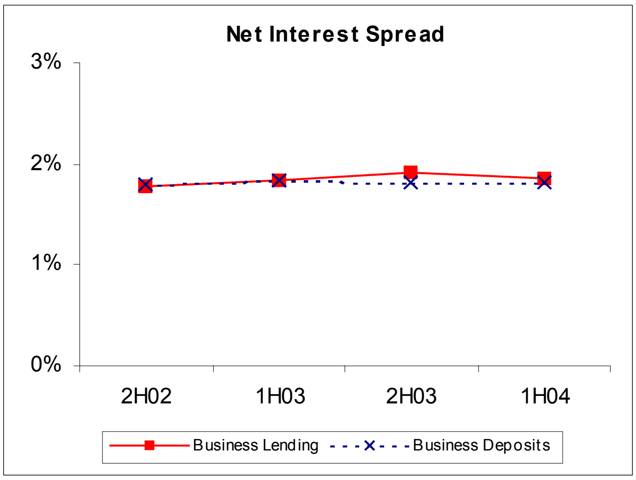
First Half 04 - Second Half 03

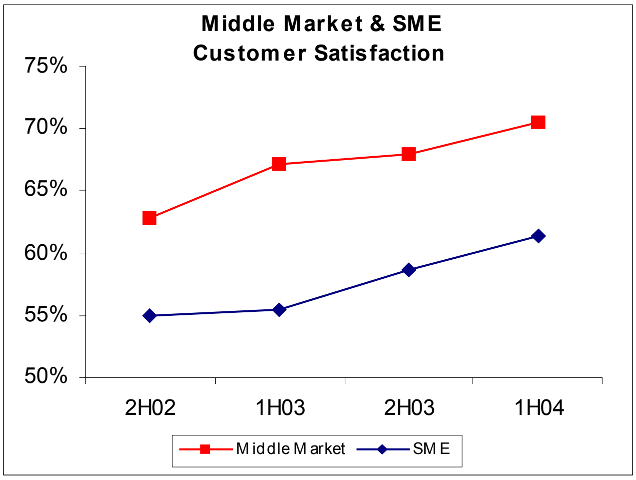
Net profit after tax and cash earnings increased 1% on the prior period.

Net operating income increased $6 million or 3%, predominantly due to continued strong growth in the business lending portfolio and the rebuild of the equipment finance portfolio. Net operating income growth was adversely impacted by the seasonal nature of business lending.

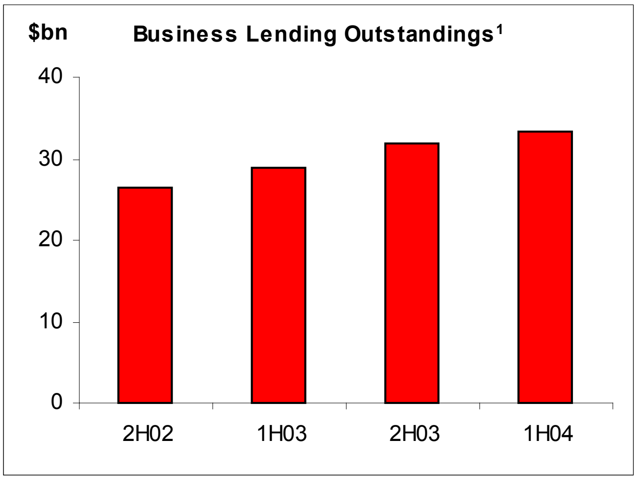
Operating expenses increased $4 million or 3% predominantly due to strategic investment spend in debt origination systems and customer management systems.

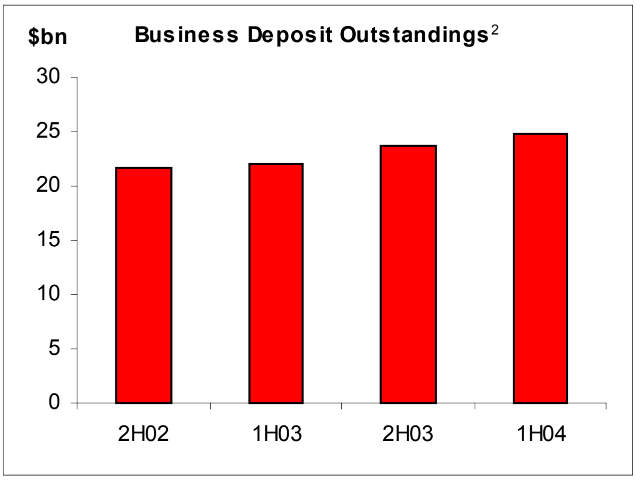
4.1.7 Business Customers Key Business Drivers

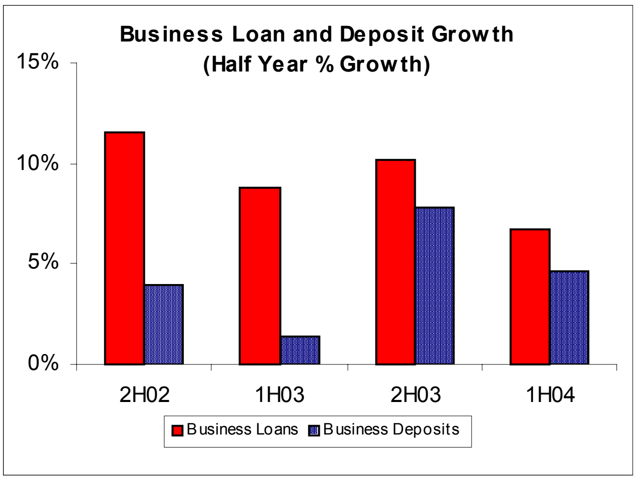


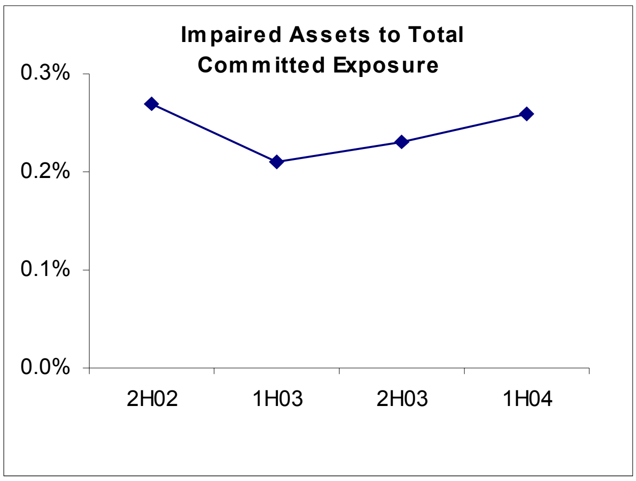


Source: TNS Business Finance Monitor (% Very/Fairly Satisfied, 4 Quarter Average)









1. *Comprises term lending, bills and business overdrafts and equipment finance.*
2. *Business deposits include both working capital and business transaction and savings accounts.*

4.1.7 Business Customers Key Business Drivers (Continued)

Business Developments

- Business lending growth has continued to be strong, albeit at a lower level than in recent periods as a result of the completion of the equipment finance book rebuild phase. Equipment finance grew by $0.9 billion on the prior period, and $2.2 billion on the prior corresponding period.
- It remains our strategy to target the SME and Middle Market segments through strategic investments in customer management, improved lending processes and training our front line sales force to meet business customer needs.
- The increase in business deposits over the prior period has been driven by growth in the corporate deposit book.
- Business lending interest spread has reduced by 4 basis points on the prior period as a result of continued competition for new loans driving new lending margins below overall portfolio margins and the lag in repricing the variable rate loan book in response to RBA rate increases.
- Deposit margins have remained relatively flat compared with the prior period.
- Since September 2002, we have lifted customer satisfaction by 6 percentage points for SME customers and 8 percentage points for Priority & Middle Markets customers. These results reflect improvements to the customer experience delivered by projects targeting customer relationship management and the rollout of specialist business services into our Branch network.
- Asset quality remains high with minimal change in the level of impaired assets to total committed exposure, which was 0.26% as at 31 March 2004.

4.2 WESTPAC INSTITUTIONAL BANK

The Institutional Bank meets the financial needs of corporations and institutions either based in, or with interests in Australia and New Zealand. It provides certain services to middle market business banking customers in these markets.

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03-Mar 04	% Mov't Mar 03-Mar 04
Net interest income[1]	227	183	209	*24*	*9*
Non-interest income	334	378	351	*(12)*	*(5)*
Net operating income	561	561	560	-	-
Operating expenses	(238)	(238)	(234)	-	*(2)*
Goodwill amortisation	(1)	(1)	(1)	-	-
Bad and doubtful debts	2	(64)	(43)	*103*	*105*
Profit from ordinary activities before income tax expense	324	258	282	*26*	*15*
Income tax expense and outside equity interests[1]	(100)	(78)	(80)	*(28)*	*(25)*
Net profit after tax	224	180	202	*24*	*11*
Goodwill amortisation	1	1	1	-	-
Cash earnings	225	181	203	*24*	*11*
Economic profit	128	91	126	*41*	*2*
Expense to income ratio	42.4%	42.4%	41.8%	*0bps*	*-60bps*
	$bn	**$bn**	**$bn**		
Deposits	12.3	10.9	11.7	*13*	*5*
Net loans and acceptances	22.6	22.2	22.4	*2*	*1*
Total assets	49.8	52.2	50.2	*(5)*	*(1)*

Reconciliation of Economic Profit A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03-Mar 04	% Mov't Mar 03-Mar 04
Net profit after tax	224	180	202	*24*	*11*
Goodwill amortisation	1	1	1	-	-
Cash earnings	225	181	203	*24*	*11*
Franking benefit	45	31	34	*45*	*32*
Adjusted cash earnings	270	212	237	*27*	*14*
Average adjusted equity	2,356	2,004	1,876	*18*	*26*
Equity charge (12%)	142	121	111	*17*	*28*
Economic profit[2]	**128**	**91**	**126**	***41***	***2***

1. *Includes tax equivalent gross up of $143 million in the six months to 31 March 2004 ($103 million 1H03, $108 million 2H03) relating to a tax benefit on financing transactions and franking credit benefits. We have entered into various tax effective financing transactions that derive income subject to a reduced rate of income tax. To provide comparability, this income is presented on a tax equivalent basis. The average balance sheet, net interest spread and net interest margin include the tax equivalent gross up in relation to financing transactions only ($106 million 1H04, $98 million 1H03, $99 million 2H03).*
2. *Business Unit economic profit is defined as cash earnings less a capital charge calculated at 12% of allocated capital plus 70% of the value of Australian tax paid.*

Financial Performance

First Half 04 – First Half 03

The Institutional Bank experienced an improved first half performance with net profit after tax and cash earnings increasing 11% or $22 million on the prior corresponding period. The higher result was driven predominantly by a $45 million turnaround in bad debt charges resulting from modest asset growth, increased recoveries and no new impaired assets emerging. The bad debt outcome was also assisted by an overall improvement in the quality of the portfolio, with exposures to counterparties graded higher than AA- increasing and exposures to counterparties rated below BBB+ decreasing.

Financial Markets earnings were $49 million lower (20%) over the prior corresponding period and $13 million lower than the prior period. This was due to reduced trading income and the translation impact of the weaker US dollar. While the Financial Markets performance was weaker, earnings were within the normal volatility expected within this business. Nevertheless, we have implemented a number of initiatives to improve performance from this business.

Offsetting the Financial Markets performance was particularly strong results from our Financing business and the Specialised Capital Group.

Operating expense growth was contained to 2%, consistent with the flat operating income performance.

Economic profit grew 2% with higher capital allocation offsetting improved cash earnings.

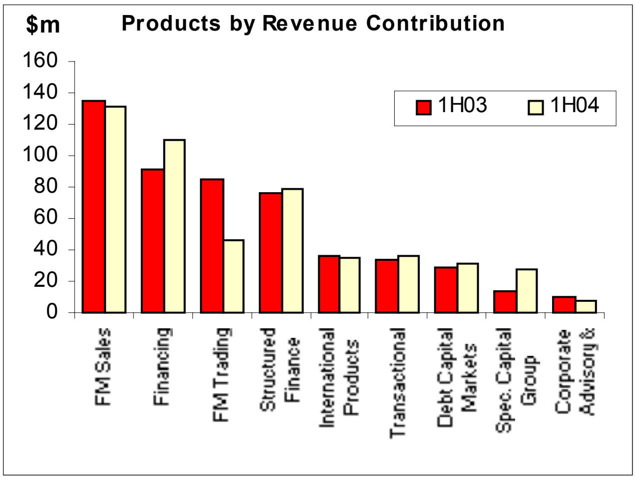
First Half 04 – Second Half 03

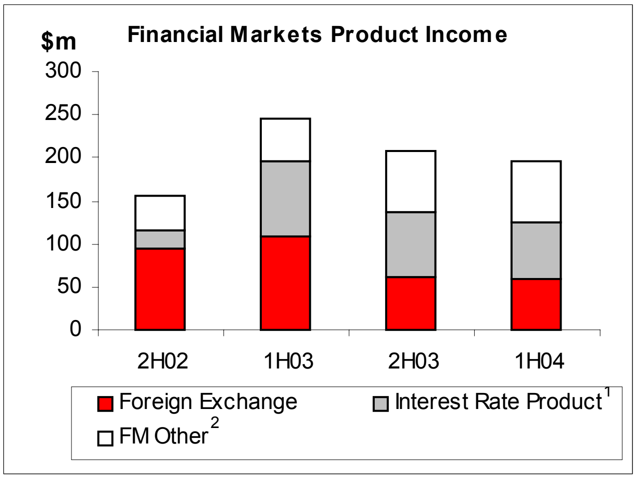
Net profit after tax and cash earnings increased 24% over the prior half, due mainly to lower bad debt charges. Earnings were flat overall, resulting from a decline in Financial Markets earnings offsetting growth from other businesses.

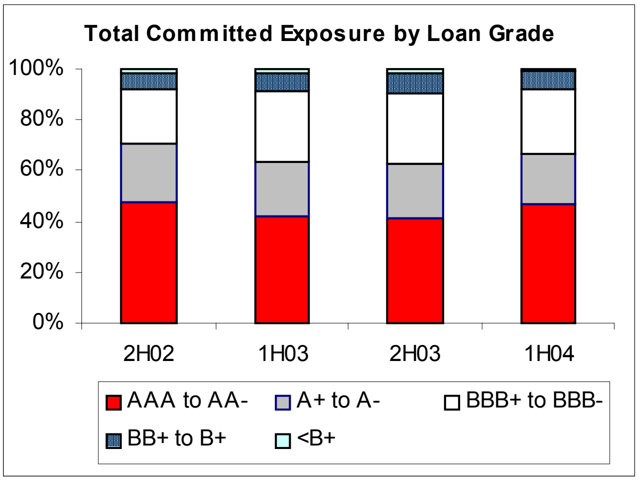
Economic profit grew $37 million or 41% as a result of cash earnings growth and increased benefit from franking credits.

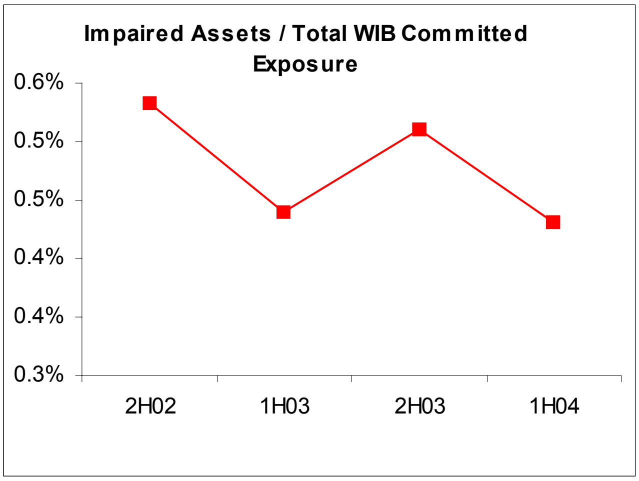
4.2 WESTPAC INSTITUTIONAL BANK (Continued)

Key Business Drivers









Business Developments

- Revenue across most products improved on the prior corresponding period including a 20% increase in Financing and a 99% growth in Specialised Capital Group income. The increased contribution from Financing reflects a 6 basis point increase in margins and strong fee income growth.
- The Specialised Capital Group includes our 51% investment in Hastings Funds Management and our own infrastructure activities. This business is beginning to reach critical mass and with a good flow of transactions is generating positive revenue momentum.
- Lower financial markets income has prompted a range of initiatives to improve performance including:
  - centralising of our Asian operations into Singapore;
  - narrowing our coverage of interbank markets, exiting those not justified by customer demand, market liquidity, or where we do not have a sustainable competitive advantage; and
  - a number of operational changes.
- Credit quality remained sound with impaired assets reducing 7% to $387 million on the prior period. This improvement has been facilitated by repayments, write-offs, foreign exchange movements and no major new impaired assets emerging in the half. Several long-standing problem exposures are also progressing towards resolution.

1. *Interest rate products includes interest rate derivatives and secondary markets activity in debt securities, but excludes primary markets activity.*
2. *FM Other comprises energy, other international and commodities income.*

Significant transactions

Institutional Banking is well positioned for continued solid growth to achieve its strategy of becoming the lead bank within wholesale markets. Notable transactions during the half included:

- The Ten Group - lead arranger of a $700 million syndicated debt facility;
- Codan Limited - joint underwriter and arranger of the $30 million Initial Public Offering;
- Foodland Associated Ltd Property Trust - underwriter and arranger of an issue of $82 million of units; and
- John Fairfax Holdings Ltd – lead arranger with Banc of America for US$230 million private debt placement.

Market position achievements

Westpac's strategy to better understand and service corporate and institutional customers has been recognised with a number of external surveys and awards over the last six months, including:

- No. 1 Share of Australian FX Market (Peter Lee Associates/Greenwich);
- Best Trade Finance Bank 2004 - Australia (Global Finance);
- Bank of the Year 2004 - New Zealand (INFINZ);
- No. 1 Greenwich Quality Index for Large Corporate Banking, Debt Capital Markets & Transactional Banking - New Zealand (Greenwich);
- Best Australian Cash Management House US$100 million - US$500 million (AsiaMoney);
- No. 1 Australian Syndicated Loans (Thomson Financial); and
- No. 1 Lead Arranger, No. 1 Syndicate Member of Project Finance Deals (Insto).

4.3 NEW ZEALAND

New Zealand operations provide banking and wealth management products and services to New Zealand consumer and business customers. New Zealand earnings include: Westpac Investment Management; New Zealand Life Company; and BT New Zealand. The results do not include the earnings of our New Zealand Institutional Bank. All figures are in Australian dollars (A$) converted at the average A$/NZ$ hedge exchange rate for the year (1.1115 for 2004 and 1.1975 for 2003). This hedge rate is not the same as the average rate which prevailed for the period. Local currency movements have also been noted.

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03-Mar 04	% Mov't Mar 03-Mar 04	$NZ % Mov't Sept 03-Mar 04	$NZ % Mov't Mar 03-Mar 04
Net interest income	391	353	348	*11*	*12*	*3*	*4*
Non-interest income	200	178	175	*12*	*14*	*5*	*7*
Net operating income	591	531	523	*11*	*13*	*3*	*5*
Operating expenses	(289)	(271)	(248)	*(7)*	*(17)*	*1*	*(8)*
Goodwill amortisation	(21)	(19)	(20)	*(11)*	*(5)*	*-*	*(4)*
Bad and doubtful debts	(20)	(23)	(22)	*13*	*9*	*21*	*15*
Profit from ordinary activities before income tax expense	261	218	233	*20*	*12*	*11*	*4*
Income tax expense and outside equity interests	(90)	(68)	(80)	*(32)*	*(13)*	*(27)*	*(2)*
Net profit after tax	171	150	153	*14*	*12*	*6*	*4*
Goodwill amortisation	21	19	20	*(11)*	*(5)*	*-*	*(4)*
Cash earnings	192	169	173	*14*	*11*	*5*	*4*
Economic profit	95	80	87	*19*	*9*	*9*	*3*
Expense to income ratio	48.9%	51.0%	47.4%	*210bps*	*-150bps*	*210bps*	*-150bps*
	$bn	**$bn**	**$bn**				
Deposits	15.8	15.1	15.2	*5*	*4*	*5*	*9*
Net loans	23.4	21.4	21.2	*9*	*10*	*9*	*16*
Total assets	24.4	22.5	22.3	*8*	*9*	*9*	*14*
Funds under management	3.0	2.9	2.7	*3*	*11*	*-*	*13*

Reconciliation of Economic Profit

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03-Mar 04	% Mov't Mar 03-Mar 04	$NZ % Mov't Sept 03-Mar 04	$NZ % Mov't Mar 03-Mar 04
Net profit after tax	171	150	153	*14*	*12*	*6*	*4*
Goodwill amortisation	21	19	20	*(11)*	*(5)*	*-*	*4*
Cash earnings	192	169	173	*14*	*11*	*5*	*4*
Franking benefit	8	8	6	*-*	*33*	*-*	*13*
Adjusted cash earnings	200	177	179	*13*	*12*	*5*	*4*
Average adjusted equity	1,750	1,610	1,547	*9*	*13*	*1*	*5*
Equity charge (12%)	105	97	92	*8*	*14*	*1*	*5*
Economic profit[1]	**95**	**80**	**87**	***19***	***9***	***9***	***3***

1. *Business Unit economic profit is defined as cash earnings less a capital charge calculated at 12% of allocated capital plus 70% of the value of Australian tax paid.*

Financial Performance (local currency NZ$)

First Half 04 – First Half 03

New Zealand net profit after tax and cash earnings increased 4% on the prior corresponding period, driven by growth in net operating income.

Net operating income increased 5%, with net interest income up 4% due to housing lending growth and strong growth in business lending and deposits. Housing outstandings continued to grow as we increased our market share in a strong market. Income growth resulted from a focus on the effectiveness of the sales force and building customer service capabilities through training, technology and new branches. Strong volume growth has been partially offset by lower margins across the lending and deposit portfolios.

Non-interest income increased 7% due to greater focus on fee collection and market pricing alignment.

Operating expenses increased 8% due to increased specialisation of our workforce, ongoing costs relating to the business review undertaken in 2003 and the relocation of corporate functions and customer facing staff to Auckland.

Bad debt charges fell 15%, reflecting the continuing high quality of new business and closer management of existing exposures.

First Half 04 – Second Half 03

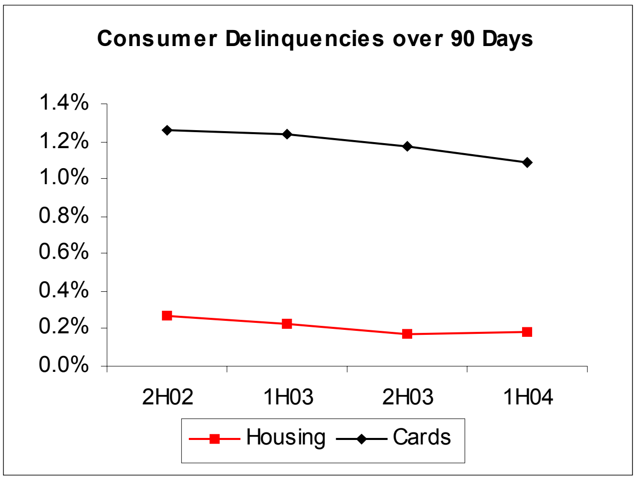
Net profit after tax increased 6% and cash earnings increased 5% from a stronger net operating income. This is largely due to continued lending and deposit growth, as evidenced by New Zealand's increased share of housing market growth, partially offset by reduced margins.

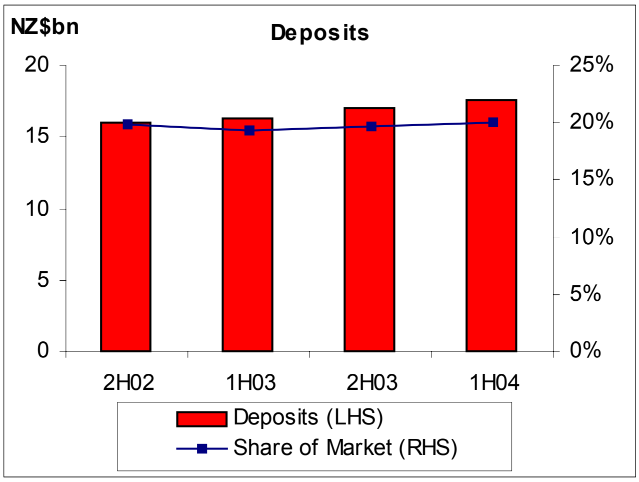
Expenses decreased 1% despite higher personnel costs from increased workforce specialisation, predominantly due to one-off costs incurred in the second half of last year relating to the rebranding from Westpac Trust to Westpac.

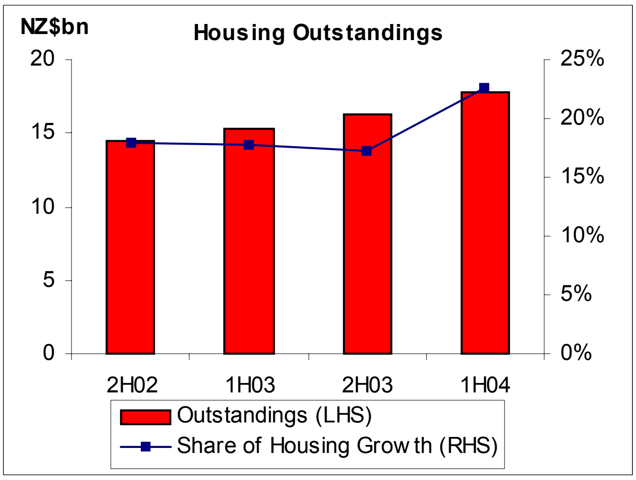
Bad debt charges have reduced 21% on the prior six months as a result of decreased write-offs, an improvement in the quality of lending growth, and better exposure management.

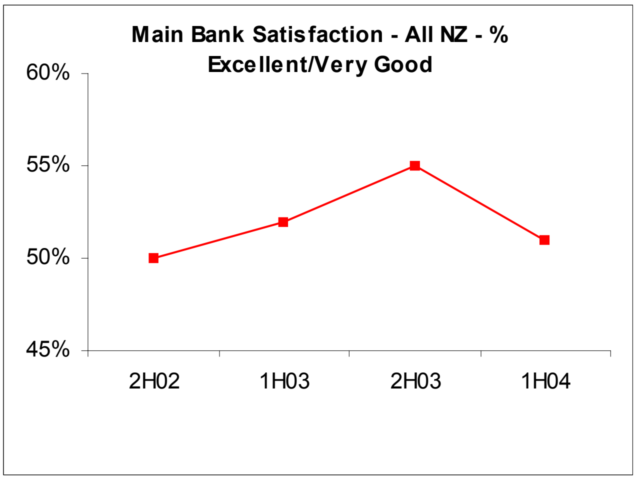
4.3 NEW ZEALAND BANKING (Continued)

Key Business Drivers









Source: AC Nielsen

Business Developments

- The key focus of the first half has been to leverage off strength in housing lending and to build on the investments made in 2003. Personnel changes were made in key markets to pursue growth opportunities and the Westpac brand was implemented, tailored to local markets.
- Increasing the effectiveness of the Auckland sales force, including boosting the number of mobile managers and specialists in wealth products, continued throughout the period. This was complemented by programs focused on customer service, including improved complaints resolution procedures and a new system for delivering real-time customer feedback on service quality in branches. Branch opening hours were extended to suit customer requirements. These initiatives are expected to improve customer satisfaction levels following a slight decline in the main bank satisfaction (excellent/very good) measure.
- Share of housing growth has risen, up from 18% in the prior corresponding period to 23%. An effective nationwide sales force and concentration on sustainable growth has contributed to this improvement. Our status as a preferred mortgage supplier has also improved, up from 11% (prior corresponding period) to 15%.
- Ongoing decreases in delinquency rates again reflect improved collection efficiencies and the current strength in the New Zealand economy during the period.

4.4 BT FINANCIAL GROUP (AUSTRALIA)

BT Financial Group (Australia) represents our Australian wealth management business incorporating our legacy Westpac Financial Services (WFS) and Westpac Life businesses, Rothschild Australia Asset Management (RAAM) and BT Funds Management (BTFM). This business designs, manufactures and services financial products that enable our customers to achieve their financial goals through the accumulation, management and protection of personal wealth. These financial products include managed investments, personal and business superannuation, life insurance, income protection, discount broking, margin lending, client portfolio administration ('Wrap') platforms, portfolio management and administration of corporate superannuation. Distribution of BT Financial Group (Australia) products is conducted through our BCB business and an extensive network of independent financial advisers.

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't* Sept 03- Mar 04	*% Mov't* Mar 03- Mar 04
Net interest income	35	36	42	*(3)*	*(17)*
Non-interest income	273	265	228	*3*	*20*
Net operating income	308	301	270	*2*	*14*
Operating expenses	(186)	(185)	(169)	*(1)*	*(10)*
Goodwill amortisation	(33)	(33)	(27)	-	*(22)*
Bad and doubtful debts	-	-	-	-	-
Profit from ordinary activities before income tax expense	89	83	74	*7*	*20*
Income tax expense and outside equity interests	(26)	(24)	(24)	*(8)*	*(8)*
Net profit after tax	63	59	50	*7*	*26*
Goodwill amortisation	33	33	27	-	*22*
Cash earnings	96	92	77	*4*	*25*
Economic profit	(7)	-	(1)	-	*(600)*
Expense to income ratio	60.4%	61.5%	62.6%	*110bps*	*220bps*
	$bn	**$bn**	**$bn**		
Total assets	14.2	13.9	13.5	*2*	*5*
Funds under management	42.4	40.5	39.8	*5*	*7*

Reconciliation of Economic Profit A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't* Sept 03- Mar 04	*% Mov't* Mar 03- Mar 04
Net profit after tax	63	59	50	*7*	*26*
Goodwill amortisation	33	33	27	-	*(22)*
Cash earnings	96	92	77	*4*	*25*
Franking benefit	18	18	16	-	*13*
Adjusted cash earnings	114	110	93	*4*	*23*
Average adjusted equity	2,017	1,812	1,579	*11*	*28*
Equity charge (12%)	121	110	94	*10*	*29*
Economic profit[1]	**(7)**	**-**	**(1)**	**-**	***(600)***

1. *Business Unit economic profit is defined as cash earnings less a capital charge calculated at 12% of allocated capital plus 70% of the value of Australian tax paid.*

Financial Performance

First Half 04 – First Half 03

Net profit after tax of $63 million and cash earnings of $96 million represent an increase of 26% and 25% respectively over the prior corresponding period, which includes five months of BTFM contribution (BTFM was acquired on 31 October 2002).

Net operating income grew $38 million or 14%, consistent with the growth in funds under management (FUM), funds under administration (FUA) and in-force premiums. The significant business drivers were:

- improvements in investment returns due to positive market conditions and enhanced investment performance;
- fall in redemptions of $4 billion from customer retention initiatives and an improvement in the economic outlook;
- continued growth of Wrap FUA up from $7.1 billion (at acquisition of BTFM) to $11.6 billion as at 31 March 2004;
- favourable life insurance claims experience; and
- increase in discount broking revenue of $4 million.

In addition, the prior corresponding period included a $3 million write-down in our JDV investment (Hartleys).

Operating expenses increased $17 million or 10%. This result was consistent with volume growth between the first half of 2004 and the prior corresponding period, offset by incremental integration expense synergies. In the six months to 31 March 2004 the expense to income ratio decreased from 62.6% to 60.4%.

First Half 04 – Second Half 03

Net profit after tax increased 7% and cash earnings increased 4% on the prior period with operating income up 2% and expenses down 1%.

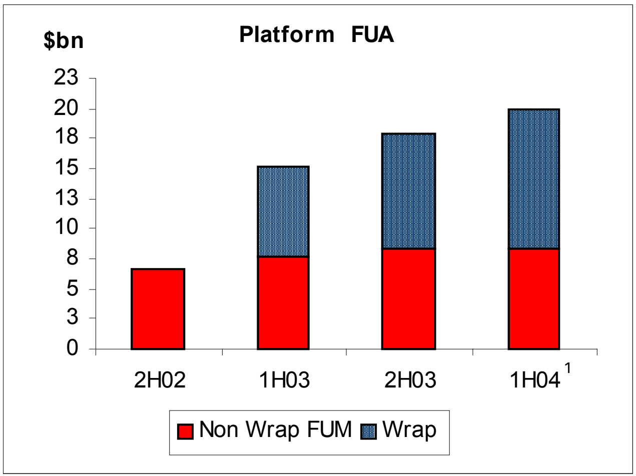
The $7 million (2%) increase innet operating income over the prior period was largely attributable to:

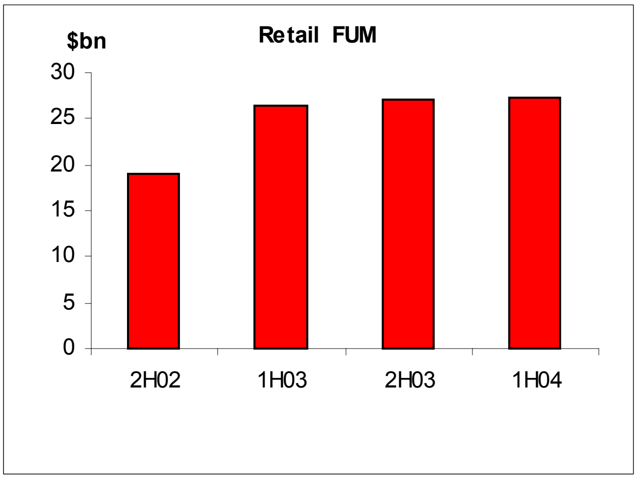
- improvement in net FUM flows driven by declines in redemption volumes of $2 billion;
- relatively flat retail FUM sales due to cautionary ratings applied by research houses. These ratings improved in the current half;
- continued growth of Wrap FUA $7.6 billion as at 30 September 2003 growing to $11.6 billion as at 31 March 2004;
- growth in lower margin Wrap FUA products has exceeded the growth in higher margin retail FUM, with a corresponding impact on operating revenues;
- favourable claims experience in the life insurance business of $5 million; and
- increase in discount broking revenue of $2 million.

Operating expenses have been contained period on period as additional integration expense synergies have offset volume driven expense growth. This has led to an improvement in our expense to income ratio from 61.5% for the prior period to 60.4% as at 31 March 2004.

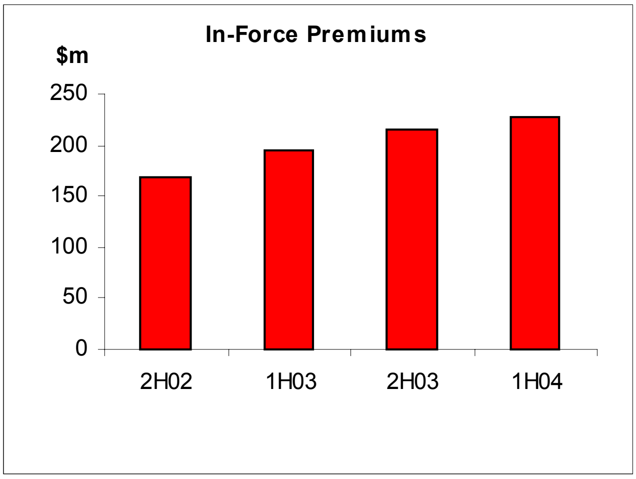
4.4 BT FINANCIAL GROUP (AUSTRALIA) (Continued)

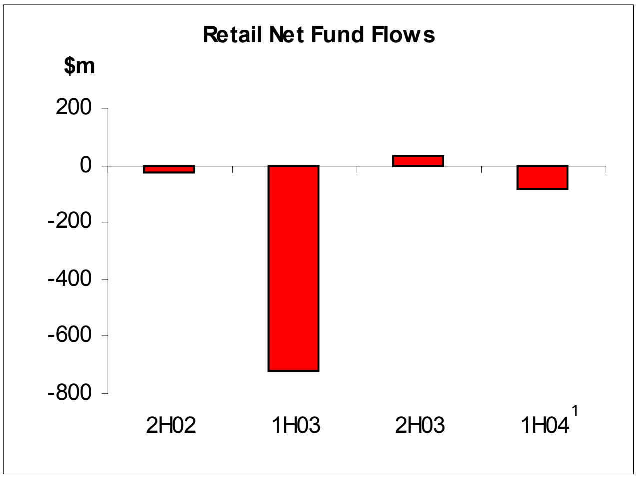
Key Business Drivers





Source: ASSIRT Market Share Report





Source: ASSIRT Market Share Report

Business Developments

- Platform Funds Under Administration (FUA) as defined by ASSIRT, includes the following products: Personal Portfolio Service, Personal Portfolio Management, Wrap and Corporate Super. The most recent market share information (as at 31 March 2004) submitted to ASSIRT reported assets administered by BT Financial Group (Australia) at $19.9 billion and net quarterly outflows of $82 million for the March 2004 quarter.
- Retail net flows show significant turnaround since the 31 March 2003 quarter. This turnaround resulted from enhanced investment performance following changes to investment management processes, leading to improved ratings by research houses and asset consultants, coupled with increased brand presence from targeted advertising campaigns and intensive retention initiatives. Previous cautionary ratings applied to BT Financial Group (Australia)'s product offerings have been revised favourably, following the Australian Equities team being awarded an 'A' rating by research house van Eyk. Efforts continue to keep research houses and asset consultants informed of improvements in our investment management processes and performance to maintain momentum in ratings improvement.
- Declines in redemption levels and positive domestic and international market conditions over the past six months have contributed to FUM growth over the period. Retail FUM at 31 March 2004 of $27.3 billion, was an improvement of 1% on 30 September 2003 and 3% on 31 March 2003. Net inflows are anticipated to improve, as improved investment performance is recognised by investors.
- In-force premiums continue to grow strongly, 5% since 30 September 2003 and 17% since 31 March 2003. The latest Australian market share statistics compiled by DEXXR for the year to 30 September 2003 highlight growth in individual life insurance market share (11% at 30 September 2003, up from 9% at 30 September 2002). We are now the third largest writer of new individual life insurance business in Australia.

1. *Estimated data submitted to ASSIRT as at 31 March 2004.*

4.5 OTHER

This segment comprises:

i) Group items including earnings on surplus capital, accounting entries for certain intragroup transactions that facilitate the presentation of our operating segments, notably adjustments for life policyholder income and consolidation of life company managed investment schemes, earnings from property sales and certain other unallocated head office expenses;
ii) Pacific Banking; and
iii) Group Treasury.

Treasury's operations are primarily focused on the management of the Group's interest rate risk and funding requirements which they achieve by managing the mismatch between Group assets and liabilities. Treasury's earnings are primarily impacted by the hedging decisions taken on behalf of the Group as they seek to minimise net interest income volatility and assist net interest income growth.

Our Pacific Banking operations comprise our presence in the near Pacific including Papua New Guinea and Fiji.

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't* Sept 03- Mar 04	*% Mov't* Mar 03- Mar 04
Net interest income	16	74	38	*(78)*	*(58)*
Non-interest income	89	47	74	*89*	*20*
Net operating income	105	121	112	*(13)*	*(6)*
Operating expenses	(2)	16	(63)	*(113)*	*97*
Goodwill amortisation	-	(3)	(1)	*100*	*100*
Bad and doubtful debts	(18)	(10)	(2)	*(80)*	*(800)*
Profit from ordinary activities before income tax expense	85	124	46	*(31)*	*85*
Income tax expense and outside equity interests	59	29	83	*103*	*(29)*
Net profit after tax	144	153	129	*(6)*	*12*
Goodwill amortisation	-	3	1	*100*	*100*
Distributions on other equity instruments	(76)	(41)	(34)	*(85)*	*(124)*
Cash earnings	68	115	96	*(41)*	*(29)*

Financial Performance

First Half 04 - First Half 03

The individual line items in this segment are impacted by contributions from our Treasury and Pacific Banking operations, movements in centrally held provisions as well as the elimination of intra-group transactions that facilitate the presentation of our operating segments. Accordingly, the commentary below only focuses on the movement in net profit after tax.

"Other" contributed net profit after tax of $144 million, up $15 million or 12% on the prior corresponding period and cash earnings of $68 million, down $28 million or 29% on the prior corresponding period. The increase in net profit after tax is due to the additional benefit we have received on our hybrid equity and improved earnings from our Treasury operations, partially offset by a decline in contribution from the sale of properties, a slight decease in the contribution from our Pacific Banking operations and a lower contribution from earnings on the Group's surplus capital.

Treasury's earnings improved, assisted by both the highly expected increases in official Australian interest rates in late 2003 and generally more certain markets.

First Half 04 - Second Half 03

"Other" net profit after tax fell $9 million or 6% on the prior period.

5. 2004 INTERIM FINANCIAL INFORMATION

Notes to the statements shown in sections 5.1, 5.2 and 5.3 as required by the Appendix 4D are referenced in the margin of the relevant tables.

5.1 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

A$m	Note	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't Sept 03-Mar 04*	*% Mov't Mar 03-Mar 04*
Interest income		6,193	5,593	5,292	*11*	*17*
Interest expense		(3,854)	(3,365)	(3,194)	*(15)*	*(21)*
Net interest income	5	2,339	2,228	2,098	*5*	*11*
Non-interest income	6	1,539	1,565	1,439	*(2)*	*7*
Net operating income		3,878	3,793	3,537	*2*	*10*
Operating expenses	8	(1,925)	(1,906)	(1,857)	*(1)*	*(4)*
Goodwill amortisation		(84)	(85)	(78)	*1*	*(8)*
Bad and doubtful debts	21	(207)	(271)	(214)	*24*	*3*
Profit from ordinary activities before income tax expense		1,662	1,531	1,388	*9*	*20*
Income tax expense	10	(431)	(395)	(333)	*(9)*	*(29)*
Net profit		1,231	1,136	1,055	*8*	*17*
Net profit attributable to outside equity interests:						
Managed investment schemes		(1)	-	-	-	-
Other		(5)	(4)	(4)	*(25)*	*(25)*
Net profit attributable to equity holders of Westpac Banking Corporation (WBC)		**1,225**	**1,132**	**1,051**	***8***	***17***
Foreign currency translation reserve adjustment		(153)	(90)	(66)	*(70)*	*(132)*
Total revenues, expenses and valuation adjustments attributable to equity holders of WBC recognised directly in equity		**(153)**	**(90)**	**(66)**	***(70)***	***(132)***
Total changes in equity other than those resulting from transactions with owners as owners		**1,072**	**1,042**	**985**	***3***	***9***

5.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at $m	Note	31 March 2004 US$	31 March 2004 A$	30 Sept 2003 $A	31 March 2003 $A	% Mov't Sept 03- Mar 04 $A	% Mov't Mar 03- Mar 04 A$
Assets							
Cash and balances with central banks		1,535	2,015	1,786	1,924	*13*	*5*
Due from other financial institutions		7,072	9,281	6,035	5,010	*54*	*85*
Trading securities		6,222	8,165	8,793	7,617	*(7)*	*7*
Investment securities		2,363	3,101	3,656	4,265	*(15)*	*(27)*
Loans	13	129,945	170,532	160,473	149,890	*6*	*14*
Acceptances of customers		3,349	4,395	3,788	3,883	*16*	*13*
Life insurance assets[1]	1	9,385	12,316	10,522	9,936	*17*	*24*
Regulatory deposits with central banks overseas		408	536	425	355	*26*	*51*
Goodwill		1,892	2,483	2,558	2,599	*(3)*	*(4)*
Fixed assets[2]		625	820	842	866	*(3)*	*(5)*
Deferred tax assets		665	873	1,019	729	*(14)*	*20*
Other assets		15,206	19,954	21,442	19,356	*(7)*	*3*
Total assets		**178,667**	**234,471**	**221,339**	**206,430**	***6***	***14***
Liabilities							
Due to other financial institutions		3,413	4,479	3,831	3,646	*17*	*23*
Deposits	22	103,593	135,949	129,071	122,029	*5*	*11*
Debt issues		27,405	35,964	29,970	29,764	*20*	*21*
Acceptances		3,349	4,395	3,788	3,883	*16*	*13*
Current tax liabilities		79	104	310	234	*(66)*	*(56)*
Deferred tax liabilities		65	85	246	55	*(65)*	*55*
Life insurance policy liabilities		7,876	10,336	9,896	9,348	*4*	*11*
Provisions		320	420	462	447	*(9)*	*(6)*
Other liabilities[1]		17,129	22,479	25,225	20,012	*(11)*	*12*
Total liabilities excluding loan capital		163,229	214,211	202,799	189,418	*6*	*13*
Loan capital							
Subordinated bonds, notes and debentures		2,982	3,914	3,971	4,082	*(1)*	*(4)*
Subordinated perpetual notes		392	514	573	646	*(10)*	*(20)*
Total loan capital		3,374	4,428	4,544	4,728	*(3)*	*(6)*
Total liabilities		**166,603**	**218,639**	**207,343**	**194,146**	***5***	***13***
Net assets		**12,064**	**15,832**	**13,996**	**12,284**	***13***	***29***
Equity							
Ordinary shares		3,176	4,168	3,972	3,708	*5*	*12*
Reserves		(172)	(226)	(73)	16	*(210)*	*large*
Retained profits		5,909	7,755	7,343	6,947	*6*	*12*
NZ Class shares		359	471	471	471	-	-
Trust Originated Preferred Securities (TOPrS[sm])		354	465	465	465	-	-
Fixed Interest Resettable Trust Securities (FIRsTS)		499	655	655	655	-	-
Trust Preferred Securities (TPS)		863	1,132	1,132	-	-	-
Equity attributable to equity holders of Westpac Banking Corporation		10,988	14,420	13,965	12,262	*3*	*18*
Outside equity interests in controlled entities[1]	1	1,076	1,412	31	22	*large*	*large*
Total equity		**12,064**	**15,832**	**13,996**	**12,284**	***13***	***29***

1. *The six months ended 31 March 2004 includes the following amounts in regards to the consolidation of certain managed investment schemes controlled by the Life Company: $1,357 million in life insurance assets, $2 million in other liabilities and $1,355 million in outside equity interests.*
2. *Fixed assets include $328 million ($300 million as at 30 September 2003 and $284 million as at 31 March 2003) in capitalised software costs with an average amortisation period of three years.*

5.3 CONSOLIDATED STATEMENT OF CASH FLOWS

$m	Note	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	% Mov't Sept 03-Mar 04 A$	% Mov't Mar 03-Mar 04 A$
Cash flows from operating activities							
Interest received		4,658	6,113	5,624	5,233	*9*	*17*
Interest paid		(2,808)	(3,685)	(3,465)	(3,138)	*(6)*	*(17)*
Dividends received excluding life business		11	14	21	15	*(33)*	*(7)*
Other non-interest income received		1,317	1,729	1,741	2,380	*(1)*	*(27)*
Operating expenses paid		(1,599)	(2,098)	(1,705)	(1,613)	*(23)*	*(30)*
Net decrease in trading securities		491	645	285	1,474	*126*	*(56)*
Income tax paid excluding life business		(406)	(533)	(480)	(651)	*(11)*	*18*
Life business:							
receipts from policyholders and customers		984	1,291	1,754	1,204	*(26)*	*7*
interest and other items of similar nature		44	58	77	42	*(25)*	*38*
dividends received		102	134	252	127	*(47)*	*6*
payments to policyholders and suppliers		(607)	(796)	(1,784)	(1,241)	*55*	*36*
income tax paid		(91)	(119)	23	(83)	*(617)*	*(43)*
Net cash provided by operating activities	25	2,096	2,753	2,343	3,749	*17*	*(27)*
Cash flows from investing activities							
Proceeds from sale of investment securities		8	11	38	151	*(71)*	*(93)*
Proceeds from matured investment securities		315	414	538	722	*(23)*	*(43)*
Purchase of investment securities		(87)	(114)	(351)	(1,763)	*68*	*94*
Proceeds from securitised loans		104	136	77	170	*77*	*(20)*
Net (increase)/decrease in:							
due from other financial institutions		(2,398)	(3,147)	(1,029)	331	*(206)*	*large*
loans		(8,109)	(10,642)	(12,168)	(13,774)	*13*	*23*
life insurance assets		(42)	(55)	36	(222)	*(253)*	*75*
regulatory deposits with central banks overseas		(108)	(142)	(127)	69	*(12)*	*(306)*
other assets		(1,061)	(1,393)	(576)	(921)	*(142)*	*(51)*
Purchase of fixed assets		(93)	(122)	(149)	(174)	*18*	*30*
Proceeds from disposal of fixed assets		18	24	58	27	*(59)*	*(11)*
Proceeds from disposal of other investments		32	42	1	7	*large*	*500*
Controlled entities acquired, net of cash acquired	25	-	-	-	(823)	*-*	*100*
Controlled entities and businesses disposed, net of cash held	25	51	67	298	62	*(78)*	*8*
Net cash used in investing activities		(11,370)	(14,921)	(13,354)	(16,138)	*(12)*	*8*
Cash flows from financing activities							
Issue of loan capital		381	500	531	1,148	*(6)*	*(56)*
Redemption of loan capital		(229)	(300)	(341)	(637)	*12*	*53*
Proceeds from issue of ordinary shares		33	43	60	27	*(28)*	*59*
Proceeds from issue of FIRsTS (net of issue costs $12m)		-	-	-	655	*-*	*(100)*
Proceeds from issue of TPS (net of issue costs $13m)		-	-	1,132	-	*(100)*	*-*
Net increase/(decrease) in:							
due to other financial institutions		576	756	292	(987)	*159*	*177*
deposits		4,777	6,269	8,728	10,656	*(28)*	*(41)*
debt issues		4,891	6,419	844	2,814	*661*	*128*
other liabilities		(482)	(633)	159	(527)	*(498)*	*(20)*
Payment of distributions and dividends		(503)	(660)	(531)	(507)	*(24)*	*(30)*
Payment of dividends to outside equity interests		(2)	(3)	2	(4)	*(250)*	*25*
Net cash provided by financing activities		9,442	12,391	10,876	12,638	*14*	*(2)*
Net increase/(decrease) in cash and cash equivalents		170	223	(135)	249	*265*	*(10)*
Effect of exchange rate changes on cash and cash equivalents		5	6	(3)	6	*(300)*	*-*
Cash and cash equivalents at the beginning of financial period		1,361	1,786	1,924	1,669	*(7)*	*7*
Cash and cash equivalents at the end of the period		1,536	2,015	1,786	1,924	*13*	*5*

5.4 MOVEMENT IN RETAINED PROFITS

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03-Mar 04	% Mov't Mar 03-Mar 04
Retained profits at the end of the previous reporting period	7,343	6,947	5,930	*6*	*24*
Change in accounting policy for providing for dividends	-	-	651	-	*(100)*
Retained profits at the beginning of the financial period	7,343	6,947	6,581	*6*	*12*
Net profit attributable to equity holders of WBC	1,225	1,132	1,051	*8*	*17*
Aggregate of amounts transferred (to)/from reserves	-	(2)	1	*100*	*(100)*
Total available for appropriation	**8,568**	**8,077**	**7,633**	***6***	***12***
Ordinary dividends provided for or paid	(737)	(693)	(652)	*(6)*	*(13)*
Distributions on other equity instruments	(76)	(41)	(34)	*(85)*	*(124)*
Retained profits at the end of the financial period	**7,755**	**7,343**	**6,947**	***6***	***12***

5.5 NOTES TO 2004 INTERIM FINANCIAL INFORMATION

Note 1. Basis of Preparation of Interim Financial Information

Consolidation of managed investment schemes

The Group's life insurance statutory funds are structured such that they invest mainly in managed investment schemes operated by the Group. Consequently in a number of cases, the Group's statutory funds are the majority investors in these managed investment schemes.

In line with developing industry practice, with effect from 1 October 2003, Westpac has consolidated those managed investment schemes where the Group's statutory funds have a majority holding indicating Westpac has capacity to control. The financial effect of the consolidation of the managed investment schemes as at 31 March 2004 was to increase life insurance assets by $1,357 million, other liabilities by $2 million and outside equity interest by $1,355 million in the statement of financial position. The financial effect on the statement of financial performance for the half-year ended 31 March 2004 was to increase non-interest income (wealth management revenue) by $2 million, increase net profit by $1 million and increase net profit attributable to outside equity interests by $1 million. There is no impact on net profit attributable to equity holders of Westpac Banking Corporation. Comparatives have not been restated to reflect the change.

Tax consolidation

During the half year ended 31 March 2004, Westpac Banking Corporation and its wholly-owned Australian controlled entities entered into tax consolidation, effective from 1 October 2002. The Australian Taxation Office has been notified of this decision.

As a consequence, Westpac Banking Corporation, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

Implementation of tax consolidation has not had a material effect on the Group's financial position.

Note 2. Interest Spread and Margin Analysis

%	Half Year March 04	Half Year Sept 03	Half Year March 03
Group			
Interest spread on productive assets	2.09	2.18	2.29
Impact of impaired loans	(0.02)	(0.02)	(0.01)
Interest spread	2.07	2.16	2.28
Benefit of net non-interest bearing liabilities and equity	0.49	0.43	0.37
Interest margin	2.56	2.59	2.65
Australia			
Interest spread on productive assets	2.00	2.13	2.24
Impact of impaired loans	(0.01)	(0.01)	0.00
Interest spread	1.99	2.12	2.24
Benefit of net non-interest bearing liabilities and equity	0.47	0.42	0.33
Interest margin	2.46	2.54	2.57
New Zealand			
Interest spread on productive assets	2.52	2.53	2.49
Impact of impaired loans	0.00	(0.01)	(0.01)
Interest spread	2.52	2.52	2.48
Benefit of net non-interest bearing liabilities and equity	0.36	0.37	0.53
Interest margin	2.88	2.89	3.01
Other Overseas			
Interest spread on productive assets	0.74	0.81	0.89
Impact of impaired loans	(0.01)	0.00	0.00
Interest spread	0.73	0.81	0.89
Benefit of net non-interest bearing liabilities and equity	0.21	0.14	0.15
Interest margin	0.94	0.95	1.04

Interest spread on productive assets is determined after excluding non-accrual loans, excluding impaired loans and related interest.

Interest spread is the difference between the average yield (including tax equivalent gross up) on all interest earning assets net of impaired loans and the average rate paid on all interest bearing liabilities. The benefit of net non-interest bearing liabilities and equity is determined by applying the average rate of interest paid on all interest bearing liabilities to the average level of net non-interest bearing funds as a percentage of average interest earning assets. The calculations for Australia and New Zealand take into account the interest expense/income of cross-border and intragroup borrowing/lending.

Note 3. Average Balance Sheet and Interest Rates

	Half Year 31 March 04			Half Year 30 Sept 03			Half Year 31 March 03		
	Average Balance A$m	Interest A$m	Average Rate %	Average Balance A$m	Interest A$m	Average Rate %	Average Balance A$m	Interest A$m	Average Rate %
Assets									
Interest earning assets									
Due from other financial institutions									
Australia	3,866	107	5.5	3,339	75	4.5	2,933	64	4.4
New Zealand	1,815	31	3.4	1,902	30	3.2	1,228	29	4.7
Other Overseas	3,743	51	2.7	3,207	36	2.2	1,885	34	3.6
Investment & trading securities									
Australia	7,548	212	5.6	7,144	176	4.9	8,134	203	5.0
New Zealand	1,102	38	6.9	1,198	36	6.0	890	31	7.0
Other Overseas	2,465	104	8.4	3,208	116	7.2	3,480	108	6.2
Regulatory deposits									
Other Overseas	399	2	1.0	419	4	1.9	345	2	1.2
Loans & other receivables									
Australia	137,504	4,678	6.8	126,926	4,172	6.6	115,214	3,820	6.7
New Zealand	29,651	1,023	6.9	29,040	997	6.9	28,324	1,037	7.4
Other Overseas	2,021	47	4.7	2,332	44	3.8	3,218	53	3.3
Impaired loans									
Australia	285	-	-	267	1	0.7	243	4	3.3
New Zealand	61	1	3.3	61	1	3.3	71	1	2.8
Other Overseas	229	2	1.7	224	4	3.6	268	4	3.0
Intragroup receivable									
Other Overseas	21,508	202	1.9	15,029	142	1.9	14,603	193	2.7
Interest earning assets & interest income including intragroup	212,197	6,498	6.1	194,296	5,834	6.0	180,836	5,583	6.2
Intragroup elimination	(21,508)	(202)		(15,029)	(142)		(14,603)	(193)	
Total interest earning assets and interest income	**190,689**	**6,296**	**6.6**	**179,267**	**5,692**	**6.4**	**166,233**	**5,390**	**6.5**
Non-interest earning assets									
Cash, due from other financial institutions and regulatory deposits	820			917			1,033		
Life insurance assets	12,169			10,130			10,426		
Other assets[1]	26,347			25,807			21,199		
Debt provisions									
Australia	(1,264)			(1,286)			(1,240)		
New Zealand	(232)			(178)			(76)		
Other Overseas	(92)			(133)			(149)		
Total non-interest earning assets	**37,748**			**35,257**			**31,193**		
Acceptances of customers	4,124			4,088			4,716		
Total assets	**232,561**			**218,612**			**202,142**		

1. *Includes fixed assets, goodwill, other financial markets assets, future income tax benefit and prepaid superannuation contributions.*

Note 3. Average Balance Sheet and Interest Rates (Continued)

	Half Year 31 March 04			Half Year 30 Sept 03			Half Year 31 March 03		
	Average Balance A$m	Interest A$m	Average Rate %	Average Balance A$m	Interest A$m	Average Rate %	Average Balance A$m	Interest A$m	Average Rate %
Liabilities and shareholders' equity									
Interest bearing liabilities									
Deposits									
Australia	95,751	1,980	4.1	92,779	1,784	3.8	84,603	1,607	3.8
New Zealand	19,847	420	4.2	19,657	430	4.4	19,282	450	4.7
Other Overseas	11,241	143	2.5	10,907	135	2.5	10,135	138	2.7
Due to other financial institutions									
Australia	1,982	29	2.9	1,796	19	2.1	1,950	25	2.6
New Zealand	398	11	5.5	248	11	8.9	296	9	6.1
Other Overseas	2,082	7	0.7	1,480	15	2.0	2,394	42	3.5
Loan capital									
Australia	4,490	82	3.7	4,609	76	3.3	4,277	78	3.7
New Zealand	44	2	7.5	45	1	7.6	45	2	7.7
Other interest bearing liabilities[1]									
Australia	20,170	949	n/a	18,523	731	n/a	18,600	668	n/a
New Zealand	178	115	n/a	562	83	n/a	218	84	n/a
Other Overseas	13,850	113	n/a	10,409	80	n/a	9,815	91	n/a
Intragroup payable									
Australia	12,182	127	2.1	6,297	65	2.1	7,347	98	2.7
New Zealand	9,326	75	1.6	8,732	77	1.8	7,256	95	2.6
Interest bearing liabilities & interest expense including intragroup	191,541	4,053	4.2	176,044	3,507	4.0	166,218	3,387	4.1
Intragroup elimination	(21,508)	(202)		(15,029)	(142)		(14,603)	(193)	
Total interest bearing liabilities and interest expense	**170,033**	**3,851**	**4.5**	**161,015**	**3,365**	**4.2**	**151,615**	**3,194**	**4.2**
Non-interest bearing liabilities									
Deposits and due to other financial institutions									
Australia	3,992			4,004			3,974		
New Zealand	974			988			1,090		
Other Overseas	271			234			268		
Life insurance policy liabilities	10,200			9,618			9,828		
Other liabilities[2]	27,514			25,899			19,181		
Total non-interest bearing liabilities	**42,951**			**40,743**			**34,341**		
Acceptances of customers	4,124			4,088			4,716		
Total liabilities	**217,108**			**205,846**			**190,672**		
Shareholders' equity	11,806			11,321			10,618		
TOPrS	465			465			465		
FIRsTS	655			655			367		
TPS	1,132			303			-		
Outside equity interests	1,395			22			20		
Total equity	**15,453**			**12,766**			**11,470**		
Total liabilities and equity	**232,561**			**218,612**			**202,142**		

1. *Includes interest accrued on hedging derivatives.*
2. *Includes provisions for current and deferred income tax and other financial market liabilities.*

Note 4. Revenue

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't Sept 03- Mar 04*	*% Mov't Mar 03- Mar 04*
Revenue from operating activities					
Interest income	6,193	5,593	5,292	*11*	*17*
Fees and commissions received	1,169	1,229	1,147	*(5)*	*2*
Proceeds from sale of investment securities	11	38	151	*(71)*	*(93)*
Wealth management revenue	879	913	395	*(4)*	*123*
Other non-interest income	279	268	261	*4*	*7*
Revenue from operating activities	**8,531**	**8,041**	**7,246**	***6***	***18***
Revenue from outside operating activities					
Proceeds from sale of fixed assets	24	58	27	*(59)*	*(11)*
Proceeds from sale of controlled entities and businesses	67	298	62	*(78)*	*8*
Proceeds from sale of other investments	42	1	7	*large*	*500*
Revenue from outside operating activities	**133**	**357**	**96**	***(63)***	***39***
Total revenue	**8,664**	**8,398**	**7,342**	***3***	***18***

Note 5. Net Interest Income

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't Sept 03- Mar 04*	*% Mov't Mar 03- Mar 04*
Interest income					
Loans and other receivables	5,678	5,142	4,837	*10*	*17*
Deposits with other financial institutions	181	141	127	*28*	*43*
Investment and trading securities	332	306	326	*8*	*2*
Regulatory deposits	2	4	2	*(50)*	-
Interest income	**6,193**	**5,593**	**5,292**	***11***	***17***
Interest expense					
Current and term deposits	(2,543)	(2,349)	(2,195)	*(8)*	*(16)*
Deposits from other financial institutions	(51)	(45)	(76)	*(13)*	*33*
Loan capital	(84)	(77)	(80)	*(9)*	*(5)*
Debt issues	(462)	(423)	(406)	*(9)*	*(14)*
Other[1]	(714)	(471)	(437)	*(52)*	*(63)*
Interest expense	**(3,854)**	**(3,365)**	**(3,194)**	***(15)***	***(21)***
Net interest income	**2,339**	**2,228**	**2,098**	***5***	***11***

1. *Includes income from hedging derivatives.*

Note 6. Non-Interest Income

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03- Mar 04	% Mov't Mar 03- Mar 04
Non-interest income					
Fees and commissions received	1,169	1,229	1,147	*(5)*	*2*
Fees and commissions paid	(334)	(335)	(344)	*0*	*3*
Proceeds from sale of assets	144	395	247	*(64)*	*(42)*
Carrying value of assets sold	(136)	(388)	(237)	*65*	*43*
Net life insurance and funds management income	417	396	365	*5*	*14*
Trading income	180	189	220	*(5)*	*(18)*
Other non-interest income	99	79	41	*25*	*141*
Total non-interest income	**1,539**	**1,565**	**1,439**	***(2)***	***7***

Note 7. Non-Interest Income Analysis

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03- Mar 04	% Mov't Mar 03- Mar 04
Fees and commissions					
Lending fees	355	340	300	*4*	*18*
Transaction fees and commissions received	714	766	713	*(7)*	*0*
Other non-risk fee income	93	112	129	*(17)*	*(28)*
Fees and commissions paid	(334)	(335)	(344)	*0*	*3*
Service and management fees	7	11	5	*(36)*	*40*
	835	**894**	**803**	***(7)***	***4***
Trading income[1]					
Foreign exchange	195	205	198	*(5)*	*(2)*
Trading securities	-	(9)	16	*100*	*(100)*
Other financial instruments	(15)	(7)	6	*(114)*	*(350)*
	180	**189**	**220**	***(5)***	***(18)***
Wealth management income					
Life insurance and funds management operating income	**417**	**396**	**365**	***5***	***14***
Other income					
General insurance commissions and premiums (net of claims paid)	42	47	38	*(11)*	*11*
Dividends received	14	21	15	*(33)*	*(7)*
Lease rentals	2	6	4	*(67)*	*(50)*
Cost of hedging overseas operations	15	(31)	(21)	*148*	*171*
Net profit on sale of fixed assets, controlled entities and other investments	8	7	10	*14*	*(20)*
Other	26	36	5	*(28)*	*420*
	107	**86**	**51**	***24***	***110***
Non-interest income	**1,539**	**1,565**	**1,439**	**(2)**	**7**

1. *Trading income includes earnings from our Financial Markets business, as well as our Treasury operations in Australia, New Zealand and the Pacific.*

Note 8. Expense Analysis

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	% Mov't Sept 03- Mar 04	% Mov't Mar 03- Mar 04
Salaries and other staff expenses					
Salaries and wages	743	720	712	*(3)*	*(4)*
Other staff expenses	195	188	177	*(4)*	*(10)*
Restructuring expenses	10	30	9	*67*	*(11)*
	948	**938**	**898**	***(1)***	***(6)***
Equipment and occupancy expenses					
Operating lease rentals	123	122	117	*(1)*	*(5)*
Depreciation and amortisation:					
Premises	1	1	2	*-*	*50*
Leasehold improvements	17	16	16	*(6)*	*(6)*
Furniture and equipment	26	26	27	*-*	*4*
Technology	33	36	37	*8*	*11*
Computer software	57	40	49	*(43)*	*(16)*
Electricity, water, rates and land tax	4	11	5	*64*	*20*
Other equipment and occupancy expenses	44	48	43	*8*	*(2)*
	305	**300**	**296**	***(2)***	***(3)***
Other expenses					
Amortisation of deferred expenditure	5	4	10	*(25)*	*50*
Non-lending losses	27	32	31	*16*	*13*
Consultancy fees, computer software maintenance and other professional services	169	172	166	*2*	*(2)*
Stationery	38	39	39	*3*	*3*
Postage and freight	58	50	52	*(16)*	*(12)*
Telecommunications costs	11	10	9	*(10)*	*(22)*
Insurance	9	10	7	*10*	*(29)*
Advertising	32	45	43	*29*	*26*
Transaction taxes	3	1	3	*(200)*	*-*
Training	13	14	7	*7*	*(86)*
Travel	25	29	24	*14*	*(4)*
Outsourcing	251	245	254	*(2)*	*1*
Other expenses	31	17	18	*(82)*	*(72)*
	672	**668**	**663**	***(1)***	***(1)***
Operating expenses excluding bad and doubtful debts and goodwill amortisation	**1,925**	**1,906**	**1,857**	***(1)***	***(4)***
Expense/income ratio before amortisation of goodwill	49.6%	50.3%	52.5%	*70bps*	*290bps*

Note 9. Deferred Expenses

A$m	31 March 2004	30 Sept 2003	31 March 2003	*% Mov't* Sept 03-Mar 04	*% Mov't* Mar 03-Mar 04
Capitalised software	328	300	284	*9*	*15*
Other deferred expenditure	268	233	207	*15*	*29*
Deferred acquisition costs	97	96	90	*1*	*8*

Note 10. Income Tax

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't* Sept 03-Mar 04	*% Mov't* Mar 03-Mar 04
Profit from ordinary activities before income tax	1,662	1,531	1,388	*9*	*20*
Prima facie income tax at Australian company tax rate of 30%	499	460	416	*(8)*	*(20)*
Add/(deduct) tax effect of permanent differences					
Rebateable and exempt dividends	(57)	(34)	(54)	*68*	*6*
Tax losses and timing differences now tax effected	2	6	(2)	*67*	*(200)*
Life insurance:					
Tax adjustment on policyholders' earnings[1]	11	18	(13)	*39*	*(185)*
Adjustment for life business tax rates	(11)	(10)	(9)	*10*	*22*
Other non-assessable items	(47)	(116)	(30)	*(59)*	*57*
Other non-deductible items	29	60	24	*52*	*(21)*
Adjustment for overseas tax rates	12	(6)	8	*(300)*	*(50)*
Prior period adjustments	(1)	(15)	(6)	*(93)*	*(83)*
Other items	(6)	32	(1)	*119*	*500*
Total income tax expense attributable to profit from ordinary activities	431	395	333	*(9)*	*(29)*
Effective tax rate (%)	25.9	25.8	24.0	*-10bps*	*-190bps*
Effective tax rate (%) (excluding life company accounting)	25.9	25.3	25.6	*-60bps*	*-30bps*

1. *In accordance with the requirements of Australian Accounting Standard AASB 1038 Life Insurance Business, our tax expense for the half year includes a $15 million tax charge on policyholders' investment earnings ($26 million tax charge in second half 2003 and $19 million tax credit in the first half 2003), $4 million of which is in the prima facie tax expense and the balance of $11 million shown here.*

Note 11. Dividends

A$	31 March 2004	30 Sept 2003	31 March 2003
Ordinary dividend (cents per share)[1]			
Interim (fully franked)	42	-	38
Final (fully franked)	-	40	-
	42	40	38
Total dividends paid			
Ordinary dividends paid ($m)	737	693	652
	737	693	652
Ordinary dividend payout ratio[2]	67.6%	67.2%	67.8%
Ordinary dividend payout ratio - cash earnings	63.0%	62.3%	63.0%
Distributions on other equity instruments			
TOPrS, FIRsTS and TPS distributions provided for or paid ($m)	76	41	34
Total distributions on other equity instruments	76	41	34

The Group operates a Dividend Reinvestment Plan that is available to the holders of fully paid ordinary shares who are resident in, or whose address on the register of shareholders is in, Australia or New Zealand (excluding New Zealand Class shares). The last date for receipt of election notices for the dividend plan is 10 June 2004.

Note 12. Earnings per Share

A$	Half Year March 04	Half Year Sept 03	Half Year March 03	*% Mov't Sept 03- Mar 04*	*% Mov't Mar 03- Mar 04*
Earnings per ordinary share (cents)[3]					
Basic	62.1	59.6	56.0	*4*	*11*
Fully diluted[4]	62.0	59.4	55.9	*4*	*11*
Cash earnings per ordinary share (cents)	66.7	64.2	60.3	*4*	*11*
Weighted average number of fully paid ordinary shares (millions)	1,849	1,832	1,815	*1*	*2*

Reconciliation of ordinary shares on issue (millions)[3]	
Number of ordinary shares issued at 1 October 2003	**1,841**
Number of shares issued on conversion of equity based compensation instruments	5
Number of shares issued under the Dividend Reinvestment Plan (DRP)	10
Number of ordinary shares issued at 31 March 2004	**1,856**

1. *The interim and final dividends for the New Zealand Class shares are fully imputed.*
2. *Ordinary dividend per share divided by the basic earnings per ordinary share.*
3. *Ordinary shares comprise Westpac ordinary shares and New Zealand Class shares.*
4. *Fully diluted earnings per share are calculated after adjusting for partly paid shares and options outstanding in accordance with Australian Accounting Standard AASB 1027 Earnings Per Share.*

Note 13. Loans

As at A$m	31 March 2004	30 Sept 2003	31 March 2003	% Mov't Sept 03-Mar 04	% Mov't Mar 03-Mar 04
Australia					
Overdrafts	3,136	3,108	3,082	*1*	*2*
Credit card outstandings	5,025	4,545	4,281	*11*	*17*
Overnight and call money market loans	136	132	190	*3*	*(28)*
Own acceptances discounted	10,753	10,792	10,641	-	*1*
Term loans:					
Housing - Owner occupied and Investment	74,166	69,668	64,682	*6*	*15*
Housing - Line of Credit	11,031	9,596	7,449	*15*	*48*
Total housing	85,197	79,264	72,131	*7*	*18*
Non-housing	28,578	26,280	23,019	*9*	*24*
Finance leases	3,651	3,274	2,610	*12*	*40*
Margin lending	1,676	1,590	1,526	*5*	*10*
Other	1,818	1,957	1,734	*(7)*	*5*
Total - Australia	139,970	130,942	119,214	*7*	*17*
New Zealand					
Overdrafts	967	947	990	*2*	*(2)*
Credit card outstandings	774	751	779	*3*	*(1)*
Overnight and call money market loans	943	957	986	*(1)*	*(4)*
Term loans:					
Housing	15,187	13,869	13,658	*10*	*11*
Non-housing	8,008	7,526	8,590	*6*	*(7)*
Redeemable preference share finance	3,209	3,365	3,554	*(5)*	*(10)*
Other	1,079	1,233	826	*(12)*	*31*
Total - New Zealand	30,167	28,648	29,383	*5*	*3*
Other Overseas					
Overdrafts	148	141	158	*5*	*(6)*
Term loans:					
Housing	421	390	358	*8*	*18*
Non-housing	1,455	1,860	2,258	*(22)*	*(36)*
Finance leases	10	12	13	*(17)*	*(23)*
Other	3	34	41	*(91)*	*(93)*
Total - Other Overseas	2,037	2,437	2,828	*(16)*	*(28)*
Total loans	**172,174**	**162,027**	**151,425**	*6*	*14*
Provisions for bad and doubtful debts	(1,642)	(1,554)	(1,535)	*6*	*7*
Total net loans	**170,532**	**160,473**	**149,890**	*6*	*14*
Securitised loans	**2,597**	**2,997**	**3,712**	*(13)*	*(30)*

Note 14. Provisions for Bad and Doubtful Debts

A$m	31 March 2004	30 Sept 2003	31 March 2003	*% Mov't Sept 03- Mar 04*	*% Mov't Mar 03- Mar 04*
General provision					
Balance at beginning of period	1,393	1,309	1,162	*6*	*20*
Charge to net profit	207	271	214	*(24)*	*(3)*
Transfer to/(from) specific provisions	(73)	(70)	17	*(4)*	*(529)*
Recoveries of debts previously written off	35	27	47	*30*	*(26)*
Write-offs	(128)	(133)	(142)	*4*	*10*
Exchange rate and other adjustments	(2)	(11)	11	*82*	*(118)*
Balance at period end	1,432	1,393	1,309	*3*	*9*
Specific provisions					
Balance at beginning of period	161	226	272	*(29)*	*(41)*
Transfer from/(to) general provision comprising:					
New specific provisions	87	104	32	*(16)*	*172*
Specific provisions no longer required	(14)	(34)	(49)	*59*	*71*
	73	70	(17)	*4*	*529*
Write-offs[1]	(12)	(118)	(17)	*90*	*29*
Exchange rate and other adjustments	(12)	(17)	(12)	*29*	-
Balance at period end	210	161	226	*30*	*(7)*
Total provisions for bad and doubtful debts	**1,642**	**1,554**	**1,535**	***6***	***7***

[1] ***Write-offs from specific provisions comprised:***					
Business and Consumer Banking	(7)	(18)	(10)	*61*	*30*
Westpac Institutional Bank	(3)	(94)	(5)	*97*	*40*
New Zealand Banking and Pacific Banking	(2)	(6)	(2)	*67*	-
	(12)	(118)	(17)	*90*	*29*

Note 15. Impaired Assets

As at	31 March 2004			30 Sept 2003			31 March 2003		
A$m	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net
Non-accrual assets									
Australia	211	(102)	109	320	(76)	244	236	(78)	158
New Zealand	57	(6)	51	63	(7)	56	62	(11)	51
Other Overseas	157	(60)	97	214	(76)	138	224	(135)	89
Total	425	(168)	257	597	(159)	438	522	(224)	298
Restructured assets									
Australia	61	(33)	28	3	(1)	2	3	(1)	2
Other Overseas	103	(9)	94	12	(1)	11	12	(1)	11
Total	164	(42)	122	15	(2)	13	15	(2)	13
Total impaired assets	**589**	**(210)**	**379**	**612**	**(161)**	**451**	**537**	**(226)**	**311**

As at	31 March 2004			30 Sept 2003			31 March 2003		
A$m	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net
Non-accrual loans with provisions and:									
No performance									
Australia	138	(89)	49	94	(47)	47	139	(71)	68
New Zealand	9	(1)	8	10	(3)	7	13	(6)	7
Other Overseas	135	(56)	79	148	(62)	86	174	(113)	61
	282	(146)	136	252	(112)	140	326	(190)	136
Partial performance									
Australia[1]	-	-	-	44	-	44	45	-	45
New Zealand	20	(3)	17	19	(2)	17	10	(2)	8
Other Overseas	1	-	1	1	(1)	-	2	(1)	1
	21	(3)	18	64	(3)	61	57	(3)	54
Full performance									
Australia	31	(13)	18	159	(29)	130	31	(7)	24
New Zealand	9	(2)	7	11	(2)	9	10	(3)	7
Other Overseas	11	(4)	7	49	(13)	36	44	(21)	23
	51	(19)	32	219	(44)	175	85	(31)	54
Non-accrual loans without provisions and:									
No performance									
Australia	41	-	41	18	-	18	20	-	20
New Zealand	6	-	6	6	-	6	7	-	7
Other Overseas	6	-	6	10	-	10	3	-	3
	53	-	53	34	-	34	30	-	30
Partial performance									
Australia	-	-	-	1	-	1	-	-	-
New Zealand	7	-	7	9	-	9	12	-	12
Other Overseas	-	-	-	1	-	1	-	-	-
	7	-	7	11	-	11	12	-	12
Full performance									
Australia	1	-	1	4	-	4	1	-	1
New Zealand	6	-	6	8	-	8	10	-	10
Other Overseas	4	-	4	5	-	5	1	-	1
	11	-	11	17	-	17	12	-	12
Total non-accrual loans	**425**	**(168)**	**257**	**597**	**(159)**	**438**	**522**	**(224)**	**298**

1. *A general provision was held against this exposure during 2003.*

Note 16. Movement in Gross Impaired Assets

A$m	31 March 2004	30 Sept 2003	31 March 2003	% Mov't Sept 03-Mar 04	% Mov't Mar 03-Mar 04
Balance at beginning of period	612	537	679	*14*	*(10)*
New and increased	141	357	98	*(61)*	*44*
Written off	(12)	(118)	(17)	*90*	*29*
Returned to performing or repaid	(123)	(149)	(200)	*17*	*39*
Exchange rate and other adjustments	(29)	(15)	(23)	*(93)*	*(26)*
Balance at period end	589	612	537	*(4)*	*10*

Note 17. Items Past 90 Days But Well Secured

As at A$m	31 March 2004	30 Sept 2003	31 March 2003	% Mov't Sep 03-Mar 04	% Mov't Mar 03-Mar 04
Australia					
Housing products	66	65	61	*2*	*8*
Other products	91	74	75	*23*	*21*
Total Australia	157	139	136	*13*	*15*
New Zealand					
Housing products	29	25	33	*16*	*(12)*
Other products	1	146	163	*(99)*	*(99)*
Other Overseas	27	29	7	*(7)*	*286*
Total Overseas	57	200	203	*(72)*	*(72)*
Total	**214**	**339**	**339**	*(37)*	*(37)*

Note 18. Income on Non-Accrual and Restructured Assets

A$m	Half Year March 04	Half Year Sept 03	Half Year March 03
Interest received on non-accrual and restructured assets	7	6	9
Estimated interest forgone on non-accrual and restructured assets	21	23	16
Interest yield on average non-accrual and restructured assets (annualised)	2.3%	2.0%	3.1%

Note 19. Impaired Assets and Provisioning Ratios

As at %	31 March 2004	30 Sept 2003	31 March 2003
Total impaired assets to gross loans and acceptances	0.3	0.4	0.3
Net impaired assets to equity and general provisions	2.2	2.9	2.3
Specific provisions to total impaired assets	35.7	26.3	42.1
General provisions to non-housing loans and acceptances[1]	1.7	1.7	1.7
Total provisions to gross loans and acceptances	0.9	0.9	1.0
Total impaired assets to equity and total provisions	3.4	3.9	3.9

1. *Non-housing loans have been determined on a product basis rather than on a loan purpose basis.*

Note 20. Delinquencies (90 Days Past Due Loans)

	31 March 2004	30 Sept 2003	31 March 2003	% Mov't Sep 03-Mar 04	% Mov't Mar 03-Mar 04
Mortgages	0.18%	0.15%	0.16%	*3bps*	*2bps*
Other Personal Lending	1.11%	1.02%	1.10%	*9bps*	*1bps*
Total Personal Lending	0.25%	0.22%	0.24%	*3bps*	*1bps*
Australian Business Banking Portfolio[1]	0.57%	0.50%	0.60%	*7bps*	*-3bps*

Note 21. Charge For Bad and Doubtful Debts

A$m	31 March 2004	30 Sept 2003	31 March 2003	% Mov't Sept 03-Mar 04	% Mov't Mar 03-Mar 04
General provision:					
Recoveries of debts previously written off					
Business and Consumer Banking	(25)	(21)	(29)	*19*	*(14)*
Westpac Institutional Bank	(4)	-	(1)	-	*300*
New Zealand Banking and Pacific Banking	(6)	(6)	(17)	-	*(65)*
	(35)	(27)	(47)	*30*	*(26)*
Write-offs					
Business and Consumer Banking	112	112	116	-	*(3)*
Westpac Institutional Bank	-	2	4	*(100)*	*(100)*
New Zealand Banking and Pacific Banking	16	19	22	*(16)*	*(27)*
	128	133	142	*(4)*	*(10)*
Dynamic provisioning charge	41	95	136	*(57)*	*(70)*
Transfer to specific provisions	73	70	(17)	*4*	*529*
Charge for bad and doubtful debts	207	271	214	*(24)*	*(3)*
Specific provisions:					
New provisions					
Business and Consumer Banking	27	25	15	*8*	*80*
Westpac Institutional Bank	56	70	11	*(20)*	*409*
New Zealand Banking and Pacific Banking	4	9	6	*(56)*	*(33)*
	87	104	32	*(16)*	*172*
No longer required					
Business and Consumer Banking	(9)	(11)	(9)	*(18)*	-
Westpac Institutional Bank	(1)	(15)	(30)	*(93)*	*(97)*
New Zealand Banking and Pacific Banking	(4)	(8)	(10)	*(50)*	*(60)*
	(14)	(34)	(49)	*(59)*	*(71)*
Transfer from/(to) general provisions	73	70	(17)	*4*	*529*
Bad and doubtful debts charge to average loans and acceptances annualised (basis points)	24	34	29	*(29)*	*(17)*

1 Three month moving average.

Note 22. Deposits

As at A$m	31 March 2004	30 Sept 2003	31 March 2003	*% Mov't* Sept 03- Mar 04	*% Mov't* Mar 03- Mar 04
Deposits					
Australia					
Non-interest bearing	3,629	3,497	3,754	*4*	*(3)*
Certificates of deposit	23,047	23,648	19,817	*(3)*	*16*
Other interest bearing:					
At call	52,585	51,911	47,255	*1*	*11*
Term	22,663	19,471	19,658	*16*	*15*
Total deposits in Australia	101,924	98,527	90,484	3	*13*
New Zealand					
Non-interest bearing	846	819	929	*3*	*(9)*
Certificates of deposit	2,574	2,436	2,959	*6*	*(13)*
Other interest bearing:					
At call	9,186	8,130	7,893	*13*	*16*
Term	8,423	8,288	8,762	*2*	*(4)*
Total deposits in New Zealand	21,029	19,673	20,543	7	*2*
Other Overseas					
Non-interest bearing	231	225	229	*3*	*1*
Certificates of deposit	3,426	3,487	4,321	*(2)*	*(21)*
Other interest bearing:					
At call	568	594	528	*(4)*	*8*
Term	8,771	6,565	5,924	*34*	*48*
Total deposits Other Overseas	12,996	10,871	11,002	20	*18*
Total deposits	**135,949**	**129,071**	**122,029**	**5**	***11***

Note 23. Capital Adequacy

As at A$m	31 March 2004	30 Sept 2003	31 March 2003
Tier 1 capital			
Total equity	15,832	13,996	12,284
Outside equity interests in Managed Investment schemes[1]	(1,355)	-	-
Hybrid capital in excess of tier 1 limit	-	(40)	-
Dividends provided for capital adequacy purposes	(777)	(734)	(691)
Goodwill (excluding funds management entities)	(1,227)	(1,278)	(1,406)
Net future income tax benefit	(372)	(298)	(216)
Estimated reinvestment under dividend reinvestment plan[2]	143	191	179
Retained earnings, reserves and goodwill in life and general insurance, funds management and securitisation entities	(1,446)	(1,363)	(1,358)
Equity in captive lenders mortgage insurance entities	(53)	(45)	(38)
Equity in entities not operating in the field of finance	(89)	(91)	-
Total Tier 1 capital	**10,656**	**10,338**	**8,754**
Tier 2 capital			
Hybrid capital in excess of tier 1 limit	-	40	-
Subordinated undated capital notes	514	573	646
General provision for bad and doubtful debts	1,432	1,393	1,309
Future income tax benefit related to general provision	(402)	(399)	(393)
Eligible subordinated bonds, notes and debentures	3,894	3,951	4,062
Total Tier 2 capital	**5,438**	**5,558**	**5,624**
Tier 1 and Tier 2 capital	**16,094**	**15,896**	**14,378**
Deductions:			
Capital in life and general insurance, funds management and securitisation activities	(842)	(836)	(965)
Net qualifying capital	**15,252**	**15,060**	**13,413**
Risk weighted assets	**148,962**	**142,909**	**137,828**
Tier 1 capital ratio	7.2%	7.2%	6.4%
Tier 2 capital ratio	3.7%	3.9%	4.0%
Deductions	(0.6)%	(0.6)%	(0.7)%
Total capital ratio	**10.2%**	**10.5%**	**9.7%**

1. *The 31 March 2004 financial position includes the consolidation of certain managed investment schemes controlled by the Life Company: $1,357 million in assets, $2 million in other liabilities and $1,355 million in outside equity interests. These managed investment schemes have not been consolidated in prior periods and comparatives do not include any amounts in relation to those schemes.*
2. *This amount is derived from reinvestment experience of our dividend reinvestment plan.*

Note 24. Derivative Financial Instruments

As at 31 March 2004 A$bn	Notional amount[1]	Regulatory credit equivalent[2]	Positive mark-to-market (replacement cost)[3]	Negative mark-to-market[4]
Trading derivatives outstanding				
Interest rate				
Futures	31.1	-	-	-
Forwards	39.5	-	-	-
Swaps	287.5	5.0	3.6	3.5
Purchased options	11.8	0.1	0.1	-
Sold options	7.9	-	-	-
Foreign exchange				
Forwards	275.5	8.5	5.4	6.2
Swaps	70.1	5.5	2.3	3.4
Purchased options	102.9	2.9	1.6	-
Sold options	91.1	-	-	1.9
Commodities	3.8	0.5	0.1	0.1
Equities	10.5	0.5	0.1	-
Trading derivatives	931.7	23.0	13.2	15.1
Hedging derivatives outstanding				
Interest Rate				
Futures	17.5	-		
Forwards	1.9	-		
Swaps	12.7	0.1		
Foreign exchange				
Swaps	9.8	0.6		
Total hedging derivatives outstanding	41.9	0.7		
Total gross derivatives	**973.6**	**23.7**	**13.2**	**15.1**
Less: netting benefit		(6.4)	(5.7)	(6.4)
Net derivatives	**973.6**	**17.3**	**7.5**	**8.7**
As at 30 September 2003	**857.0**	**12.4**	**5.5**	**5.9**
As at 31 March 2003	**777.4**	**9.7**	**6.3**	**7.6**

Maturity profile of foreign exchange and derivative credit risk exposure in gross replacement cost terms

As at 31 March 2004 A$bn	Less than 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total
Interest rate							
Swaps	0.1	-	0.1	0.3	1.0	2.1	3.6
Purchased options	-	0.1	-	-	-	-	0.1
Foreign exchange							
Forwards	3.2	1.1	0.7	0.2	0.2	-	5.4
Swaps	0.1	0.1	0.1	0.3	0.7	1.0	2.3
Purchased options	0.6	0.3	0.4	0.2	0.1	-	1.6
Commodities	0.1	-	-	-	-	-	0.1
Equities and credit	0.1	-	-	-	-	-	0.1
Total derivatives	**4.2**	**1.6**	**1.3**	**1.0**	**2.0**	**3.1**	**13.2**

1. *Notional amount refers to the face value or the amount upon which cash flows are calculated.*
2. *Regulatory credit equivalent using Australian Prudential Regulation Authority guidelines for capital adequacy requirements.*
3. *Positive mark-to-market or replacement cost is the cost of replacing all transactions in a gain position. This measure is the industry standard for the calculation of current credit risk.*
4. *Negative mark-to-market represents the cost to our counterparties of replacing all transactions in a loss position.*

Note 24. Derivative Financial Instruments (Continued)

Daily Value at Risk

We use earnings at risk as the primary method for measuring and monitoring market risk exposure against Board approved limits. The main types of market risk arising from our trading activities are interest rate and foreign exchange risks. Other market risks include liquidity, commodity, equity, prepayment, specific issuer and capital markets underwriting risks. The table below depicts the aggregate financial markets (including capital markets underwriting) earnings at risk for the last three half years.

A$m	High	Low	Average
Six months ended 31 March 2004	**12.5**	**3.7**	**7.6**
Six months ended 30 September 2003	13.6	2.7	4.8
Six months ended 31 March 2003	6.5	2.0	3.7

A$m	Average for the 6 months ended 31 March 04	Average for the 6 months ended 30 Sept 03	Average for the 6 months ended 31 March 03
Interest rate risk	6.0	2.9	2.3
Foreign exchange risk	2.7	2.1	1.2
Volatility risk	1.2	0.7	0.6
Other market risk[1]	1.8	1.5	1.6
Diversification benefit	(4.1)	(2.4)	(2.0)
Net derivatives	**7.6**	**4.8**	**3.7**

1. *Commodity, equity, prepayment, specific issuer, and capital markets underwriting.*

Note 25. Statement of Cash Flows

$m	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$	*% Mov't* Sep 03- Mar 04 A$	*% Mov't* Mar 03- Mar 04 A$
Reconciliation of net cash provided by operating activities to net profit attributable to equity holders of WBC						
Net profit attributable to equity holders of WBC	933	1,225	1,132	1,051	*8*	*17*
Adjustments:						
Outside equity interests	5	6	4	4	*50*	*50*
Depreciation and goodwill amortisation	166	218	204	209	*7*	*4*
Increase/(decrease) in sundry provisions and other non-cash items	555	729	1,648	(750)	*(56)*	*197*
Bad and doubtful debts	131	172	244	167	*(30)*	*3*
(Increase)/decrease in other financial market asset and liabilities	(59)	(77)	(1,072)	2,095	*93*	*(104)*
Decrease in trading securities	491	645	285	1,474	*126*	*(56)*
(Increase)/decrease in accrued interest receivable	(86)	(113)	21	(87)	*(638)*	*(30)*
Increase/(decrease) in accrued interest payable	129	169	(100)	56	*269*	*202*
(Decrease)/increase in provision for income tax	(157)	(206)	76	(303)	*(371)*	*32*
(Decrease)/increase in provision for deferred income tax	(123)	(161)	191	(25)	*(184)*	*(544)*
Decrease/(increase) in future income tax benefits	111	146	(290)	(142)	*150*	*203*
Net cash provided by operating activities	2,096	2,753	2,343	3,749	*17*	*(27)*
Details of assets and liabilities of controlled entities and businesses acquired are as follows:						
Investment securities	-	-	-	70	-	-
Life insurance assets	-	-	-	2,432	-	-
Fixed assets	-	-	-	29	-	-
Other assets	-	-	-	139	-	-
Life insurance policy liabilities	-	-	-	(2,378)	-	-
Other liabilities	-	-	-	(430)	-	-
Fair value of entities and businesses acquired	-	-	-	(138)	-	-
Goodwill	-	-	-	964	-	-
Minority interests	-	-	-	(3)	-	-
	-	-	-	823	-	-
Cash paid and acquisition costs	-	-	-	(965)	-	-
Cash acquired	-	-	-	142	-	-
Cash consideration (net of cash acquired)	-	-	-	(823)	-	-
Details of assets and liabilities of controlled entities and businesses disposed are as follows:						
Loans	-	-	-	62	-	*(100)*
Other assets	59	78	298	-	*(74)*	-
Minority interests	(10)	(13)	-	-	-	-
Net assets of entities and businesses disposed	49	65	298	62	*(78)*	*5*
Gain on disposal	2	2	-	-	-	-
Cash consideration (net of sale costs)	51	67	298	62	*(78)*	*8*

Note 26. Group Investments and Changes in Controlled Entities

	Country where Business is Carried on	Beneficial Interest %	Carrying Amount A$m	Nature of Business
Bronte Finance Pty Limited	Australia	20.0%	-	Investment company
Cardlink Services Limited	Australia	16.7%	1	Card clearing system
Cash Services Australia Pty Limited	Australia	25.0%	-	Cash logistics
ElectraNet Pty Limited	Australia	19.5%	116	Electricity transmission
Electronic Transaction Services Limited	New Zealand	25.0%	-	Credit card processing
JDV Limited (Formerly Hartleys Limited)	Australia	25.1%	7	Stockbroking
McGrath Limited	Australia	20.0%	4	Property
Mondex Australia Pty Limited	Australia	25.0%	-	Smart card operations
Mondex New Zealand Limited	New Zealand	20.0%	-	Smart card operations
Visa New Zealand Limited	New Zealand	15.4%	-	Credit card provider
Westpac Staff Superannuation Plan Pty Limited	Australia	50.0%	-	Corporate trustee
Westpac Employee Assistance Foundation Pty Limited	Australia	50.0%	-	Employee assistance foundation

During the first half of 2004 financial year the Group disposed of its interests in the following entities:

- 35% interest in Global Renewables Limited - sold;
- 50% interest in Krava Nominees Pty Limited - liquidated;
- 50% interest in The Bayview Harbour Unit Trust - liquidated;
- 50% interest in Runaway Bay Unit Trust - liquidated; and
- 22.5% interest in Yieldbroker Pty Limited - sold.

In terms of the contribution to the results of the Group, the above investments were not material either individually or in aggregate.

The following controlled entities were formed during the six months ended 31 March 2004:

- Castlereagh Pacific Investments Pty Limited;
- Fairlawn Holding Trust;
- Tavarua Funding Trust IV;
- Westpac Capital Trust IV; and
- Westpac Financial Services Group -NZ- Limited.

The following controlled entities were disposed of during the six months ended 31 March 2004:

- 52 Collins Street Pty Limited - Deregistered;
- Broadbeach International Holding Trust - Liquidated;
- Diversified Investments LLC - Liquidated;
- Loy Yang B Agencies Pty Limited - Deregistered; and
- SCRaP Note Trust - Syndicated.

Note 27. Reconciliation to US GAAP

$m	Half Year March 04 US$	Half Year March 04 A$	Half Year Sept 03 A$	Half Year March 03 A$
Statement of income				
Net profit as reported under Australian GAAP	933	1,225	1,132	1,051
Items having an effect of increasing (decreasing) reported income (related tax impact of item shown separately)				
Premises and sites	32	42	(137)	31
Amortisation of goodwill	64	84	85	78
Goodwill fair value adjustments	(7)	(9)	-	-
Related income tax credit	2	3	-	-
Superannuation (pension) expense	13	17	36	28
Related income tax expense	(4)	(5)	(11)	(8)
Wealth management	(8)	(10)	(12)	(5)
Related income tax credit	2	3	4	1
Write-down of available-for-sale securities	-	-	-	(37)
Employee share option compensation (under APB 25)	(3)	(4)	(2)	(13)
Employee share option compensation (under SFAS 123)	(12)	(16)	(17)	(10)
Distributions on other equity instruments[2]	-	-	(19)	(22)
Distributions on other debt instruments[2]	(58)	(76)	(22)	(12)
Amortisation of issue costs on other debt instruments[2]	(3)	(4)	(1)	(1)
Deconsolidation of trust preferred structures (under FIN 46R)[2]	143	188	-	-
Initial adoption of FIN 46R[2]	5	6	-	-
Other non-financial assets	15	20	4	3
Related income tax credit	2	2	1	2
Software capitalisation	2	3	(7)	3
Related income tax expense	(1)	(1)	3	(1)
Derivative instruments (under SFAS 133)	(81)	(106)	27	(138)
Related income tax credit	20	26	(5)	31
Restructuring costs	(1)	(1)	(6)	(73)
Related income tax credit	-	-	1	22
Net income according to US GAAP	1,055	1,387	1,054	930
Adjustments to determine other comprehensive income under US GAAP				
Foreign currency translation	(117)	(153)	(86)	(70)
Unrealised net gain on available-for-sale securities	44	58	109	47
Reclassification adjustment for losses now included in net income	-	-	-	34
Total comprehensive income according to US GAAP	982	1,292	1,077	941
Equity attributed to equity holders of WBC as reported under Australian GAAP	10,988	14,420	13,965	12,262
Adjustments:				
Premises and sites	(104)	(136)	(178)	(41)
Goodwill	174	229	151	66
Superannuation (pension) asset	151	198	186	160
Wealth management assets (net of tax)	(45)	(59)	(52)	(44)
Available-for-sale securities	81	106	48	(61)
Other equity instruments[2]	-	-	(1,597)	(465)
Other debt instruments[2]	(1,733)	(2,274)	(657)	(656)
Deconsolidation of trust preferred structures (under FIN 46R)[2]	160	210	-	-
Other non-financial assets	(20)	(26)	(48)	(53)
Software capitalisation	(12)	(16)	(18)	(14)
Derivative instruments (under SFAS 133)	(74)	(97)	(17)	(39)
Restructuring provisions	(7)	(10)	(9)	(4)
Equity attributable to equity holders according to US GAAP	9,559	12,545	11,774	11,111

1. *Australian dollar amounts have been translated into United States dollars solely for the convenience of the reader at the rate of A$1.00 = US$0.7620, the noon buying rate for cable transfers on 31 March 2004, as published by the Federal Reserve Bank of New York.*
2. *Effective 1 October 2003, Westpac has adopted the provisions of FASB Interpretation Number 46R Consolidation of Variable Interest Entities (FIN 46R). Under FIN 46R, Westpac has consolidated a commercial paper conduit, Waratah Receivables Corporation Pty Limited and its controlled entities (Waratah). Westpac provides a letter of credit facility to Waratah. This arrangement represents a variable interest in Waratah and results in Westpac being the primary beneficiary in accordance with FIN 46R. The impact of consolidating this vehicle has been to increase total assets by $4,716 million, total liabilities by $4,715 million and minority interest by $1 million. There has been no impact on net income for the period.*

   Westpac has also deconsolidated certain trusts through which hybrid Tier 1 capital instruments have been issued. In accordance with FIN 46R, Westpac does not have a variable interest in the trusts and therefore is not the primary beneficiary. The effect has been to: recognise other equity instruments as other debt instruments; recognise distributions on other equity instruments as distributions on other debt instruments; amortise issue costs over the period to the first call date; and to recognise the effect of movements in the fair value of cross currency swaps between Westpac and the trust as the impact of deconsolidation of trust preferred shares (under FIN 46R). In accordance with the transaction guidance of FIN 46R, prior periods have not been restated.

Note 27. Reconciliation to US GAAP (Continued)

	Half Year March 04		Half Year Sep 03		Half Year March 03	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of earnings used in the calculation of earnings per ordinary share (A$million)						
Net profit	1,231	1,231	1,136	1,136	1,055	1,055
Net profit attributable to outside equity interests	(6)	(6)	(4)	(4)	(4)	(4)
TOPrS distribution	(17)	(17)	(19)	(19)	(22)	(22)
FIRsTS distribution	(22)	(22)	(22)	(22)	(12)	(12)
TPS distribution	(37)	(37)	-	-	-	-
Earnings	1,149	1,149	1,091	1,091	1,017	1,017
Weighed average number of ordinary shares (millions)						
Weighed average number of ordinary shares	1,849	1,849	1,832	1,832	1,815	1,815
Potential dilutive adjustment:						
Exercise of options	-	4	-	4	-	4
Total weighted average number of ordinary shares	1,849	1,853	1,832	1,836	1,815	1,819
Earnings per ordinary share (cents)	62.1%	62.0%	59.6%	59.4%	56.0%	55.9%

Note 28. Subsequent Events

Other equity interests

On 5 April 2004 a wholly-owned entity Westpac Capital Trust IV issued 525,000 trust preferred securities (2004 TPS) in the United States of America at US$1,000 each, with 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 2004 TPS will pay non-cumulative quarterly distributions (30 June, 30 September, 31 December and 31 March) in arrears at a floating rate of LIBOR plus 1.7675% per year. Distributions are subject to the discretion of the Board of Directors of Westpac. On 31 March 2053, or earlier in the event that a distribution is not made or certain other events occur, the 2004 TPS will be redeemed for American Depository Receipts each representing 40 Westpac preference shares (non-cumulative preference shares in Westpac with a liquidation amount of US$25). The dividend payment dates and distribution rates on Westpac preference shares will be the same as those otherwise applicable to the 2004 TPS. The net proceeds from issuing the 2004 TPS will be used for general corporate purposes.

On 6 May 2004 Westpac announced that the Board of Directors has decided to redeem the TOPrS on 16 July 2004. The redemption, which has been approved by APRA, will be funded from existing sources.

Ordinary shares

On 6 May 2004 Westpac announced that the Board of Directors has decided to commence an off-market buy-back of approximately $500 million of Westpac ordinary shares. The results of the buy-back are expected to be announced on 21 June 2004. An on-market buy-back for an equivalent proportion of NZ Class shares (approximately 1 million) will also be conducted over a period of up to six months. The buy-back of shares has been approved by APRA and will be funded from existing sources.

5.6 STATEMENT IN RELATION TO THE REVIEW OF ACCOUNTS

The following financial information contained in Section 5 "2004 Interim Financial Information" is based on our 2004 Interim Financial Report:

- Section 5.1 Consolidated Statement of Financial Performance;
- Section 5.2 Consolidated Statement of Financial Position;
- Section 5.3 Consolidated Statement of Cash Flows; and
- the following notes included in Section 5.5 "Notes to 2004 Interim Financial Information":
  - Note 1. Basis of Preparation of Interim Financial Information
  - Note 4. Revenue
  - Note 27. Reconciliation to US GAAP
  - Note 28. Subsequent Events

Our auditors, PricewaterhouseCoopers, have issued an unqualified review report on the 31 March 2004 Interim Financial Report. The review report will be made available with Westpac's 31 March 2004 Interim Financial Report.

Dated at Sydney this 6 day of May 2004 for and on behalf of the Board.

Richard Willcock
Group Secretary and General Counsel

6.1 CREDIT RATINGS[1]

Rating agency	Long term	Short term
Fitch Ratings	AA-	F1+
Moody's Investor Services	Aa3	P-1
Standard & Poor's	AA-	A-1+

6.2 EXCHANGE RATES

Six months to/as at	31 March 2004		30 Sept 2003		31 March 2003	
Currency	Average	Spot	Average	Spot	Average	Spot
USD	0.7399	0.7590	0.6493	0.6805	0.5749	0.6040
GBP	0.4180	0.4138	0.4021	0.4072	0.3622	0.3828
NZD	1.1403	1.1450	1.1256	1.1456	1.1036	1.0908

1. *As at March 2004. Unchanged during the reporting period. A security rating is not a recommendation to buy, sell or hold securities. Such ratings are subject to revision or withdrawal at any time by the assigning rating agency. Investors are cautioned to evaluate each rating independently of any other rating.*

6.3 DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that constitute 'forward-looking statements' within the meaning of Section 21E of the US Securities Exchange Act of 1934. The US Private Securities Litigation Reform Act of 1995 provides a 'safe harbor' for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as the information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information.

Forward-looking statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations with respect to our results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. We use words such as 'may', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', or other similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report as anticipated, believed, estimated, expected or intended. We do not intend to update these forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by us or on our behalf. These factors include:

- inflation, interest rate, exchange rate, market and monetary fluctuations;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy;
- changes in consumer spending, saving and borrowing habits in Australia, New Zealand and in other countries in which we conduct our operations;
- the effects of competition in the geographic and business areas in which we conduct operations;
- the ability to increase market share and control expenses;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes;
- demographic changes and changes in political, social and economic conditions in any of the major markets in which we operate; and
- various other factors beyond our control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made by us refer 'Risk factors' included in our 2003 Annual Financial Report. Our forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. When relying on forward-looking statements to make decisions with respect to our company, investors and others should carefully consider the foregoing factors and other uncertainties and events.

We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise after the date of this report.

6.4 SHAREHOLDER CALENDAR

Westpac shares are listed on the Stock Exchanges in Australia, New Zealand, New York and Tokyo.

Important dates for shareholders to note over the following months are:

Ex-dividend date	4 June 2004	
Record date for interim dividend (Sydney)	10 June 2004	5.00pm (Sydney time)
Record date for interim dividend (New York)[1]	9 June 2004	5.00pm (New York time)
Record date for interim dividend (New Zealand)[2, 3]	11 June 2004	5.00pm (New Zealand time)
Dividend payment date	2 July 2004	

The Annual General Meeting of Westpac will be held in Auckland, New Zealand on Thursday, 16 December 2004. A simultaneous broadcast and information meeting will be held in Sydney, Australia.

Share Registries:

Australia and New Zealand – Westpac Ordinary Shares
ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000

New Zealand – New Zealand Class Shares
Computershare Investor Services Ltd
Level 2, 159 Hurstmere Road
Takapuna North Shore City Auckland

New York - American Depositary Receipts
JPMorgan Chase Bank
4 New York Plaza
13th Floor
New York NY 10004USA

Tokyo
The Mitsubishi Trust & Banking Corporation
1-7-7, Nishi-Ikebukuro
Toshima-Ku
Tokyo 171-8508 Japan

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Richard Willcock
Group Secretary and General Counsel

6 May 2004

1. *Dividends will be converted to local currency at the rate ruling on the date of payment of dividend.*
2. *Dividends payable to holders of ordinary shares on the New Zealand register will be converted to local currency at the ruling buying rate for telegraphic transfers at 11am on 2 July 2004.*
3. *New Zealand date applies to New Zealand class shareholders only. New Zealand residents holding Westpac ordinary shares should note Australia dates.*

7. SEGMENT RESULT

Half year 31 March 2004 **$m**	**Business and Consumer Banking**	**Westpac Institutional Bank**	**New Zealand**	**BT Financial Group (Australia)**	**Other[1]**	**Group**
Net interest income	1,670	227	391	35	16	2,339
Total non-interest income	643	334	200	273	89	1,539
Net operating income	2,313	561	591	308	105	3,878
Operating expenses	(1,210)	(238)	(289)	(186)	(2)	(1,925)
Goodwill amortisation	(29)	(1)	(21)	(33)	-	(84)
Bad and doubtful debts	(171)	2	(20)	-	(18)	(207)
Profit from ordinary activities before income tax expense	903	324	261	89	85	1,662
Income tax expense	(280)	(99)	(89)	(26)	63	(431)
Net profit	623	225	172	63	148	1,231
Net profit attributable to outside equity interests	-	(1)	(1)	-	(4)	(6)
Net profit attributable to equity holders of WBC	623	224	171	63	144	1,225
Goodwill amortisation	29	1	21	33	-	84
Distributions on other equity instruments	-	-	-	-	(76)	(76)
Cash earnings	**652**	**225**	**192**	**96**	**68**	**1,233**
Basic earnings per ordinary share (cents)						**62.1**
Cash earnings per ordinary share (cents)						**66.7**

1. *Non-interest income includes a $15 million credit, and income tax expense a $15 million charge associated with the requirements of AASB 1038 Life Insurance Business.*

Half year 30 September 2003 $m	Business and Consumer Banking	Westpac Institutional Bank	New Zealand	BT Financial Group (Australia)	Other[1]	Group
Net interest income	1,582	183	353	36	74	2,228
Total non-interest income	697	378	178	265	47	1,565
Net operating income	2,279	561	531	301	121	3,793
Operating expenses	(1,228)	(238)	(271)	(185)	16	(1,906)
Goodwill amortisation	(29)	(1)	(19)	(33)	(3)	(85)
Bad and doubtful debts	(174)	(64)	(23)	-	(10)	(271)
Profit from ordinary activities before income tax expense	848	258	218	83	124	1,531
Income tax expense	(258)	(76)	(66)	(24)	29	(395)
Net profit	590	182	152	59	153	1,136
Net profit attributable to outside equity interests	-	(2)	(2)	-	-	(4)
Net profit attributable to equity holders of WBC	**590**	**180**	**150**	**59**	**153**	**1,132**
Goodwill amortisation	29	1	19	33	3	85
Distributions on other equity instruments	-	-	-	-	(41)	(41)
Cash earnings	**619**	**181**	**169**	**92**	**115**	**1,176**
Basic earnings per ordinary share (cents)						**59.6**
Cash earnings per ordinary share (cents)						**64.2**

1. Non-interest income includes a $26 million credit, and income tax expense a $26 million charge associated with the requirements of AASB 1038 Life Insurance Business.

Half year 31 March 2003 $m	Business and Consumer Banking	Westpac Institutional Bank	New Zealand	BT Financial Group (Australia)	Other[1]	Group
Net interest income	1,461	209	348	42	38	2,098
Total non-interest income	611	351	175	228	74	1,439
Net operating income	2,072	560	523	270	112	3,537
Operating expenses	(1,143)	(234)	(248)	(169)	(63)	(1,857)
Goodwill amortisation	(29)	(1)	(20)	(27)	(1)	(78)
Bad and doubtful debts	(147)	(43)	(22)	-	(2)	(214)
Profit from ordinary activities before income tax expense	753	282	233	74	46	1,388
Income tax expense	(236)	(79)	(79)	(24)	85	(333)
Net profit	517	203	154	50	131	1,055
Net profit attributable to outside equity interests	-	(1)	(1)	-	(2)	(4)
Net profit attributable to equity holders of WBC	**517**	**202**	**153**	**50**	**129**	**1,051**
Goodwill amortisation	29	1	20	27	1	78
Distributions on other equity instruments	-	-	-	-	(34)	(34)
Cash earnings	**546**	**203**	**173**	**77**	**96**	**1,095**
Basic earnings per ordinary share (cents)						**56.0**
Cash earnings per ordinary share (cents)						**60.3**

1. *Non-interest income includes a $19 million charge, and income tax expense a $19 million credit associated with the requirements of AASB 1038 Life Insurance Business.*

EARNINGS	
Cash earnings	Net profit attributable to equity holders plus amortisation of goodwill minus distributions paid on hybrid equity.
SHAREHOLDER VALUE	
Earnings per ordinary share	Net profit attributable to equity holders less distributions paid on hybrid equity divided by the weighted average number of fully paid ordinary shares.
Cash earnings per ordinary share	Cash earnings divided by the weighted average ordinary shares.
Weighted average ordinary shares	Weighted average number of fully paid ordinary shares listed on the ASX as at 31 March 2004 plus New Zealand Class shares on issue.
Fully franked dividends per ordinary share (cents)	Dividend paid out of income which carries a credit for Australian company income tax paid by Westpac.
Dividend payout ratio - net profit	Total fully franked ordinary dividend plus the equivalent dividend paid on the New Zealand Class shares divided by net profit attributable to the equity holders of WBC.
Dividend payout ratio - cash earnings	Total fully franked ordinary dividend plus the equivalent dividend paid on the New Zealand Class shares divided by cash earnings.
Return on equity (ROE)	Net profit attributable to equity holders less dividends paid on hybrids divided by the average adjusted ordinary equity.
Cash ROE	Cash earnings divided by the average adjusted ordinary equity.
Economic profit - Group	Cash earnings less a capital charge calculated at 11.6% of average adjusted ordinary equity plus 70% of the value of franking credits paid to shareholders.
Economic profit - Business Unit	Cash earnings less a capital charge calculated at 12% of average adjusted ordinary equity plus 70% of the value of Australian tax paid.
Average ordinary equity	Average total equity less average outside equity interests and average hybrid equity.
Average adjusted ordinary equity	Average ordinary equity, plus average accumulated goodwill amortisation, less the average interim dividend accrual net of the estimated dividend reinvestment.

PRODUCTIVITY AND EFFICIENCY

Operating expenses	Operating expenses do not include goodwill amortisation and bad and doubtful debt charges.
Expense to income ratio	Operating expenses divided by net operating income.
Total banking group expense to income ratio	Total banking operating expenses divided by total banking operating revenue. Total banking business includes Business and Consumer Banking, Institutional Bank, and New Zealand banking operations and Other.
Wealth management expense to income ratio	Total wealth management operating expenses divided by total wealth management operating revenue. Total wealth management business includes our New Zealand and Australian wealth management businesses.
Full-time equivalent staff (FTE)	A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight.

BUSINESS PERFORMANCE

Net interest spread	The difference between the average yield on all interest bearing assets and the average rate paid on interest bearing liabilities net of impaired loans.
Net interest margin	The net interest spread plus the benefit of net non-interest bearing liabilities & equity.

CAPITAL ADEQUACY

Net capital ratio	Tier 1 capital ratio plus Tier 2 capital ratio less deductions.
Tier 1 capital ratio	Total Tier 1 capital as defined by APRA divided by Risk Weighted Assets (RWA).
Adjusted Common Equity (ACE) ratio	ACE is equal to shareholders funds less hybrid equity, intangible assets, investments in insurance, funds management and securitisation entities and any other Tier 1 deductions. This is divided by RWA.

ASSET QUALITY

Impaired Assets	Impaired assets, as defined by APRA can be classified into the following two categories: Non-accrual assets: assets where income may no longer be accrued because reasonable doubt exists as to the collectability of principal and interest. Restructured asset: assets where the original contractual terms have been formally modified to provide concessions of interest or principal for reasons related to the financial difficulties of the customer.
90 days past due	A loan facility where payments of interest or principal are 90 or more days past due and the value of the security is sufficient to cover the repayment of all principal, interest amounts due and an additional six months interest.

OTHER

Customer satisfaction	Refers to the proportion of people for whom Westpac is their main financial institution who rate their overall relationship with Westpac as Very or Fairly Satisfied.
Employee morale	Refers to an index (between 0 and 10) relating to employee surveys. The closer the number is to ten, the greater the number of positive responses received.