Westpac Banking Corporation

ARBN 007 457 141

HALF YEAR PROFIT RESULTS 2000

Six months ended 31 March 2000

	Six months to 31 March 2000	30 Sept 1999	31 March 1999	% Mov't Sept 1999- March 2000	% Mov't March 1999- March 2000
Operating profit after income tax attributable to equity holders ($M)	818	755	701	*8.3*	*16.7*
Basic earnings per ordinary share (cents)	42.1	40.0	37.0	*5.3*	*13.8*
Return on average ordinary equity	17.6%	17.2%	16.4%	*0.4 percentage points*	*1.2 percentage points*
Expense to income ratio before intangibles	55.5%	57.1%	58.7%	*(1.6) percentage points*	*(3.2) percentage points*
Dividends per ordinary share (cents)	26	24	23	*8.3*	*13.0*
Economic Profit[(1)] ($M)	493	272	397	*81.3*	*24.2*

(1) Economic Profit is defined on page 5.

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In this announcement references to 'Westpac', 'we', 'us' and 'our' are to Westpac Banking Corporation. References to 'Westpac', 'we', 'us' and 'our' under the captions include Westpac and its consolidated subsidiaries unless they clearly mean just Westpac Banking Corporation.

REVIEW OF GROUP RESULTS[1]

1.1 SUMMARY

Our operating profit after income tax attributable to equity holders, was $818 million for the six months ended 31 March 2000, an increase of 16.7% on the prior corresponding period (pcp).

Earnings per share were up 13.8% to 42.1 cents for the half.

Directors intend declaring an interim dividend of 26 cents per ordinary share (fully franked). This represents an increase of 3 cents per share (13.0%) over the 1999 interim dividend and signals a return to full franking following the unfranked 1999 final dividend.

Our result continues the trends evident in the second half of 1999: sustained revenue growth, improved operating efficiency and sound credit quality generating strong growth in after tax profit.

Key features of our result were:

- Continued strong growth in core markets with credit card outstandings increasing by 23%, home mortgages by 11%, and funds under management by 11%. Life risk and general insurance sales increased by 37% and 43%, respectively.

- A 3% rise in net interest income as significant margin contraction was more than offset by strong growth in interest earning assets, particularly in Australia.

- The increased level of business also reflects a rise in non-interest income, up 14% overall. This result was driven by strong growth in:
  - lending fees – up 19%
  - transaction fees and commissions received – up 15%

  Other factors include the impact of the new life insurance accounting standard and a decline in trading income.

- Income growth was significantly greater than expense growth, leading to a decline in the expense/income ratio to 55.5% (58.7% pcp).

- A decline of 0.9% in core expenses, adjusted for the impact of the new life company accounting policy. This has resulted from the delivery of key expense management initiatives which have seen total FTE reduced by 1,918 (6%).

- Net bad debt expense reduction of $40 million over the period principally due to reduced new specific provision requirements across all business units.

- Growth in Economic Profit (EP) from $397 million to $493 million (24%) resulting from the significant lift in after tax profit. The sizeable lift in EP from the second half of 1999 (up 81%) is principally due to the return to dividend franking in this half.

- We have restructured our financial services distribution business to more appropriately reflect the value of new business origination. The impact of this re-organisation and the application of the new life insurance accounting standard is to bring an additional $32 million of after tax profit to account in the half. While a portion of this amount is one-off, we believe that future earnings will be positively affected by this treatment.

- The result includes a net charge of $25 million for the restatement of future income tax benefit assets and deferred tax liabilities in recognition of the change in corporate tax rates in Australia.

- Improved return on equity at 17.6% (16.4% pcp). Our return on equity is now in excess of the levels attained in 1997 prior to The Bank of Melbourne acquisition, consistent with delivering on our integration plans in respect of recent acquisitions. Further upside from acquisitions will come from increased penetration of our broader product range into the larger customer base.

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[1] *Comparatives in this section are with the half year ended 31 March 1999 (pcp) unless otherwise stated.*

1.2 KEY DEVELOPMENTS

Changes in Financial Services Reporting

Two significant changes have impacted the accounting for our life insurance and funds management business.

The first is the adoption of the new accounting standard for life insurance activities (AASB 1038 'Life Insurance Business'). Previously the profits of our life insurance business were reported on a single line in non-interest income as 'Margin on Services' (MOS) income. Under the new accounting standard, we are required to consolidate the life insurance assets, liabilities, revenues and expenses. Although these have no net impact on reported net profit, they do impact certain ratios.

The second change arises from a restructure of the financial services business to more accurately reflect the source of profitability in this business. Westpac Life Insurance Services Limited (Westpac Life) has acquired an existing controlled entity to manage our financial services origination business. In line with the requirements of AASB 1038 this investment is carried at net market value within Westpac Life. The net market value has been estimated using an embedded value approach. This change added $32 million after tax to the first half 2000 result.

The following table summarises the impact of the consolidation of the Australian life business and the restructure changes on our profit and loss statement.

$M	Consolidation of Life Business(1)	Restructure (market value basis)(2)	Total
Non-interest income			
Fees and commissions	(21)	-	(21)
Life insurance operating income	103	50	153
Non-interest income	82	50	132
Non-interest expenses	(36)	-	(36)
Operating profit before tax	46	50	96
Income tax expense	(46)	(18)	(64)
Operating profit after income tax	-	32	32

(1) *Fees and commissions paid by the life business to us are now eliminated on consolidation.*

In addition, we have consolidated $7 billion of additional assets on to the balance sheet, representing policy holders' assets in the life company.

(2) *The restructure non-interest income of $50 million represents the excess of net market value over net assets of the life subsidiary of $75 million (before tax) less amortisation adjustment of $13 million for additional business in force and less acquisition and other costs of $12 million, which would have been deferred under the old structure.*

Revenue Growth

The prior corresponding period includes $41 million of income generated by the operations of the French Territories which were sold during the 1999 financial year. Excluding the impact of these operations, and the financial services' accounting changes, our operating income increased by 3.9% over the corresponding period in 1999. This improvement has resulted from strong growth in our core retail business in Australia, offset by reductions in income in our financial markets and New Zealand retail operations.

Net interest income was up 3.0%, driven by growth in interest earning assets of 9.6%. Net loans and acceptances grew particularly strongly over the period up from $106.5 billion to $117.5 billion (10.3%) with most of the growth coming from the Australian business.

Net interest margin was down from 3.31% to 3.11% as a result of continued pressure on lending margins being partially offset by an increase in the benefit from earnings on free funds.

Our focus on deepening customer relationships has continued to pay off with a growth in the number of priority consumer customers (those with whom we have the most profitable, typically multi product, relationships) rising from 563,000 to 695,000 (up 23%) from September 1999.

Expense Management

Our operating expenses are down 0.9% on last year, after adjusting for the impact of the change in the life insurance accounting. This reduction is despite our funding of a number of initiatives to either provide further expense savings in the future or to build revenue growth opportunities.

Expenses for the half include $18 million of restructuring costs associated with cost reduction programs. Initiatives that contributed to expense savings during the period include:

- Rationalisation of back office processing centres in Perth and Brisbane.
- Continued rollout of the network rationalisation program.
- Reduction in administrative staff levels in the Sydney head office and in regional offices.

In 1999 we established a Performance Enhancement Program to ensure delivery of at least $300 million in ongoing cost reduction benefits by September 2001. As at 31 March, over $100 million of run rate expense reductions had been achieved.

Also during the half we incurred non-recurring expenses relating to Y2K preparation ($15 million), Goods and Services Tax (GST) implementation ($7 million) and our Olympics sponsorship ($26 million). While some of these items will also appear in the second half, they will be largely eliminated in 2001.

In addition, we have been able to fund a number of investments within the overall expense base including the extension of a range of e-commerce initiatives such as discount broking and telephone access to internet banking.

Shareholder Value Management

We have commenced a formal Shareholder Value Management program to align internal measurement and reward systems with measures that directly drive shareholder value.

The program has three streams:

- Measuring value
  We have adopted Economic Profit as our key performance metric. Economic Profit is defined as the excess of adjusted profit over the minimum required rate of return (12%) on equity invested. For this purpose, adjusted profit is defined as net profit after tax, but before amortisation of intangibles, plus a portion (70%) of the face value of franking credits paid to shareholders.

- Managing for value
  The Shareholder Value Management program is designed to ensure that all internal pricing and evaluation models are aligned with EP measures and that we identify those activities, which provide the highest positive impact on shareholder value throughout our operations.

- Rewarding value
  The third stream of our program is to align incentive compensation for our employees with shareholder value creation. A formal arrangement is now in place for the most senior executives and will be progressively cascaded throughout our operations.

Capital Management

In calendar year 1999 we increased our capital base through the issue of a hybrid Tier 1 capital instrument (TOPrS) and an issue of NZ Class Shares.

Because of those capital issues and the growth in capital from retained earnings and the dividend reinvestment plan, the Tier 1 capital ratio of 7.2% as at 31 March was above our target levels of 6.0 to 6.5.

As a first step towards addressing our capital surplus, we announced on 18 April 2000, a buy-back of up to 50 million shares. We expect to have our capital ratios back in line with targets by the end of calendar 2000.

1.3 TAX CHANGES

As a result of the changes in corporate tax rates in Australia (from 36% to 34% in 2001 and 30% in 2002 and beyond) we have revalued our future income tax benefit (FITB) and deferred tax liabilities (DITL) resulting in a net charge to profit and loss of $25 million in the half. Further net charges from this item are expected to be minimal.

We will also be affected by other tax changes:

- The introduction of the GST in Australia from 1 July 2000 will increase our expense base. Work is underway to minimise the net impact of this through aggressive supply chain management and repricing to the extent allowed by law.

- The implementation of GST and the Pay As You Go (PAYG) regime both impose significant costs in preparing systems to be compliant. These amounted to $7 million in pre-tax expenses during the half.

- Under the Government's proposed changes to life insurance taxation, our share of the Australian life company's profits will be taxable at the standard corporate tax rate. Previously these profits were either untaxed or taxed at concessional rates.

1.4 FUTURE DIRECTIONS

Our focus going forward is on executing a clear and well-defined customer focused strategy in order to continue our earnings momentum and continue to build shareholder value.

This strategy involves us progressively changing from being an integrated producer/distributor (developing, producing and distributing our own products to customers) to delivering individualised financial solutions with products developed by both ourselves and other financial service providers. The execution of our strategy involves the following inter-related strategic initiatives.

- **Organising around where and how we create value.**

  During the half year, a new business structure was implemented to align accountabilities with the key elements of how we create shareholder value, namely: sales and marketing; product management; and servicing and processing.

  As a result of better understanding where value is being created, investment is being increased in sales and distribution activities, and to a lesser extent in product manufacture. At the same time, we are actively looking to achieve economies of scale through outsourcing, insourcing, or joint venturing activities.

- **Optimising our existing production functions**.

  A key objective is to ensure that we achieve above peer average earnings growth from our current businesses, while investment is directed to new areas of opportunity. The Performance Enhancement Program is at the core of these initiatives. The program largely entails reducing costs and increasing efficiencies across the production, service and processing parts of our business.

  One important scale economy opportunity being pursued is the rationalisation and outsourcing of technology operations and telecommunications infrastructure in both our Australian and New Zealand businesses. Any outsourcing agreement entered into will be designed to ensure that we receive the benefit of the R&D done by our outsource partner, thus freeing up our resources to focus on creative applications and innovations that add value to our customer relationships.

- **Extending the enterprise and creating new businesses**.

  During the last half year, we extended the range of our internet banking services we offer to our 212,000 Australian internet customers, and will soon roll out Wireless Application Protocol (WAP) based banking applications. We also centralised management of our external procurement, and moved accounts payable to an online Intranet based application incorporating e-payment of suppliers.

Our e-commerce capabilities are being actively leveraged. Our online offerings are being extended via relationships with content providers such as Fairfax and through the launching of new online applications such as *Westpac Broking,* a discount share broking offering; *eMarket*, a secure payments environment for online merchants; and *eBonds*, an online bond distribution platform.

New applications are also being introduced to enhance the quality of offerings to our customers. This includes *HealthPay*, an innovative electronic service offering a total health insurance payroll deduction processing solution for employers and recipient funds; and dedicated electronic banking facilities for the Victorian and Tasmanian governments.

In addition, along with three leading investment banks, we launched *yieldbroker.com*, Australia's first online fixed income trading and research portal for institutional and professional clients.

- **Deepening and broadening customer relationships**.

  A range of leading edge data mining and customer relationship management initiatives are in the process of being implemented.

  When fully implemented, our staff will be empowered to handle customer enquiries at the first point of contact, and they will have access to information that enables them to make personalised recommendations. This technology will provide the capability to create customised prompts that notify our staff of contact events and anticipate customer needs, as well as linking automated work-flow into back-office operations.

- **Building the capabilities and culture to succeed**.

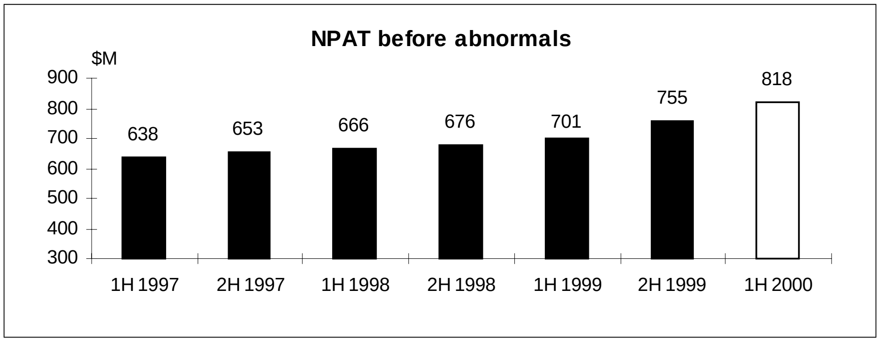
  A range of initiatives are under way to ensure that we have the capabilities to deliver our strategy with the responsiveness and adaptability that are required to be successful. This recognises that future critical capabilities will be increasingly about intellectual capital and less about physical capital.

  In addition to recruitment and training initiatives, organisational learning and development programs are progressively being implemented to drive the cultural transition. To further embed value based management disciplines, we have directly linked senior executive remuneration to the creation of EP. This program will be extended throughout the company to ensure that all staff have clear, value linked, performance objectives.

1.5 FINANCIAL SUMMARY

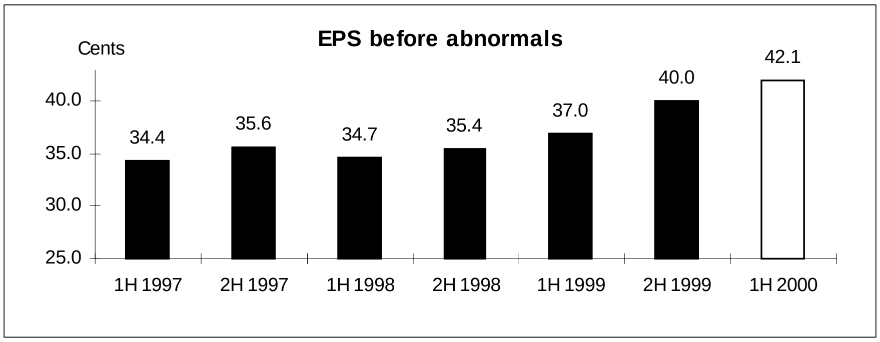
Earnings

Growth of operating profit after income tax attributable to equity holders (NPAT) continues to be strong, up 16.7% on the prior corresponding period to $818 million.



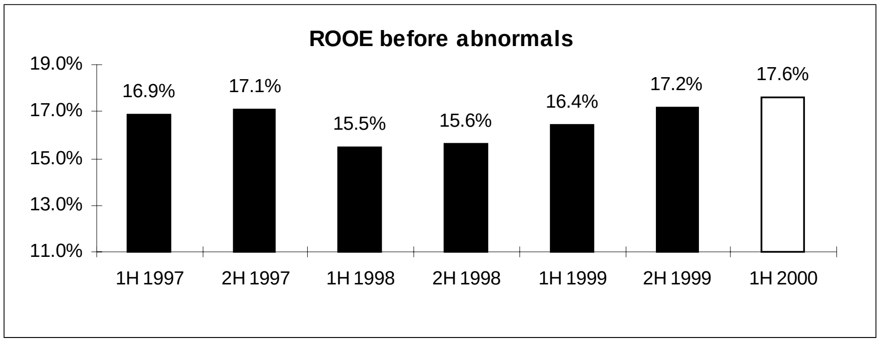
Earnings per share

Earnings per share has grown 13.8% on the prior corresponding period, which reflects the strong growth in NPAT offset by the impact of holding surplus capital.



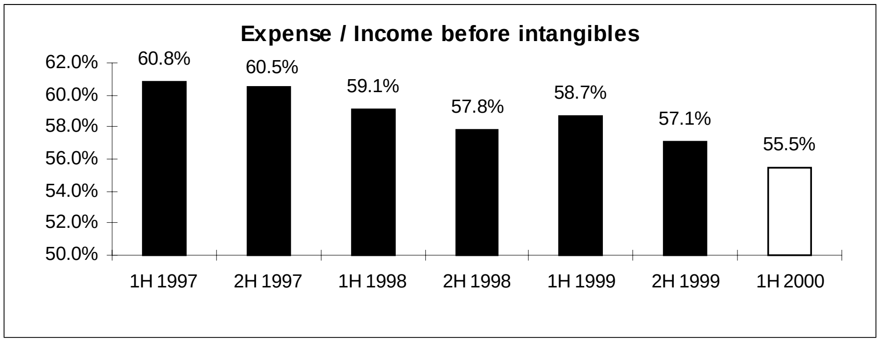
Profitability

Return on average ordinary equity (ROOE) has increased to 17.6%, continuing the steady growth since 1H98. ROOE is now higher than in any previous performance period, including any before the acquisition of Bank of Melbourne.



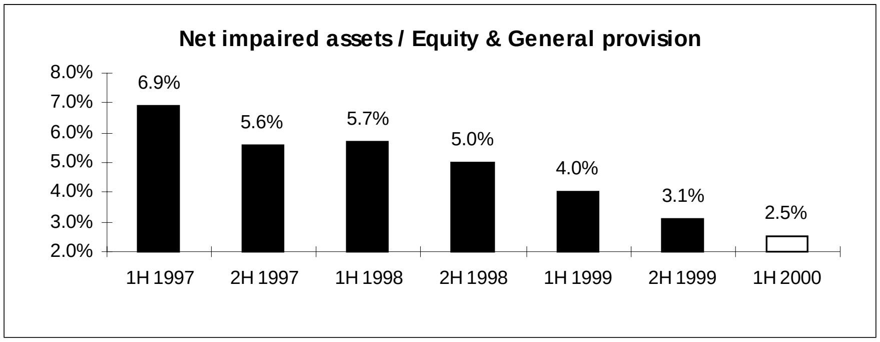
Efficiency

The expense to income ratio before intangibles has improved by 3.2 percentage points since the first half of 1999, reflecting the promised expense containment.



Impaired Assets

Asset quality improved, with net impaired assets reducing to 2.5% of equity and general provision from 4.0% in the prior corresponding period.



1.5 FINANCIAL SUMMARY (CONT'D)

	Six months to/as at			% Mov't
	31 March 2000	30 Sept 1999	31 March 1999	March 1999- March 2000
Shareholder value				
Basic earnings per ordinary share[1] (cents)	42.1	40.0	37.0	*13.8*
Basic earnings per ordinary share before intangibles (cents)	44.7	42.7	39.6	*12.9*
Return on average ordinary equity (annualised)	17.6%	17.2%	16.4%	
Fully franked dividends per ordinary share (cents)	26	-	23	*13.0*
Unfranked dividends per ordinary share (cents)	-	24	-	-
Dividend payout ratio to ordinary shareholders[2]	61.8%	60.0%	62.2%	
Earnings				
Core earnings[3], [4] ($M)	1,359	1,245	1,179	*15.3*
Operating profit after income tax attributable to equity holders ($M)	818	755	701	*16.7*
Economic Profit[5] ($M)	493	272	397	*24.2*
Net interest spread	2.51%	2.74%	2.85%	
Net interest margin	3.11%	3.23%	3.31%	
Non-interest income/total operating income	38.8%	37.9%	36.4%	
Productivity and efficiency				
Productivity ratio[6]	3.36	3.21	3.13	
Expense to income ratio before intangibles	55.5%	57.1%	58.7%	
Personnel numbers				
Core full time equivalent (FTE)	30,712	31,731	32,482	*(5.4)*
Implied full time equivalent (FTE)[7]	32,846	33,574	34,764	*(5.5)*
Average implied FTE	33,398	33,828	34,824	*(4.1)*

(1) Includes NZ Class Shares.
(2) Dividends per ordinary share divided by earnings per ordinary share.
(3) Operating profit (including gross up) before charge for bad and doubtful debts, income tax, intangibles and abnormals.
(4) See note 2 on page 11 for explanation of gross-up.
(5) Net profit after tax attributable to ordinary shareholders before intangibles plus 70% of the face value of franking credits less the minimum rate of return (12%) on equity invested.
(6) Operating income/salaries and other staff expenses.
(7) Implied FTE includes core FTE, overtime, temporary staff and contractors.

1.5 FINANCIAL SUMMARY (CONT'D)

	Six months to/as at 31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999-March 2000
Capital adequacy				
Capital adequacy ratios				
Net capital ratio	9.3%	9.2%	9.1%	
Tier 1	7.2%	7.0%	6.8%	
Average ordinary equity ($M)	9,053	8,643	8,575	*5.6*
Average total equity ($M)	9,522	8,855	8,575	*11.0*
Assets				
Total assets ($M)	157,401	140,220	138,536	*13.6*
Total assets pre securitisation ($M)	162,870	146,640	143,766	*13.3*
Net loans and acceptances ($M)	117,504	107,965	106,477	*10.4*
Net loans and acceptances pre securitisation ($M)	122,973	114,385	111,707	*10.1*
Risk-adjusted assets ($M)	106,724	102,592	101,289	*5.4*
Asset quality				
Total impaired assets to total loans and acceptances	0.5%	0.6%	0.7%	
Total impaired assets to equity and total provisions	5.2%	6.1%	7.3%	
Net impaired assets to equity and general provisions	2.5%	3.1%	4.0%	
Specific provisions to total impaired assets	54.0%	51.2%	46.5%	
Total provisions to total impaired assets	253%	233%	210%	
Total provisions to total loans and acceptances	1.2%	1.4%	1.5%	
Total bad and doubtful debt charge to average loans and acceptances (basis points)	10	14	18	*(44.4)*

2 PROFIT AND LOSS

2.1 PROFIT AND LOSS STATEMENTS

(Based on results that have been subject to review by our auditors)

$M	Six months to 31 March [1] 2000	30 Sept 1999	31 March 1999	% Mov't March 1999-March 2000
Interest income				
Deposits with banks	132	95	97	*36.1*
Investment and trading securities	279	238	238	*17.2*
Statutory deposits	14	7	8	*75.0*
Loans and other receivables	4,296	3,759	3,906	*10.0*
Interest income	**4,721**	**4,099**	**4,249**	***11.1***
Fully tax equivalent gross up[2]	78	68	59	*32.2*
Interest income (including gross up)	**4,799**	**4,167**	**4,308**	***11.4***
Interest expense				
Current and term deposits	(2,059)	(1,645)	(1,740)	*18.3*
Public borrowings	(160)	(154)	(163)	*(1.8)*
Deposits from banks	(94)	(90)	(104)	*(9.6)*
Loan capital	(108)	(89)	(86)	*25.6*
Other liabilities	(509)	(385)	(400)	*27.3*
Interest expense	**(2,930)**	**(2,363)**	**(2,493)**	***17.5***
Net interest income (including gross up)	**1,869**	**1,804**	**1,815**	***3.0***
Non-interest income				
Fees and commissions	780	765	710	*9.9*
Trading income[3]	63	133	151	*(58.3)*
General and life insurance income	256	70	84	*204.8*
Other income	86	133	93	*(7.5)*
Non-interest income	**1,185**	**1,101**	**1,038**	***14.2***
Operating income (including gross up)	**3,054**	**2,905**	**2,853**	***7.0***
Non-interest expenses				
Salaries and other staff expenses	(927)	(915)	(915)	*1.3*
Equipment and occupancy expenses	(312)	(303)	(299)	*4.3*
Other expenses	(456)	(442)	(460)	*(0.9)*
Non-interest expenses (excluding amortisiation of intangibles)	**(1,695)**	**(1,660)**	**(1,674)**	***1.3***
Core earnings	**1,359**	**1,245**	**1,179**	***15.3***
Amortisation of intangibles	(49)	(50)	(50)	*(2.0)*
Underlying profit	**1,310**	**1,195**	**1,129**	***16.0***
Charge for bad and doubtful debts	(59)	(72)	(99)	*(40.4)*
Operating profit before income tax (including gross up)	**1,251**	**1,123**	**1,030**	***21.5***
Fully tax equivalent gross up[2]	(78)	(68)	(59)	*32.2*
Operating profit before income tax (excluding gross up)	**1,173**	**1,055**	**971**	***20.8***
Income tax expense	(353)	(300)	(267)	*32.2*
Outside equity interests	(2)	-	(3)	*(33.3)*
Operating profit after income tax attributable to equity holders	**818**	**755**	**701**	***16.7***

(1) The six months ended 31 March 2000 include the consolidation of our life insurance business in accordance with the new accounting standard AASB 1038 - Life Insurance Business. Prior periods have not been restated. The impact on each profit and loss component is shown on page 4.

(2) We have entered into various tax effective financing transactions that derive income that is subject to either a reduced or zero rate of income tax. The impact of this is reflected in lower income tax expense and interest income. In order to provide improved comparability, this income is presented on a fully tax equivalent basis at a tax rate of 36%.

(3) Financial markets income includes both trading income and net interest income. A full summary of both items is included in the non-interest income summary on page 19.

2.1 PROFIT AND LOSS STATEMENTS (Cont'd)

$M	31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999-March 2000
Retained profits at the beginning of the financial period	2,788	2,503	2,241	*24.4*
Operating profit after income tax attributable to equity holders	818	755	701	*16.7*
Aggregate of amounts transferred (to)/ from reserves	2	(26)	(9)	
Total available for appropriation	**3,608**	**3,232**	**2,933**	*23.0*
Dividends provided for or paid	(505)	(436)	(430)	*17.4*
Distributions on other equity instruments	(21)	(8)	-	-
Retained profits at the end of the financial period	**3,082**	**2,788**	**2,503**	*23.1*

2.2 EARNINGS PER SHARE

	31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999-March 2000
Earnings (cents) per ordinary share after deducting distributions on other equity instruments:				
Basic	42.1	40.0	37.0	*13.8*
Fully diluted(1)	41.5	39.8	36.3	*14.3*
Weighted average number of fully paid ordinary shares (millions)	1,893	1,867	1,895	*(0.1)*

(1) Fully diluted earnings per share is after adjusting for partly paid shares and options outstanding.

2.3 DIVIDENDS

		Six months to	
Cents per share	**31 March 2000**	**30 Sept 1999**	**31 March 1999**
Ordinary dividend			
Interim (fully franked)(1)	26	-	23
Final (unfranked)	-	24	-
Total dividend provided for or paid	**$M**	**$M**	**$M**
Ordinary dividends provided	492	445	435
Under/(over) provision from previous period	13	(9)	(5)
	505	436	430
Ordinary dividend payout ratio	61.8%	60.0%	62.2%
Distributions on other equity instruments			
TOPrS distributions paid	21	8	-
Total distributions on other equity instruments	21	8	-

(1) The interim dividend for 2000 is fully franked at 34% (1999 – 36%). The interim dividend for the NZ Class Shares will be fully imputed.

2.4 INTEREST SPREAD AND MARGIN ANALYSIS

Given the level of detail required for an analysis of interest spread and margin, the information disclosed on this page only, is rounded to 2 decimal places.

2.4.1 Spread and Margin Analysis

%	Six months to 31 March 2000	30 Sept 1999	31 March 1999
Group			
Interest spread on productive assets(1)	2.54	2.77	2.89
Impact of impaired loans	(0.03)	(0.03)	(0.04)
Interest spread(2)	2.51	2.74	2.85
Benefit of net non-interest bearing liabilities and equity(3)	0.60	0.49	0.46
Interest margin	3.11	3.23	3.31
Australia			
Interest spread on productive assets(1)	2.54	2.74	2.94
Impact of impaired loans	(0.02)	(0.02)	(0.02)
Interest spread(2)	2.52	2.72	2.92
Benefit of net non-interest bearing liabilities and equity(3)	0.57	0.54	0.47
Interest margin	3.09	3.26	3.39
New Zealand			
Interest spread on productive assets(1)	2.84	3.15	2.93
Impact of impaired loans	-	(0.02)	(0.02)
Interest spread(2)	2.84	3.13	2.91
Benefit of net non-interest bearing liabilities and equity(3)	0.37	0.12	0.07
Interest margin	3.21	3.25	2.98
Other Overseas			
Interest spread on productive assets(1)	0.55	0.81	0.87
Impact of impaired loans	(0.03)	(0.05)	(0.08)
Interest spread(2)	0.52	0.76	0.79
Benefit of net non-interest bearing liabilities and equity(3)	0.68	0.53	0.68
Interest margin	1.20	1.29	1.47

(1) Interest spread on productive assets is determined on the basis of the interest spread formula after excluding non-accrual loans and related interest.

(2) Interest spread is the difference between the average yield on all interest earning assets and the average rate paid on all interest bearing liabilities net of impaired loans.

(3) 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, intragroup borrowing/lending.

2.4.2 Average Balance Sheets and Interest Rates

	Six months to 31 March 2000			Six months to 30 September 1999			Six months to 31 March 1999		
	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Assets									
Interest earning assets									
Due from other financial institutions									
Australia	1,809	40	4.4	943	14	3.0	969	16	3.3
New Zealand	1,348	34	5.0	925	25	5.4	1,315	29	4.4
Other Overseas	1,729	58	6.7	1,773	56	6.3	1,925	52	5.4
Investment and trading securities									
Australia	7,201	176	4.9	6,681	150	4.5	6,375	136	4.3
New Zealand	537	26	9.7	380	17	8.9	792	20	5.1
Other Overseas	2,367	77	6.5	2,450	71	5.8	2,286	82	7.2
Regulatory deposits									
Other Overseas	478	14	5.9	293	7	4.8	311	8	5.2
Loans and other receivables									
Australia	81,890	3,499	8.5	75,009	3,015	8.0	71,917	3,043	8.5
New Zealand	19,657	771	7.8	19,473	704	7.2	19,191	747	7.8
Other Overseas	2,467	94	7.6	2,781	96	6.9	3,721	165	8.9
Impaired loans									
Australia	326	3	1.8	398	6	3.0	458	10	4.4
New Zealand	104	4	7.7	107	5	9.3	121	-	-
Other Overseas	184	3	3.3	187	1	1.1	227	-	-
Intragroup receivable									
Other Overseas	11,601	339	5.8	8,972	243	5.4	11,004	292	5.3
Interest earning assets and interest income including intragroup	131,698	5,138	7.8	120,372	4,410	7.3	120,612	4,600	7.7
Intragroup elimination	(11,601)	(339)		(8,972)	(243)		(11,004)	(292)	
Total interest earning assets and interest income	**120,097**	**4,799**	**8.0**	**111,400**	**4,167**	**7.4**	**109,608**	**4,308**	**7.9**
Non-interest earning assets									
Cash, bullion, due from other banks and statutory deposits	454			513			1,209		
Life insurance investments	7,384			-			-		
Other assets	15,601			18,287			20,911		
Provisions for doubtful debts									
Australia	(1,255)			(1,321)			(1,327)		
New Zealand	(92)			(101)			(111)		
Other Overseas	(160)			(136)			(156)		
Total non-interest earning assets	**21,932**			**17,242**			**20,526**		
Acceptances									
Australia	10,776			11,063			10,747		
New Zealand	-			2			12		
Other Overseas	6			47			53		
Total assets	**152,811**			**139,754**			**140,946**		

2.4.2 Average Balance Sheets and Interest Rates (cont'd)

	Six months to 31 March 2000			Six months to 30 September 1999			Six months to 31 March 1999		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	$M	$M	%	$M	$M	%	$M	$M	%
Liabilities and shareholders' equity									
Interest bearing liabilities									
Deposits									
Australia	53,040	1,432	5.4	50,897	1,141	4.5	49,837	1,132	4.6
New Zealand	14,437	312	4.3	15,179	298	3.9	15,683	349	4.5
Other Overseas	11,095	315	5.7	8,127	206	5.1	9,253	259	5.6
Public borrowings by subsidiary borrowing corporations									
Australia	5,807	156	5.4	5,608	149	5.3	5,382	149	5.6
New Zealand	109	4	7.3	187	6	6.4	307	13	8.5
Due to other financial institutions									
Australia	478	11	4.6	315	6	3.8	313	7	4.5
New Zealand	57	2	7.0	100	3	6.0	176	5	5.7
Other Overseas	3,019	81	5.4	3,021	80	5.3	3,507	93	5.3
Loan capital									
Australia	2,746	104	7.6	2,466	86	7.0	2,306	84	7.3
New Zealand	79	3	7.6	62	3	9.7	42	2	9.5
Other Overseas	-	-	-	(27)	-	-	27	-	-
Other interest bearing liabilities									
Australia	9,138	302	6.6	7,341	246	6.7	6,561	255	7.8
New Zealand	4,523	132	5.8	3,043	58	3.8	2,281	40	3.5
Other Overseas	2,463	76	6.2	3,572	81	4.5	4,238	105	5.0
Intragroup payable									
Australia	10,822	304	5.6	7,290	200	5.5	8,434	224	5.3
New Zealand	779	35	9.0	1,682	43	5.1	2,570	68	5.3
Interest bearing liabilities and interest expense including intragroup	118,592	3,269	5.5	108,863	2,606	4.8	110,917	2,785	5.0
Intragroup elimination	(11,601)	(339)		(8,972)	(243)		(11,004)	(292)	
Total interest bearing liabilities and interest expense	**106,991**	**2,930**	**5.5**	**99,891**	**2,363**	**4.7**	**99,913**	**2,493**	**5.0**
Non-interest bearing liabilities									
Deposits and due to other banks									
Australia	3,725			3,593			3,613		
New Zealand	903			950			968		
Other Overseas	307			427			627		
Life insurance policy liabilities	6,719			-			-		
Other liabilities	13,862			14,926			16,438		
Total non-interest bearing liabilities	**25,516**			**19,896**			**21,646**		
Acceptances of customers									
Australia	10,776			11,063			10,747		
New Zealand	-			2			12		
Other Overseas	6			47			53		
Total liabilities	**143,289**			**130,899**			**132,371**		
Ordinary shareholders' equity	9,053			8,643			8,575		
TOPrS	465			206			-		
Outside equity interests	4			6			-		
Total equity	**9,522**			**8,855**			**8,575**		
Total liabilities and equity	**152,811**			**139,754**			**140,946**		

2.4.2 Average Balance Sheets and Interest Rates (cont'd)

	Six months to 31 March 2000			Six months to 31 September 1999			Six months to 31 March 1999		
	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Interest earning assets (including impaired loans)									
Australia	91,226	3,718	8.1	83,031	3,185	7.6	79,719	3,205	8.0
New Zealand	21,646	835	7.7	20,885	751	7.2	21,419	796	7.4
Other Overseas	18,826	585	6.2	16,456	474	5.8	19,474	599	6.2
Intragroup	(11,601)	(339)		(8,972)	(243)		(11,004)	(292)	
Group	**120,097**	**4,799**	**8.0**	**111,400**	**4,167**	**7.4**	**109,608**	**4,308**	**7.9**
Interest bearing liabilities									
Australia	82,031	2,309	5.6	73,917	1,828	4.9	72,833	1,851	5.1
New Zealand	19,984	488	4.9	20,253	411	4.1	21,059	477	4.5
Other Overseas	16,577	472	5.7	14,693	367	5.0	17,025	457	5.4
Intragroup	(11,601)	(339)		(8,972)	(243)		(11,004)	(292)	
Group	**106,991**	**2,930**	**5.5**	**99,891**	**2,363**	**4.7**	**99,913**	**2,493**	**5.0**
Interest spread									
Australia			2.5			2.7			2.9
New Zealand			2.8			3.1			2.9
Other Overseas			0.5			0.8			0.8
Group			2.5			2.7			2.9

2.4.3 Commentary on Spreads and Margins

Group

From the second half in 1999, the interest spread declined by 23 basis points and the margin reduced 12 basis points.

Approximately half of the decline in interest spread is due to the continued competitive pressure on lending margins, together with the lag in loan repricing in the face of rising interest rates. The balance is due to a number of factors including the cyclical rise in interest rates and increased liquidity holdings over the Y2K period.

Australia

The interest rate spread for our Australian operations declined 20 basis points while margin reduced 17 basis points for the first half of this year.

In addition to the factors outlined above, strong lending growth has resulted in a higher proportion of the balance sheet being funded by wholesale products rather than lower cost retail deposits.

New Zealand

The interest spread reduced by 29 basis points and the margin reduced by four basis points for the first half of this financial year.

As in our Australian operations, the decrease in interest margin resulted from continued pressure on lending margins, which caused a lag in the pricing of loans in a period of rising interest rates in the wholesale market.

Other Overseas

The interest spread for Other Overseas fell by 24 basis points and margin decreased by 9 basis points, reflecting increased wholesale funding requirements.

2.5 NON-INTEREST INCOME ANALYSIS

	Six months to			% Mov't
	31 March	30 Sept	31 March	March 1999-
$M	2000	1999	1999	March 2000
Fees and commissions				
Lending fees	287	270	242	*18.6*
Transaction fees and commissions received	498	484	433	*15.0*
Other non-risk fee income	169	181	167	*1.2*
Fees and commissions paid	(174)	(170)	(132)	*31.8*
	780	**765**	**710**	***9.9***
Trading income				
Foreign exchange	89	127	119	*(25.2)*
Other	(26)	6	32	
	63	**133**	**151**	***(58.3)***
General and life insurance income				
Westpac Life MOS(1)	-	63	61	
Life insurance operating income(2)	226	-	-	
General insurance commissions and premiums (net of claims paid)	30	7	23	*30.4*
	256	**70**	**84**	***204.8***
Other income				
Dividends received	21	18	17	*23.5*
Lease rentals	4	5	5	*(20.0)*
Cost of hedging overseas operations	(2)	11	3	
Service and management fees	2	6	1	*100.0*
Net profit on sale of premises and investments	28	41	31	*(9.7)*
Other	33	52	36	*(8.3)*
	86	**133**	**93**	***(7.5)***
Non-interest income	**1,185**	**1,101**	**1,038**	***14.2***
Non-interest income/total operating income	**38.8%**	**37.9%**	**36.4%**	

Life insurance operating income:	
Premium income and management fees	*160*
Claims expense (net of recoveries)	*(21)*
Investment revenue	*517*
Life insurance policy liabilities expense	*(489)*
Amortisation of business in force	*(16)*
Operating income	*151*
Change in excess of net market value over net assets of life insurance subsidiary before tax(3)	*75*
Total life insurance operating income	***226***
Split as follows:	
Australia	*217*
New Zealand	*9*

(1) The Margin on Services (MOS) profits have been determined in accordance with the 'margin on services' methodology for the valuation of policy liabilities - Actuarial Standard 1.02 'Valuation Standard' of the Life Insurance Actuarial Standards Board.

(2) The requirements of accounting standard AASB 1038 Life Insurance Business became operative for our operations from 1 October 1999. Life insurance assets, liabilities, revenues and expenses have been consolidated for the period to 31 March 2000.

(3) At 1 February 2000 we restructured part of the Westpac Financial Services (WFS) Group, and as a consequence of the application of the new accounting standard, the results of our financial services origination business are brought to account on a market value basis.

Commentary on Non-interest Income[1]

- Non-interest income increased by $147 million or 14.2% to $1,185 million, and now represents 38.8% of total operating income compared to 36.4% in the six months ended 31 March 1999. The prior corresponding period includes $13 million of non-interest income generated by the operations of the French Territories which were sold during the 1999 financial year.

- Lending fees comprise loan fees, account overdrawn fees, acceptance fees and other risk fees. Lending fees increased $45 million or 18.6% due to an increase in loan volumes and better collection rates.

- Transaction fees and commissions received increased $65 million or 15.0%:
  - The majority of the increase is $38 million in card fee income due to increased customer spending by cardholders (up $2.2 billion) and increased turnover (up $1.1 billion) with merchants who use our access to the credit card payment system. This has resulted in $22 million higher interchange income and $16 million merchant service fees.
  - We also received additional fees of $11 million from customers using other banks' ATMs and $18 million from account transaction fees and account keeping fees due to increased transaction activity and repricing initiatives in August 1999.
  - These increases are offset in part by $21 million less fees and commission received from our life insurance business, as it is now consolidated into our operations and this contribution is now included in the life business net operating income.
  - The balance of the increase is primarily due to product repricing undertaken during the second half of 1999.

- The increase in fees and commissions paid is largely due to higher credit card interchange fees arising from increased credit card spending, but also includes additional guarantee fees paid in structured finance deals.

- Financial markets income overall declined $30 million (14%) on pcp. The composition of financial markets income between net interest income and non-interest income changes in line with market conditions. In the current period, the trading component declined by $88 million, offset by increases in net interest income and other components.

$M	Six months to 31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999- March 2000
Foreign exchange income	89	127	119	*(25)*
Trading securities income	(44)	18	14	
Other financial markets income	18	(12)	18	-
Trading income	**63**	**133**	**151**	*(58)*
Dividend income	17	16	14	*21*
Other non-interest income	24	11	13	*85*
Net interest income	77	36	33	*133*
Total financial markets income	**181**	**196**	**211**	*(14)*

- Impact of the Change in Life Accounting

  The application of new life insurance accounting standard has resulted in the recognition of life insurance income and expenses on a gross basis for this half year. Also, during this half year we have restructured part of the Westpac Financial Services (WFS) Group and as a consequence of the application of the new accounting standard, the results of our financial services distribution business are brought to account on a market value basis.

[1] *Comparatives in this section are with the half year ended 31 March 1999 (pcp) unless otherwise stated.*

Commentary on Non-interest Income (cont'd)[1]

The difference between the life insurance operating income as outlined in section 1.2 (resulting from the application of the new accounting standard and the restructure) of $153 million and the Australian life insurance operating income as reported of $217 million, is $64 million. This amount represents an estimate of the operating profit before tax of Westpac Life including its subsidiary calculated on a 'Margin on Services' basis i.e. the equivalent basis as in prior periods.

There has been no change in the treatment of our New Zealand life insurance business.

- Other income was $86 million (a decrease of $7 million or 7.5%). Included in this is $27 million from the sale of five properties. The 1999 first half includes the profit of $28 million from the sale of part of our investment in Data Advantage. An amount of $21 million, representing the sale of the balance of this investment, was reported in the second half in 1999.

[1] *Comparatives in this section are with the half year ended 31 March 1999 (pcp) unless otherwise stated.*

2.6 Non-interest Expense Analysis

$M	Six months to 31 March 2000	30 Sept 1999	31 March 1999	% Movt March 1999-March 2000
Salaries and other staff expenses				
Salaries and wages	730	688	709	*3.0*
Other staff expenses	197	227	206	*(4.4)*
	927	**915**	**915**	***1.3***
Equipment and occupancy expenses				
Operating lease rentals	129	124	120	*7.5*
Depreciation and amortisation:				
Premises	5	6	6	*(16.7)*
Leasehold improvements	12	8	9	*33.3*
Furniture and equipment	23	22	23	-
Technology	90	86	77	*16.9*
Electricity, water, rates and land tax	11	17	16	*(31.3)*
Other equipment and occupancy expenses	42	40	48	*(12.5)*
	312	**303**	**299**	***4.3***
Other expenses				
Amortisation of intangibles	49	50	50	*(2.0)*
Amortisation of deferred expenditure	10	5	13	*(23.1)*
Non-lending losses	18	13	17	*5.9*
Consultancy fees, computer software maintenance and other professional services	158	161	148	*6.8*
Stationery	45	42	52	*(13.5)*
Postage and telecommunications	96	100	101	*(5.0)*
Insurance	6	5	6	-
Advertising	54	53	47	*14.9*
Transaction taxes	6	5	5	*20.0*
Training	10	13	10	-
Travel	24	28	27	*(11.1)*
Other expenses	29	17	34	*(14.7)*
	505	**492**	**510**	***(1.0)***
Non-interest expenses	**1,744**	**1,710**	**1,724**	***1.2***
Impact of life company consolidation	(36)	-	-	
Comparable non-interest expenses	1,708	1,710	1,724	*(0.9)*
Productivity ratio[(1)]	3.36	3.21	3.13	
Expense/income ratio before intangibles	55.5%	57.1%	58.7%	
Total non-interest expenses per average implied FTE ($000)	104	101	99	

(1) Operating income (including gross up)/salaries and other staff expenses (excluding restructuring costs).

Commentary on Non-interest Expenses[1]

- Non-interest expenses increased $20 million or 1.2%. After adjusting for the $36 million of non-interest expenses from our life insurance business which are now consolidated, but were not in the half year ended 31 March 1999, non-interest expenses decreased by $16 million or 0.9%.

- Expense management continued to be a key priority of ours as shown by the improvement in the expense to income ratio before intangibles to 55.5% from 58.7% in the first half of 1999. Most of the expense management initiatives are focused on back office, overhead and distribution areas.

- Salaries and wages increased by $21 million or 3.0% on the prior corresponding period with superannuation expenses increasing by $14 million. Excluding superannuation expenses, salaries and wages increased by only 1.0%. The March 2000 half year includes $17 million personnel restructuring costs associated with cost reduction programs ($5 million pcp).

- Other staff expenses comprise provisions for leave, payroll tax, fringe benefits tax, temporary staff and other staff expenses. These costs have been contained over the period and have reduced by 4.4%.

- Equipment and occupancy expenses increased $13 million or 4.3%. The majority of this increase is from the increase in the amortisation of software consequent on our adoption of the software capitalisation policy in 1998.

- Other expenses have decreased $5 million or 1%. Stationery, postage, telecommunications, insurance, training and travel expenses have all decreased or remained flat compared to first half 1999. Consultancy fees and other professional services have increased mainly due to the expense initiatives programs underway in the form of the Performance Enhancement Program and other re-engineering projects. Advertising increases were due to the product advertising related to the Sydney 2000 Olympic Games partnership.

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[1] *Comparatives in this section are with the half year ended 31 March1999 unless otherwise stated.*

2.7 INCOME TAX

$M	Six months to / as at 31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999 - March 2000
INCOME TAX EXPENSE				
Operating profit before income tax (including gross up)	1,251	1,123	1,030	*21.5*
Fully tax equivalent gross up	(78)	(68)	(59)	*32.2*
Operating profit before income tax (excluding gross up)	1,173	1,055	971	*20.8*
Prima facie income tax on operating profit before income tax (excluding gross up) based on the company tax rate of 36%	422	380	349	*20.9*
Add/(deduct) permanent differences expressed on a tax effect basis				
Impact of change in tax rate on net FITB and DITL	25	-	-	
Rebateable and exempt dividends	(34)	(55)	(29)	*17.2*
Tax losses (now) tax effected	(13)	(1)	(9)	*44.4*
Timing differences not/(now) tax effected	(1)	(8)	6	
Life insurance :				
Unit linked business tax adjustment(1)	29	-	-	
Adjustment for life business tax rates	(22)	(11)	(11)	
Change in excess of net market value over net assets of of life insurance subsidiaries	(11)	-	-	
Other non-assessable items	(40)	(37)	(31)	*29.0*
Other non-deductible items	31	39	31	-
Adjustment for overseas tax rates	(12)	4	(16)	*(25.0)*
Prior period adjustments	(20)	(14)	(29)	*(31.0)*
Other items	(1)	3	6	
Total income tax expense attributable to operating profit	353	300	267	*32.2*
Total income tax expense (excluding gross up)	353	300	267	*32.2*
Fully taxable equivalent gross up	78	68	59	*32.2*
Total income tax expense (including gross up)	431	368	326	*32.2*
Effective tax rate (%) (including gross up)	34.5 (2)	32.8	31.7	*8.8*

(1) In accordance with the requirements of AASB 1038: Life Insurance Business, our tax expense includes $46 million of tax expense in respect of unit linked investment policies, $17 million of which is in the prima facie tax expense and the balance of $29 million shown here.

(2) 32.5% excluding effect of tax rate change on deferred tax assets and liabilities.

3 BALANCE SHEET

3.1 BALANCE SHEETS

(Based on results that have been subject to review by our auditors)

As at $M	31 March[1] 2000	30 Sept 1999	31 March 1999	% Mov't March 1999- March 2000
Assets				
Cash and balances with central banks	470	345	443	*6.1*
Regulatory deposits	558	398	1,157	*(51.8)*
Due from other financial institutions	2,249	4,006	3,083	*(27.1)*
Trading securities	*8,118*	*9,057*	*8,004*	*1.4*
Investment securities	*2,458*	*2,208*	*2,282*	*7.7*
Securities sold not yet delivered	*3,556*	*3,650*	*2,132*	*66.8*
Securities purchased under agreements to resell	*452*	*174*	*353*	*28.0*
Other financial markets assets	*8,506*	*5,992*	*7,991*	*6.4*
Total securities and financial markets assets	23,090	21,081	20,762	*11.2*
Productive loans	*107,045*	*98,588*	*96,320*	*11.1*
Acceptances	*11,367*	*10,249*	*11,041*	*3.0*
Impaired loans	*561*	*628*	*698*	*(19.6)*
Less: provisions for bad and doubtful debts	*(1,469)*	*(1,500)*	*(1,582)*	*(7.1)*
Net loans and acceptances	117,504	107,965	106,477	*10.4*
Life insurance investments	7,563	-	-	
Fixed assets	1,351	1,527	1,633	*(17.3)*
Intangible assets	1,635	1,665	1,747	*(6.4)*
Other assets	2,981	3,233	3,234	*(7.8)*
Total assets	**157,401**	**140,220**	**138,536**	***13.6***
Liabilities and equity				
Deposits	83,368	79,687	78,910	*5.6*
Public borrowings	6,071	5,859	5,717	*6.2*
Bonds, notes and commercial paper	17,187	14,910	12,998	*32.2*
Acceptances of customers	11,367	10,249	11,041	*3.0*
Life insurance policy liabilities	6,893	-	-	
Securities liabilities	4,325	4,649	3,673	*17.8*
Due to other financial institutions	4,276	3,562	4,129	*3.6*
Other financial markets liabilities	7,178	5,523	7,029	*2.1*
Other liabilities	3,994	4,092	3,608	*10.7*
Total liabilities excluding loan capital	**144,659**	**128,531**	**127,105**	***13.8***
Subordinated bonds, notes and debentures	2,466	2,030	2,016	*22.3*
Subordinated perpetual notes	644	662	687	*(6.3)*
Total loan capital	**3,110**	**2,692**	**2,703**	***15.1***
Total liabilities	**147,769**	**131,223**	**129,808**	***13.8***
Net assets	**9,632**	**8,997**	**8,728**	***10.4***
Equity				
Share capital (1,837 million ordinary shares)	1,837	1,853	1,891	*(2.9)*
NZ Class Shares (54 million NZ Class Shares)	482	-	-	-
Exchangeable trust originated preferred securities (TOPrS[SM])	465	465	-	-
Reserves	3,762	3,888	4,329	*(13.1)*
Retained profits	3,082	2,788	2,503	*23.1*
Outside equity interests	4	3	5	*(20.0)*
Total equity	**9,632**	**8,997**	**8,728**	***10.4***

(1) The balances as at 31 March 2000 include the consolidation of our life insurance business in accordance with the new accounting standard AASB 1038 Life Insurance Business. Prior periods have not been restated.

3.1.1 Loans

As at $M	31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999- March 2000
Australia				
Overdrafts	2,744	2,802	2,595	*5.7*
Credit card outstandings	4,189	3,750	3,349	*25.1*
Overnight and call money market loans	375	102	181	*107.2*
Own acceptances discounted	1,360	1,957	1,855	*(26.7)*
Term loans:				
Housing	44,280	40,544	37,934	*16.7*
Non-housing	23,580	22,465	21,342	*10.5*
Finance leases	2,325	2,359	2,275	*2.2*
Investments in leveraged lease and equity lease	281	285	295	*(4.7)*
Redeemable preference share finance	1,057	1,096	1,136	*(7.0)*
Other	3,463	2,614	2,939	*17.8*
Total - Australia	83,654	77,974	73,901	*13.2*
New Zealand				
Overdrafts	759	744	796	*(4.6)*
Credit card outstandings	587	520	532	*10.3*
Overnight and call money market loans	508	443	437	*16.2*
Own acceptances discounted	-	1	1	*(100.0)*
Term loans:				
Housing	10,339	9,845	10,756	*(3.9)*
Non-housing	6,557	5,758	5,912	*10.9*
Finance leases	30	25	26	*15.4*
Redeemable preference share finance	1,580	1,003	489	*223.1*
Other	779	522	533	*46.2*
Total - New Zealand	21,139	18,861	19,482	*8.5*
Other Overseas				
Overdrafts	123	102	184	*(33.2)*
Term loans:				
Housing	250	264	685	*(63.5)*
Non-housing	1,441	1,256	1,884	*(23.5)*
Finance leases	31	33	85	*(63.5)*
Other	968	726	797	*21.5*
Total - Other Overseas	2,813	2,381	3,635	*(22.6)*
Total gross loans	**107,606**	**99,216**	**97,018**	*10.9*
Provisions for bad and doubtful debts	(1,469)	(1,500)	(1,582)	*(7.1)*
Total net loans	**106,137**	**97,716**	**95,436**	*11.2*
Securitised loans[(1)]	**5,469**	**6,420**	**5,230**	*4.6*

(1) Net of amortisation in initial loans securitised.

3.1.2 Deposits and Public Borrowings

As at $M	31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999- March 2000
DEPOSITS				
Australia				
Non-interest bearing	3,549	3,522	3,221	*10.2*
Certificates of deposit	6,405	6,010	4,420	*44.9*
Other interest bearing				
At call	28,217	28,163	27,302	*3.4*
Term	17,605	18,058	18,615	*(5.4)*
Total deposits in Australia	55,776	55,753	53,558	*4.1*
New Zealand				
Non-interest bearing	753	771	795	*(5.3)*
Certificates of deposit	2,089	2,046	2,008	*4.0*
Other interest bearing				
At call	4,467	4,412	4,774	*(6.4)*
Term	8,216	8,014	8,424	*(2.5)*
Total deposits in New Zealand	15,525	15,243	16,001	*(3.0)*
Other Overseas				
Non-interest bearing	220	185	495	*(55.6)*
Certificates of deposit	3,754	2,771	2,385	*57.4*
Other interest bearing				
At call	370	321	615	*(39.8)*
Term	7,723	5,414	5,856	*31.9*
Total deposits Other Overseas	12,067	8,691	9,351	*29.0*
Total deposits	**83,368**	**79,687**	**78,910**	***5.6***
PUBLIC BORROWINGS BY SUBSIDIARY BORROWING CORPORATIONS				
Australia				
Secured	3,705	3,631	3,672	*0.9*
Unsecured	2,271	2,129	1,765	*28.7*
Total public borrowings in Australia	5,976	5,760	5,437	*9.9*
New Zealand				
Secured	52	99	238	*(78.2)*
Unsecured	43	-	42	*2.4*
Total public borrowings in New Zealand	95	99	280	*(66.1)*
Total public borrowings by subsidiary borrowing corporations	**6,071**	**5,859**	**5,717**	***6.2***

3.2 BALANCE SHEET ANALYSIS[1]

Assets

- In our Australian operations:
  - Gross loans increased strongly by $9.8 billion in the 12-month period, up 13.2% on 31 March 1999.
  - Housing loans were up 16.7% or $6.3 billion, after taking account of the $1.6 billion of housing loans which were securitised during the period.
  - Credit card outstandings increased $0.8 billion (up 25.1%), due to continued strong marketing of credit card products.

- In New Zealand, our gross loans, in AUD terms, grew by $1.7 billion or 8.5%. The growth in New Zealand dollars was larger, but exchange rate fluctuations had an adverse effect of $0.7 billion. The growth was largely in non-housing loans (up 10.9%) and assets in the form of redeemable preference shares grew $1.1 billion due to growth in structured finance and other financing transactions. Housing lending volumes were impacted by $0.9 billion of securitisation and loan sales over the year.

- Other financial markets assets grew moderately, primarily due to an increase in the volume and revaluation of offshore balance sheet instruments, driven by a weakening of the AUD against the USD during the period.

- Life insurance investments of $7.6 billion now appear on the balance sheet in compliance with AASB 1038. This represents a $7 billion increase in assets from 1 October 1999, as in prior periods we included our interest in Westpac Life in other assets.

Liabilities

- The growth in our loan portfolio has been largely funded through wholesale funding, reflected in the $4.2 billion increase in bonds, notes and commercial paper, and also by the $3.4 billion increase in certificates of deposit.

- New Zealand deposits have remained flat in local currency terms, while the impact of exchange rate fluctuations resulted in a decrease of $0.5 billion in AUD terms.

- Total life insurance liabilities increased by $7 billion comprising policy liabilities of $6.9 billion and other life business liabilities of $0.1 billion.

Equity

- Our shareholder's equity increased by $0.9 billion. This increase is largely attributable to the $465 million Tier 1 issue made to US investors in July 1999 and the $482 million New Zealand Class Share issue in October 1999. These are partly offset by the net impact of share buy-backs and dividends in the period.

[1] *Comparatives in this section are with the balance sheet as at 31 March 1999 unless otherwise stated.*

4 ASSET QUALITY

4.1 IMPAIRED ASSETS

We have achieved continued asset growth and improved the quality of our credit assets across all our business units. The improved portfolio quality reflects the strength of the economy in our primary markets of Australia and New Zealand.

Impaired assets decreased 22.6% over the prior corresponding period and represents 0.5% of gross loans and acceptances compared to 0.7% (pcp).

The bad debt charge of $59 million is 40.4% lower than the prior corresponding period in 1999. Total provisions for bad and doubtful debts are down in line with the reduction in impaired assets. Higher interest rates and recent financial markets instability have not had a significant impact on the credit quality of our portfolio.

Our total exposure in Asia has dropped to $3.0 billion from $4.1 billion in the prior corresponding period. The remaining asset quality of the Asian portfolio is stable and does not warrant continuation of the detailed reporting previously provided.

As at	**31 March 2000**			**30 Sept 1999**			**31 March 1999**		
$M	**Gross**	**Specific Prov'n**	**Net**	**Gross**	**Specific Prov'n**	**Net**	**Gross**	**Specific Prov'n**	**Net**
Non-accrual assets									
Australia	282	(131)	151	347	(149)	198	413	(170)	243
New Zealand	107	(29)	78	100	(32)	68	110	(43)	67
Other Overseas	171	(150)	21	172	(144)	28	195	(132)	63
Total	560	(310)	250	619	(325)	294	718	(345)	373
Restructured assets									
Australia	10	(1)	9	13	(1)	12	15	(2)	13
New Zealand	-	-	-	1	-	1	3	-	3
Other Overseas	12	(3)	9	11	(4)	7	16	(3)	13
Total	22	(4)	18	25	(5)	20	34	(5)	29
Total impaired assets (1)	**582**	**(314)**	**268**	**644**	**(330)**	**314**	**752**	**(350)**	**402**

(1) Includes off-balance sheet items of $21 million ($16 million as at 30 September 1999, $54 million as at 31 March 1999).

4.2 ITEMS PAST DUE 90 DAYS BUT WELL SECURED[(1)]

As at $M	31 March 2000	30 Sept 1999	31 March 1999
Australia			
Housing products	71	72	94
Other products	95	84	82
Total	166	156	176
New Zealand			
Housing products	13	17	29
Other products	9	13	37
Other Overseas	3	4	4
Total	25	34	70
Total	**191**	**190**	**246**

(1) Under Australian Prudential Regulation Authority (APRA) guidelines, loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal, interest amounts due and an additional six months interest. These loans need to be reported as a memorandum item only, and are reported separately above.

No losses are anticipated from these loans as they are well secured, primarily by residential property, and are spread across a range of customer and product groups, including housing, overdraft and bill acceptance facilities.

4.3 INCOME ON NON-ACCRUAL AND RESTRUCTURED ASSETS

		Six months to	
$M	31 March 2000	30 Sept 1999	31 March 1999
Interest received on non-accrual and restructured assets	9	12	10
Estimated interest forgone on non-accrual and restructured assets	26	10	30
Interest yield on average non-accrual and restructured assets (annualised)	2.9%	3.5%	2.5%

4.4 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

$M	Six months to/ as at 31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999- March 2000
General provision				
Balance at beginning of period	1,170	1,232	1,238	*(5.5)*
Exchange rate and other adjustments	3	(1)	(11)	
Provisions of controlled entities acquired/(disposed)	-	(14)	-	-
Charge to operating profit	65	44	75	*(13.3)*
Recoveries of debts previously written off	40	37	38	*5.3*
Write offs	(123)	(128)	(108)	*13.9*
Balance at period end	1,155	1,170	1,232	*(6.3)*
Specific provisions				
Balance at beginning of period	330	350	362	*(8.8)*
Exchange rate and other adjustments	9	(7)	(1)	
Provisions of controlled entities acquired/(disposed)	-	(10)	-	-
New specific provisions	36	87	78	*(53.8)*
Specific provisions no longer required	(42)	(59)	(54)	*(22.2)*
Write offs[1]	(19)	(31)	(35)	*(45.7)*
Balance at period end	314	330	350	*(10.3)*
Total provisions	**1,469**	**1,500**	**1,582**	*(7.1)*
[1] Write offs from specific provisions comprised:				
Australian Retail Financial Services	12	14	24	*(50.0)*
Westpac Institutional Bank	1	8	3	*(66.7)*
WestpacTrust and Pacific Regional Banking	6	9	8	*(25.0)*
	19	31	35	*(45.7)*

4.5 IMPAIRED ASSETS AND RATIOS

As at %	31 March 2000	30 Sept 1999	31 March 1999
Impaired assets to total loans and acceptances	0.5	0.6	0.7
Specific provisions to total impaired assets	54.0	51.2	46.5
Total provisions to total impaired assets	253	233	210
Total provisions to total loans and acceptances	1.2	1.4	1.5
Total impaired assets to equity and total provisions	5.2	6.1	7.3
Net impaired assets to equity and general provisions	2.5	3.1	4.0

4.6 CHARGE FOR BAD AND DOUBTFUL DEBTS

$M	Six months to/ as at 31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999-March 2000
SPECIFIC PROVISIONS:				
New provisions				
Australian Retail Financial Services	17	25	26	*(34.6)*
Westpac Institutional Bank	12	46	35	*(65.7)*
WestpacTrust and Pacific Regional Banking	7	16	17	*(58.8)*
	36	87	78	*(53.8)*
No longer required				
Australian Retail Financial Services	(22)	(28)	(30)	*(26.7)*
Westpac Institutional Bank	(14)	(19)	(8)	*75.0*
WestpacTrust and Pacific Regional Banking	(6)	(12)	(16)	*(62.5)*
	(42)	(59)	(54)	*(22.2)*
Specific provisions (net)	(6)	28	24	
GENERAL PROVISION:				
Write off direct against profit				
Australian Retail Financial Services	101	110	97	*4.1*
Westpac Institutional Bank	3	1	-	-
WestpacTrust and Pacific Regional Banking	19	17	11	*72.7*
	123	128	108	*13.9*
Recoveries of debts previously written off				
Australian Retail Financial Services	(35)	(30)	(32)	*9.4*
Westpac Institutional Bank	(1)	(2)	(1)	-
WestpacTrust and Pacific Regional Banking	(4)	(5)	(5)	*(20.0)*
	(40)	(37)	(38)	*5.3*
Dynamic provisioning debit/(credit)	(18)	(47)	5	
General provision (net)	65	44	75	*(13.3)*
Charge for bad and doubtful debts	59	72	99	*(40.4)*
Bad and doubtful debts charge to average loans and acceptances annualised (basis points)	10	14	18	

5 CAPITAL

5.1 CAPITAL ADEQUACY

As at **$M**	**31 March 2000**	**30 Sept 1999**	**31 March 1999**
Tier 1 capital			
Total equity	9,632	8,997	8,728
Less NZ Class Shares capital not yet received	(190)	-	-
Asset revaluation reserves	(110)	(113)	(135)
Intangible assets	(1,635)	(1,665)	(1,747)
Total Tier 1 capital	**7,697**	**7,219**	**6,846**
Tier 2 capital			
Asset revaluation reserves	110	113	135
Subordinated undated capital notes	644	662	687
General provision for doubtful debts	1,155	1,170	1,232
Future income tax benefit related to general provision	(362)	(421)	(444)
Eligible subordinated bonds, notes and debentures	1,818	1,536	1,525
Total Tier 2 capital	**3,365**	**3,060**	**3,135**
Tier 1 and Tier 2 capital	**11,062**	**10,279**	**9,981**
Deductions:			
Other banks' capital instruments	(9)	(9)	(9)
Investment in controlled entities or associates[1]	(530)	(419)	(392)
Funds management and securitisation activities[2]	(549)	(371)	(352)
Net qualifying capital	**9,974**	**9,480**	**9,228**
Risk adjusted assets	**106,724**	**102,592**	**101,289**
Tier 1 capital ratio	7.2%	7.0%	6.8%
Tier 2 capital ratio	3.1%	3.0%	3.1%
Deductions	(1.0)%	(0.8)%	(0.8)%
Net capital ratio	**9.3%**	**9.2%**	**9.1%**
Tangible ordinary equity to risk adjusted assets	6.9%	6.7%	6.9%

(1) This deduction represents our investment in Westpac Life Insurance Services.

(2) This deduction has been made pursuant to the APRA's prudential statement C2 'Funds Management and Securitisation', issued in October 1995, which requires that where a bank (or another member of a banking group) invests capital in, or provides guarantees or similar support to, a subsidiary entity which undertakes the role of manager, responsible entity, trustee or custodian, then the capital or the guarantee will for capital adequacy purposes be deducted from the bank's, and the banking group's capital base.

5.2 CAPITAL MANAGEMENT

We increased our capital base in the 1999 calendar year through issues of Tier 1 qualifying hybrid equity and NZ Class Shares.

While 33 million ordinary shares were repurchased in the six months to 31 March, these equity raisings and growth in capital through retained earnings, and the dividend re-investment plan have resulted in capital in excess of our target levels. In fact, as at 31 March 2000 the ratio of tangible ordinary equity to risk adjusted assets stood at 6.9%, over $1.3 billion above our target of 5.6%. Our current capital ratio has reduced the benefit of our profit growth on earnings per share and return on ordinary equity.

As a first step towards addressing this capital surplus, we announced on 18 April 2000 an on-market buy-back of up to 50 million ordinary shares. We expect that this buy-back, in conjunction with other capital management initiatives will result in actual capital levels aligning with our target ratios by the end of the calendar year 2000. We expect that our shareholders will benefit from the combined impacts of the buy-back plans and the return to full franking of the dividend.

6 BUSINESS GROUP RESULTS

To enable a more detailed analysis of our results the following business group results have been presented on a management reporting basis. Internal charges and transfer pricing adjustments have been reflected in the performance of each business group reflecting the management of our business, rather than our legal structure. Therefore these results cannot be compared directly to public disclosure of the performance of our individual legal entities or geographic disclosures elsewhere in this document.

The following business results highlight the key business units and do not add to our total result. The remainder of the group result includes smaller business units and certain group financial transactions. Where the management reporting structure has changed or where accounting reclassification have been made, comparatives have been restated and therefore differ from results previously reported.

6.1 AUSTRALIAN RETAIL FINANCIAL SERVICES

Our Australian Retail Financial Services operations consists of the combined results of Retail Banking, Australian Guarantee Corporation (AGC), Westpac Financial Services, Westpac Life and Global Transactional Services (GTS). This is a change from previous results following the restructure to align the product areas within one group. Prior period results have been restated to include the contribution for GTS.

$M	31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999-March 2000
Net interest income	1,414	1,420	1,388	*1.9*
Non-interest income	843	665	582	*44.8*
Operating income	2,257	2,085	1,970	*14.6*
Non-interest expenses (less intangibles)	(1,315)	(1,260)	(1,207)	*8.9*
Core earnings	942	825	763	*23.5*
Amortisation - intangibles	(31)	(32)	(31)	-
Underlying performance	911	793	732	*24.5*
Provision for bad and doubtful debts	(71)	(78)	(52)	*36.5*
Operating profit before tax	840	715	680	*23.5*
Tax and outside equity interests	(317)	(243)	(239)	*32.6*
Profit on operations	523	472	441	*18.6*
Economic Profit[(1)]	333	314	281	*18.5*
	$B	**$B**	**$B**	
Deposits and other public borrowings	49.7	49.6	48.3	*2.9*
Net loans and acceptances	83.6	79.2	73.2	*14.2*
Total assets	99.1	87.4	81.6	*21.4*
Funds under management	23.8	22.4	21.6	*10.2*
Expense/income (before intangibles)	58.3%	60.4%	61.3%	
Productivity ratio	3.27	2.94	2.95	
Non-interest income/operating income	37.4%	31.9%	29.5%	

(1) The Australian tax expense has been used in the determination of the franking value in our business unit EP calculations. Group equity has been allocated to business units based on key risk criteria.

Financial Performance

- Net interest income:
  - Total lending grew by a net $10.4 billion on the prior corresponding period, reflecting both market growth and improved market share. Net of securitised mortgages, our Australian on-balance sheet housing outstandings increased by $6.3 billion or approximately 17%.
  - Credit card spending increased by 45% over the corresponding period in 1999. Credit card outstandings have also risen 25% over the period to $4.2 billion at 31 March 2000 (March 1999 $3.3 billion).
  - Despite this balance sheet growth, net interest income only grew by 2% over the corresponding period in 1999, as margins continued to decline through competitive pressures and rising wholesale market rates as outlined in the commentary on spreads and margins on page 17.
  - The increase in official interest rates resulted in a slight increase in deposit margins, which improved the previously declining trend caused by the low level of interest rates.

- Non-interest income:
  - The adoption of accounting standard AASB 1038 and the restructuring of our life insurance and financial services business added $132 million to non-interest income in the 31 March 2000 results.
  - After normalising the results for the accounting change, non-interest income grew both by $129 million and as a percentage of total income on the pcp from 30% to 33%. Repricing for retail and business transaction accounts towards a user pays approach, which occurred last year, resulted in increased income and improved the returns on transaction account products. Other contributions have been made through the growth in fee income from each of: funds under management, insurance product sales (both life and general) and credit cards. Home loan establishment fees have also increased due to higher new lending volumes and better collection rates.

- Non-interest expenses have grown by 9% on the March 1999 half year, or 6% excluding $36 million attributable to the accounting change in our life insurance and financial services business, from business growth in key areas such as financial services and cards. Business restructuring costs, one-off costs associated with the Sydney 2000 Olympic Games, Y2K remediation work and the implementation of GST also contributed to the increase.

Business Developments

The primary focus of our Australian Retail Financial Services unit remains growing the number of customers who have significant, multi-product relationships with us. This strategy is implemented through a variety of packaged solutions designed to meet the needs of our various customer segments.

<u>Branch Network Initiatives</u>
In November 1998 we announced a major branch refurbishment program to modernise our retail distribution network over three years. So far, 18 refurbishments, 78 amalgamations and six relocations have been completed and 90 in-store banking centres are in operation. As a result of our continued commitment to provide face-to-face banking services to rural and regional Australia, eight new sites were created in towns where we were not previously represented.

Other new developments include the introduction of a standardised customer service model across the branch network, cash handling initiatives for business customers and a greater emphasis on demonstrating to our customers how they might reduce their banking costs through the use of more convenient electronic channels.

<u>E-commerce</u>
Internet banking registrations have increased by almost 350% to 211,822 at March 2000 (47,177 pcp). Customer satisfaction with the service is high at 94%, with over 96% likely to, or already have, recommended internet online banking to family or friends.

Our online broking operation was launched in January 2000 and we had 15,790 registered users by 31 March 2000. Over 18,000 trades were processed in March, with over 85% of these being originated via the internet.

Housing

The combination of our package offerings, eg. Professional Connections Package, innovative product features such as SmartPay, and more effective distribution from our sales force and brokers, has further improved the performance of the housing products. We wrote 20% of new home loans in Australia in the five months to the end of February 2000[1] and the volume of housing loans on the balance sheet increased by 17% over the corresponding period in 1999. Our market share of total outstanding housing loans has also increased to 21% in February 2000 from 20% in February 1999. In addition to growing volumes, the quality of the revenue streams also improved. We increased the proportion of higher margin variable rate loans being written from 74% of sales during the 1999 financial year, to 84% of sales in the six months to 31 March 2000.

Credit Cards

The success of our credit card offerings as both a stand alone product and when combined with packages continues. Outstanding balances on credit cards grew by 25% from the corresponding period last year. The number of cards on issue increased by 12% and the value of purchases made on our cards by 45% since March 1999.

We have increased our market share of the bank issued credit card market for both outstanding balances (from 18% to 19%) and the value of purchases made (from 19% to 22%) over the period from February 1999 to February 2000.

Funds Under Management and Insurance

The number of our funds management customers increased to almost 880,000 (12% on pcp), with the number of general insurance customers growing by 23%. Total funds under management have grown by 10% to $23.8 billion.

Business Banking

Total business customer numbers have increased by 6%, with growth in business lending (7%) and business deposits (12%) in the year to 31 March 2000. Our Business Banking operations are implementing a range of initiatives designed to improve product offerings (eg. Business Advantage and Business Advantage Plus), customer service and also reduce the cost of delivery.

Expense Initiatives

A range of expense initiatives are in progress, including the branch network reconfiguration, standardisation of our customer service model and reduction in regional overhead. Cost savings of $17.7 million have been realised by these programs in this half year.

IT Outsourcing

In January 2000, we announced plans to evaluate potential strategic IT partners to manage our core banking technology operations and telecommunications systems. If adopted, this would include our mainframe and mid-range computing, PC's, IT networks and telecommunication requirements. IT systems development, strategy and architecture would remain in-house.

Customer Satisfaction

We have improved our personal customer satisfaction rating to 74% in March 2000 from 68% in March 1999.

[1] *Compiled using information supplied by the Australian Bureau of Statistics.*

6.2 WESTPAC INSTITUTIONAL BANK

Our Institutional Bank meets the financial needs of corporations and institutions either based in, or with interests in, Australia and New Zealand.

We are recognised as the principal corporate banker to 23% of Australia and New Zealand's top 500 companies[1] providing services in the areas of advice, funding (Corporate Finance) and market risk management (financial markets) to customer groups segmented by industry.

Our Institutional Bank also provides certain services to middle-market business banking customers in Australia and New Zealand.

$M	31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999-March 2000
Net interest income	214	173	153	*39.9*
Non-interest income	115	182	195	*(41.0)*
Operating income	329	355	348	*(5.5)*
Non-interest expenses (less intangibles)	(152)	(161)	(147)	*3.4*
Core earnings	177	194	201	*(11.9)*
Amortisation - intangibles	-	-	-	-
Underlying performance	177	194	201	*(11.9)*
Provision for bad and doubtful debts	11	(8)	(3)	
Operating profit before tax	188	186	198	*(5.1)*
Tax and outside equity interests	(59)	(72)	(64)	*(7.8)*
Profit on operations	129	114	134	*(3.7)*
Economic Profit	86	79	87	*(1.1)*
	$B	**$B**	**$B**	
Deposits and other public borrowings	6.9	7.2	8.0	*(13.8)*
Net loans and acceptances	21.3	18.4	20.3	*4.9*
Total assets	43.0	36.0	38.7	*11.1*
Expense/income (before intangibles)	46.2%	45.4%	42.2%	
Productivity ratio	3.83	4.08	4.05	
Non-interest income/operating income	35.0%	51.3%	56.0%	

Financial Performance

Operating income decreased by 6% to $329 million over the prior corresponding period. Within this Financial Markets income declined by 22% due primarily to a decline in trading income. This was partially offset by an 18% increase in Corporate Finance income.

Active credit risk management and a favourable environment reduced the bad debt expense, with a net credit to earnings of $11 million compared to a charge of $3 million in the prior corresponding period.

The above factors together with active capital management led to a return on fully allocated equity which is now above 21%.

[1] *East and Partners, Corporate Banking Markets Report, April 2000.*

Business Developments

In an environment of increasing competitiveness, our market share and customer satisfaction rankings[1] have improved over the 12-month period to March 2000. This result has been achieved through a number of initiatives including a refocus of the customer service model and implementation of customer information systems.

E-commerce initiatives

A number of e-commerce initiatives have been implemented including:

- Internally, we introduced a new customer contacts database for our relationship managers. This new system enables our managers to leverage customer information, coordinate sales efforts and identify new business opportunities.
- In March, we co-led the first domestic issue of e-bonds.
- In partnership with three of the major wholesale financial institutions, we launched Australia and New Zealand's first internet-based trading and research site for fixed income securities, called yieldbroker.com. This service will provide our clients with a faster and more efficient alternative to the current telephone ordering system for fixed income products, such as Australian government and semi-government bonds, selected Australian corporate bonds and New Zealand government bonds.

Notable transactions

Some of our notable transactions in the past six months were:

- Joint lead manager, AUD250 million medium term notes for Duke Energy
- Joint lead manager, AUD500 million medium term notes for Telstra, marketed via the internet
- Joint lead manager, AUD500 million medium term notes for BHP
- Joint underwriter NZD1,400 million acquisition and bridge financing deal, United Network Ltd
- Sole arranger/underwriter NZD1,200 million facility (bridging loan and syndication) for Natural Gas Corporation, New Zealand.

Peer and Industry recognition

The leadership position of our institutional bank has been recognised in a number of recent surveys and awards:

- Best Mortgage-Backed Research, Asset Backed Research and High Yield Research - Global Investor Magazine Annual Research Awards, February 2000
- Best Domestic Australian Bond Issue - Euroweek Magazine Awards 1999
- Australian Bond House of the Year - IFR Asia Magazine, IFR Asia Awards, December 1999
- 1999 Best Bank in Sydney and Australia - FX Week Magazine, November 1999
- Best Domestic Corporate Bond Deal of the Year - Australian Financial Review Capital Markets Survey, December 1999.

[1] *East and Partners, Corporate Banking Markets Report, April 2000.*

6.3 WESTPACTRUST

WestpacTrust provides retail financial services in New Zealand.

A$M	31 March 2000	30 Sept 1999	31 March 1999	% Mov't March 1999-March 2000	% Mov't in local currency
Net interest income	280	319	328	*(14.6)*	*(10.5)*
Non-interest income	146	133	137	*6.6*	*12.3*
Operating income	426	452	465	*(8.4)*	*(3.8)*
Non-interest expenses (less intangibles)	(223)	(239)	(250)	*(10.8)*	*(6.1)*
Core earnings	203	213	215	*(5.6)*	*(1.2)*
Amortisation - intangibles	(18)	(17)	(19)	*(5.3)*	-
Underlying performance	185	196	196	*(5.6)*	*(1.3)*
Provision for bad and doubtful debts	(14)	(5)	17		
Operating profit before tax	171	191	213	*(19.7)*	*(16.1)*
Tax and outside equity interests	(50)	(71)	(75)	*(33.3)*	*(29.2)*
Profit on operations	121	120	138	*(12.3)*	*(9.1)*
Economic Profit(1)	62	52	70	*(11.4)*	*(7.2)*
	$B	**$B**	**$B**		
Deposits and other public borrowings	11.4	11.0	11.9	*(4.2)*	*(2.1)*
Net loans and acceptances	15.8	14.8	15.9	*(0.6)*	-
Total assets	16.9	16.0	17.6	*(4.0)*	*0.4*
Funds under management	1.2	1.1	1.0	*20.0*	*50.0*
Expense/income (before intangibles)	52.3%	52.9%	53.8%		
Productivity ratio	4.10	3.86	4.04		
Non-interest income/operating income	34.3%	29.4%	29.5%		

(1) A portion of the imputation credits generated on the NZ Class Shares have been included in the business unit EP calculation.

Financial Performance

Net interest income for our New Zealand operations, for the first half continued to show the impact of the competitive local market and the rising interest rate environment. Margin compression reflects the rising cost of funds in advance of the repricing of assets, resulting in lower margins which have not been offset by the increased liability margins.

Non-interest income increased 12% in local currency over the prior comparative period. The increase is mainly due to increases in transaction volumes and other fee initiatives and has been partially offset by slowing funds management sales in the New Zealand market.

Non-interest expenses (excluding intangibles) for the first half are below both 1999 first half and second half levels, falling by 6% in local currency against the prior corresponding period. This is due to continuing initiatives to reduce expenditure and restructure our operations. These initiatives have more than offset inflationary increases and the impact of investments in key initiatives such as, item image processing, the installation of additional ATMs and the rollout of online banking.

Bad debts are higher for the first half of 2000, with the current period expense reflecting a higher level of consumer credit debt write offs. The March 1999 half year result was favourably impacted by the reversal of a prior period charge and reduced provisioning requirements.

Loan volumes increased during the period as a result of several successful home loan promotions in a very slow real estate market leading up to, and post the New Zealand government elections. Deposit volumes have remained relatively stable.

Business Developments

Our Financial Services business had the highest net term life insurance sales in New Zealand for the year ending 31 December 1999. We were also voted the most improved fund manager of the year by IPAC and retained our rating as one of only three five-star fund managers in New Zealand as rated by Morningstar.

Over the last six months, we have continued to build our ATM network and now have one of the largest ATM networks in New Zealand with our nearly 500 machines representing 30% of all ATMs in the country.

In early April 2000 we launched a pilot of our online banking service in New Zealand. The pilot is expected to proceed to full roll out to customers in the near future.

Following the NZ Class Share issue, we launched a brand campaign in October, which significantly raised awareness of our name in the New Zealand market. The brand was further enhanced by our sponsorship involvement with Team New Zealand (New Zealand's America's Cup defence syndicate).

7 DERIVATIVES

Derivatives Outstandings

As at 31 March 2000 $B	Notional amount(1)	Regulatory credit equivalent(2)	Positive mark-to-market (replacement cost)(3)	Negative mark-to-market(4)
Interest rate				
Futures	33.3	-	-	-
Forwards	28.5	-	-	-
Swaps	151.5	2.6	1.9	1.8
Purchased options	8.3	-	-	-
Sold options	4.7	0.3	-	-
Foreign exchange				
Forwards	218.3	7.0	4.7	3.6
Swaps	30.5	2.4	1.1	1.1
Purchased options	16.4	0.9	0.6	.
Sold options	15.8	-	-	0.4
Commodities	1.2	0.2	-	-
Equities	0.8	-	-	-
Gross derivatives	**509.3**	**13.4**	**8.3**	**6.9**
Less: netting benefit		**(5.2)**	**(3.2)**	**(3.2)**
Net derivatives		**8.2**	**5.1**	**3.7**
Gross derivatives as at:				
30 Sept 1999	**485.2**	**9.9**	**5.3**	**5.8**
31 March 1999	**435.2**	**11.4**	**7.0**	**7.1**

(1) Notional amount refers to the face value or the amount upon which cash flows are calculated.
(2) Regulatory credit equivalent is calculated using APRA 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.

We have shown the impact of close-out netting in the table above. This covers derivative contracts where legally enforceable netting agreements are in place with our counterparties. Comparatives have not been restated on a net basis.

Maturity Profile of Derivatives Outstandings in Replacement Cost Terms

As at 31 March 2000 $B	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	-	0.2	0.4	0.8	0.4	1.9
Foreign exchange							
Forwards	2.4	1.1	0.8	0.1	0.2	0.1	4.7
Swaps	-	0.2	0.1	0.1	0.5	0.2	1.1
Purchased options	0.3	0.2	0.1	-	-	-	0.6
Total derivatives	2.8	1.5	1.2	0.6	1.5	0.7	8.3

- 66% of credit risk matures within one year and 73% within two years.
- 96% of credit exposure was to investment grade customers.

Daily Earnings at Risk

Trading risk strategies, which focus on servicing our Australian and New Zealand customer franchise, are reflected in the stable average earnings at risk numbers.

$M	High	Low	Average
Six months ended 31 March 2000	9.70	2.79	5.66
Six months ended 30 September 1999	10.74	3.20	6.29
Six months ended 31 March 1999	10.44	4.10	6.38

The following table depicts the average earnings at risk by risk types for the last three half years.

Average Earnings at Risk by Risk Type

$M	Average for the 6 months ended 31 March 2000	Average for the 6 months ended 30 September 1999	Average for the 6 months ended 31 March 1999
Interest rate risk	5.31	4.51	3.30
Foreign exchange risk	1.57	1.86	2.47
Volatility risk	0.44	0.51	0.50
Other market risk(1)	1.60	1.66	2.80
Diversification benefit(2)	(3.26)	(2.25)	(2.69)
Aggregate market risk	5.66	6.29	6.38

(1) Commodity, equity, prepayment, specific issuer, capital markets underwriting.
(2) Diversification benefit was allocated across risk types for previous half year.

8 CREDIT RATINGS(1)

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

(1) As at April 2000. No changes from prior period.

9 CHANGES IN ACCOUNTING POLICIES

Accounting standard AASB 1038 'Life Insurance Business' become operative for us from 1 October 1999. The standard requires the consolidation of all life insurance assets, liabilities, revenues and expenses. Assets of the life insurer are measured at net market value and all liabilities at net present value. In addition, the standard requires that the excess of the net market values of an interest in a controlled entity over the net amount of the controlled entity's recognised net assets must be recognised in the consolidated financial statements with any subsequent movements included in profit and loss.

The adoption of the standard has resulted in an increase in our assets and liabilities of $7 billion. There was no adjustment to opening retained earnings.

During the half year we undertook an internal reorganisation which resulted in Westpac Life Insurance Services Limited (WLIS) acquiring Westpac Custodian Nominees Limited (WCN) to manage our financial services origination business. Under the new accounting standard WLIS's investment in WCN is carried at net market value.

The application of the accounting standard for the half year ended 31 March 2000 has resulted in an increase in operating profit after tax of $32 million.

Future earnings will continue to be impacted by this change in accounting policy.

10 EXCHANGE RATES

Six month to/as at	31 March 2000		30 September 1999		31 March 1999	
Currency	**Average**	**Spot**	**Average**	**Spot**	**Average**	**Spot**
USD	0.6379	0.6057	0.6402	0.6533	0.6285	0.6294
GBP	0.3939	0.3801	0.3932	0.3972	0.3799	0.3906
NZD	1.2621	1.2202	1.2015	1.2617	1.1814	1.1824

11 DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, within the meaning of the United States Private Securities Litigation Reform Act of 1995, with respect to Westpac, including its business operations and strategy and financial performance and condition. These statements appear under the headings 'management's discussion and analysis of financial condition and results of operations', as well as elsewhere in this report and in documents incorporated by reference in this report. Forward-looking statements can generally be identified by the use of forward-looking words such as 'may', 'will', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'believe' or 'continue', or other similar words. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from our expectations described in such forward-looking statements.

The factors that could cause this to occur include, among other things, the following:

- unanticipated changes in customer preferences;
- demographic changes;
- changes in competitive conditions in any of the major markets in which we operate;
- changes in the regulatory environment in any of the major markets in which we operate;
- changes in political, social and economic conditions in any of the major markets in which we operate;
- legislative proposals for reform of the financial services industry in any of the major markets in which we operate; and
- various other factors beyond our control.

We are under no duty to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, after the date of this report.

12 STATEMENTS OF CASH FLOWS

	Six months to /as at		
$M	31 March 2000	30 Sept 1999	31 March 1999
Cash flows from operating activities			
Interest received	4,649	4,045	4,300
Interest paid	(2,835)	(2,390)	(2,628)
Dividends received	21	18	17
Other non interest income received	525	1,556	1,398
Non interest expenses paid	(1,460)	(1,560)	(1,531)
Decrease/(increase) in trading securities	779	(1,649)	(555)
Income taxes paid	(261)	(224)	(296)
Life insurance:			
receipts from policyholders and customers	1,292	-	-
interest and other items of similar nature	77	-	-
dividends received	143	-	-
payments to policyholders and suppliers	(1,224)	-	-
income tax paid	(4)	-	-
Net cash provided by operating activities	**1,702**	**(204)**	**705**
Cash flows from investing activities			
Proceeds from sale of investment securities	77	52	95
Proceeds from matured investment securities	137	45	103
Purchase of investment securities	(401)	(83)	(361)
Proceeds from securitised loans	255	2,226	342
Net (increase)/decrease in:			
loans	(7,731)	(6,677)	(4,447)
due from other financial institutions	1,819	(963)	65
regulatory deposits	(127)	731	21
life business investments	(346)	-	-
other assets	(252)	243	(797)
Purchase of fixed assets	(210)	(168)	(194)
Proceeds from disposal of fixed assets	282	85	34
Controlled entities acquired/disposed (net of cash held and sale costs)	139	58	-
Net cash used in investing activities	**(6,358)**	**(4,451)**	**(5,139)**
Cash flows from financing activities			
Issue of loan capital	330	160	300
Redemption of loan capital	(70)	(36)	(111)
Proceeds from issue of shares	324	(80)	175
Buyback of shares	(344)	(618)	(315)
Proceeds from issue of exchangeable trust originated preferred securities, net of issue costs paid of $20m	-	465	-
Net increase/(decrease) in:			
due to other financial institutions	687	(415)	149
deposits and public borrowings	2,924	3,061	2,052
other liabilities	(293)	290	129
bonds, notes & commercial paper	1,581	1,941	2,509
Payment of distributions and dividends	(355)	(214)	(413)
Payment of dividends to outside equity interests	(2)	(2)	(2)
Net cash provided by financing activities	**4,782**	**4,552**	**4,473**
Net (decrease)/ increase in cash and cash equivalents	**126**	**(103)**	**39**
Effect of exchange rate changes on cash and cash equivalents	(1)	5	1
Cash and cash equivalents at the beginning of the financial period (1)	345	443	403
Cash and cash equivalents at the end of the financial period	**470**	**345**	**443**

(1) Cash and cash equivalents comprise cash and balances with central banks as shown in the balance sheet.

12 STATEMENTS OF CASH FLOWS (Cont'd)

$M	Six months to /as at 31 March 2000	30 Sept 1999	31 March 1999
Reconciliation of net cash provided by operating activities to operating profit after income tax			
Operating profit after income tax	818	755	701
Adjustments:			
Outside equity interests	2	1	2
Depreciation	130	122	115
Sundry provisions and other non-cash items	1,328	(236)	59
Bad and doubtful debts	99	109	137
(Increase)/decrease in other financial market items	(1,559)	485	567
(Increase)/decrease in trading securities	779	(1,649)	(555)
(Increase)/decrease in accrued interest receivable	(98)	5	(8)
Increase/(decrease) in accrued interest payable	95	(27)	(135)
Increase/(decrease) in provision for income tax	(111)	170	(173)
Increase/(decrease) in provision for deferred income tax	11	30	(49)
(Increase)/decrease in future income tax benefits	226	49	153
Change in excess of net market value over net assets of life insurance subsidiaries	75	-	-
Amounts paid out of sundry provisions	(93)	(18)	(109)
Total adjustments	**884**	**(959)**	**4**
Net cash provided by/(used in) operating activities	**1,702**	**(204)**	**705**
Non-cash operating, investing and financing activities			
Disposals			
Due from other financial institutions	-	15	-
Statutory deposits	-	14	-
Loans	293	785	-
Due from Westpac Group	-	33	-
Fixed assets	-	38	-
Other assets	3	23	-
Deposits and public borrowings	(156)	(815)	-
Due to other financial instititutions	-	(20)	-
Other liabilities	-	(31)	-
Net assets of entities and businesses disposed	**140**	**42**	**-**
Gain/(loss) on disposal	1	16	-
Sale costs	(2)	-	-
Cash consideration (net of sale costs)	**139**	**58**	**-**

13 GROUP FINANCIAL INFORMATION FOR US INVESTORS

Our operating profit and shareholders' equity adjusted to comply with United States generally accepted accounting principles (US GAAP) are:

Six months to $M	31 March 2000	31 March 1999	31 March 2000	31 March 1999
	USD*	**USD***	**AUD**	**AUD**
Net profit as reported	**496**	425	**818**	701
Depreciation on buildings	**2**	2	**3**	3
Gain on sale of properties (including amortisation of gains on sale of properties subject to lease back arrangements)	**(6)**	7	**(9)**	12
Amortisation of goodwill not recognised based on 20 year life	**(4)**	(8)	**(7)**	(13)
Superannuation (pension) expense adjustment	**8**	7	**14**	11
Adjustment re provision for employee redundancy benefits	**-**	(2)	**-**	(4)
Life insurance adjustment (net of tax)	**(27)**	(6)	**(45)**	(9)
Start up costs (1)	**(13)**	-	**(21)**	-
Software capitalisation adjustment	**(2)**	-	**(4)**	-
TOPrS distribution and NZ Class Shares	**(21)**	-	**(34)**	-
Adjusted US GAAP net profit	**433**	425	**715**	701
Other comprehensive income				
Foreign currency translation reserve	**28**	(3)	**47**	(5)
Unrealised net gain/(loss) on available for sale securities	**(13)**	(4)	**(22)**	(6)
Total other comprehensive income	**15**	(7)	**25**	(11)
Total comprehensive income according to US GAAP	**448**	418	**740**	690
Equity as reported	**5,837**	5,288	**9,628**	8,723
Elimination of asset revaluation reserve and deferred gains on sale of properties subject to lease back arrangements	**(105)**	(116)	**(173)**	(191)
Depreciation on buildings	**35**	32	**58**	52
Goodwill not recognised on acquisitions and restoration of previously deducted goodwill less amortisation and amounts written off	**6**	18	**9**	31
Superannuation (pension) expense adjustment	**(49)**	(53)	**(81)**	(87)
Adjustment re provision for employee redundancy benefits	**-**	17	**-**	28
Life insurance adjustment (net of tax)	**(31)**	(8)	**(51)**	(13)
Start up cost adjustment	**(13)**	-	**(21)**	-
Software capitalisation adjustment	**(2)**	-	**(4)**	-
Unrealised net gain/(loss) on available for sale securities (including life company investments)	**(29)**	(2)	**(47)**	(4)
Final dividend provided	**298**	264	**492**	435
TOPrS and NZ Class Shares	**(405)**	-	**(668)**	-
Adjusted US GAAP equity	**5,542**	5,440	**9,142**	8,974

* Australian dollars amounts have been translated into US dollars solely for the convenience of the reader at the rate of AUD1.00 = USD0.60620, the noon buying rate for cable transfers on 31 March 2000, published by the Federal Reserve Bank of New York.

(1) Comprises the cumulative after tax effect of the initial application of SOP 98-5 'Reporting of Start-Up Activities' of $24 million less reduction in current period amortisation of $3 million.

There is no material difference between the level of assets at 31 March 2000 as reported and the level of assets determined in accordance US GAAP.

14 SHAREHOLDER CALENDAR

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

Record date:

Australian and New Zealand Registers

At 5.00pm, 15 June 2000 (Sydney time) at:

Computershare Registry Services Pty Limited, Level 3, 60 Carrington Street, Sydney, NSW 2000

(Dividends payable to shareholders on the New Zealand register will be converted to local currency at the ruling buying rate for telegraphic transfers at 11.00am on 15 June 2000.)

New York

For American Depository Receipts, at 5.00pm, 14 June 2000 (New York time) at:

Morgan Guaranty Trust Company, 60 Wall Street, New York, NY 10260-0060, USA

(Dividends will be converted to local currency at the rate ruling on the date of payment of dividend.)

Tokyo

At 3.00pm, 15 June 2000 (Tokyo time), for shares registered in the books of Tokyo Stock Exchange Members' securities companies.

(Dividends will be converted to local currency at the rate ruling on date of receipt of the funds by the paying agent, The Mitsubishi Trust and Banking Corporation, 1-7-7, Nishi-Ikebukuro, Toshima-ku, Tokyo, 171, Japan.)

Ex-dividend date: **8 June 2000**

Dividend payment date: **7 July 2000**

Group Secretary and General Counsel

5 May 2000

For further information contact:

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Hugh Devine, Senior Manager, Group Investor Relations (02) 9226 1047

15 DIRECTORS' REPORT

The Directors of Westpac Banking Corporation (Parent Entity) report as follows on the affairs of the Group constituted by the Parent Entity and all the entities it controlled from time to time during the accounting period consisting of the six months ended 31 March 2000.

DIRECTORS

The names of the Directors of the Parent Entity holding office at any time during, and since the end of, the half year together with the length of time served as a Director are set out below:

John Uhrig. Appointed Chairman October 1992, Director since November 1989.

David Morgan. Appointed Managing Director March 1999. Director since November 1997.

Barry Capp. Director since May 1993.

Leonard Davis. Director since November 1999.

The Hon. Sir Llewellyn Edwards. Director since November 1988.

John Fairfax. Director since December 1996.

Patrick Handley. Executive Director since November 1997.

Ian Harper. Director since July 1987.

Warren Hogan. Director since August 1986.

Helen Lynch. Director since November 1997.

Eve Mahlab. Director since October 1993.

John Morschel. Director since July 1993.

Peter Ritchie. Director since January 1993.

Christopher Stewart. Director since November 1997.

REVIEW AND RESULTS OF THE BANKS' OPERATIONS DURING THE HALF YEAR

For the financial half year ended 31 March 2000, the operating profit of the Group after income tax attributable to equity holders was $818 million.

A review of the operations of the Group and the results of those operations for the same period is set out on pages 3 to 40 and forms part of this Report.

For and on behalf of the Board of Directors.

J A Uhrig
Chairman

D R Morgan
Managing Director

4 May 2000