Westpac Banking Corporation

ARBN 007 457 141

FIRST HALF PROFIT RESULTS 1997

Half year ended 31 March 1997

HIGHLIGHTS	Six months to 31 March 1997	30 Sept 1996	31 March 1996	% Mov't Sept 96 - March 97	% Mov't March 96 - March 97
Earnings per ordinary share (cents)	34.4	29.7	29.2	*15.8*	*17.8*
Return on average ordinary equity (annualised)	16.9%	14.5%	14.7%	*16.6*	*15.0*
Dividends per ordinary share (cents)	19.0	17.0	16.0	*11.8*	*18.8*
Operating profit after income tax attributable to ordinary shareholders ($m)	638	567	565	*12.5*	*12.9*

Available through **www.westpac.com.au/aboutwp/finresults/download.html.**

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1 REVIEW OF GROUP RESULTS[1]

1.1 PERFORMANCE SUMMARY

Westpac Banking Corporation today announced a 17.8% increase in earnings per share, to 34.4 cents for the half year ended 31 March 1997 from 29.2 cents for the half year ended 31 March 1996. Earnings per share was up 15.8% on the prior half.

Return on average ordinary equity (annualised) increased to 16.9% from 14.7% for the March 1996 half. Operating profit after income tax was $638 million, a 12.9% increase on the March 1996 half and a 12.5% improvement on the September 1996 half.

The larger increases in earnings per share and return on average ordinary equity, than in operating profit, were due to the more efficient use of capital, as a consequence of Westpac's programs of asset securitisation and share repurchase.

Directors intend declaring an interim dividend of 19 cents per ordinary share, fully franked at 36%, an increase of 18.8% over the 1996 interim dividend of 16 cents per ordinary share (fully franked), and a 11.8% increase on the 1996 final dividend of 17 cents (fully franked).

Westpac ended the half year in a strong capital position, with the Tier 1 capital ratio at 7.7%. This is well above regulatory minimum requirements and is after allowing for the buy-back of 31.1 million shares in the first half of 1997. Westpac's strong capital position has enabled it to merge with two regional banks and purchase an insurance company during the past 18 months.

On 3 April 1997, the proposed merger with Bank of Melbourne was announced, which is structured to allow Bank of Melbourne shareholders to elect either a cash or a share plus cash alternative. Regardless of the option elected by Bank of Melbourne shareholders in aggregate, Westpac will utilise active, but prudent, capital management to make certain the tradition of strong capital is maintained. To accomplish this, Westpac has recently announced an effective extension of the current share buy-back scheme to be utilised for managing any excess equity resulting from the Bank of Melbourne merger; and has also secured an underwriting commitment to a non-cumulative converting preference share issue to be utilised should increased Tier 1 capital be required as a result of the merger.

Features of the first half financial results were non-interest expense control, continued improvement in asset quality, improved staff productivity, and higher non-interest income reflecting: growth in commissions and fees; higher financial markets income; and benefits from the sale of equity investments. These results were achieved against the background of reduced interest margins and continued investments in strategic capabilities designed to enhance future prospects.

Looking ahead, competition is expected to remain intense. Earnings improvement will depend upon: continued active capital and balance sheet management; improved operational efficiency; achieving the full potential of regional bank integrations; sound risk management; and improving non-interest income. This will be best achieved through serving customers in better and more efficient ways.

[1] **All comparatives are with the half year ended 30 September 1996 unless otherwise stated.**

1.2 KEY BUSINESS DEVELOPMENTS

1.2.1 Regional Banking Strategy

Overview

Sustainable competitive success in retail banking depends on adapting and responding to local market needs. Westpac's regional banking strategy aims to achieve such competitive advantage through the combination of: placing management and service delivery close to customers; providing a wider range of innovative and competitively priced products and services than could be provided individually by stand alone regional banks; lowering the cost of processing; servicing through centralised back-office operations; and gaining scale in key regional markets.

Challenge Bank

Westpac first adopted this regional banking strategy in merging its retail financial services operations in Western Australia with Challenge Bank.

Customer retention, improved costs, and the provision of a wider range of products and services have been the primary focus. Results to date have exceeded initial expectations.

The original objective was to retain customers and existing consumer deposit and loan balances, with a small loss expected in the first two years due to the focus on the process of physically merging the two banks. In fact, in the most important area of savings and transaction accounts, deposit balances have grown by over 15% since the merger was announced. Consumer loan balances have also been maintained.

Challenge customers have benefited through access to 24 hours and 7 days a week telephone banking and a 50% increase in the number of ATM's in Western Australia, with banking centres opened in several key regional shopping centres.

Just as important, customers have gained access to a wider range of products, particularly transaction accounts, financial services, credit card and business products at competitive pricing.

The completion of the Challenge merger has delivered efficiency benefits equivalent to approximately $38 million per annum, or 45% of the original cost base of Challenge Bank's Western Australian operations, largely through the rationalisation of duplicate branches and by merging and rationalising back-office and support functions, at a total integration cost of $83 million.

The branch network is now the most extensive of all banks in Western Australia and operates with average deposits and loans some 50% greater than was the case in the previous Westpac network.

Trust Bank New Zealand

Westpac has long pursued a distinctive regional strategy in its New Zealand retail operations. The merger of Trust Bank New Zealand and Westpac has created WestpacTrust, the leading bank in New Zealand, with a 22% share of deposits and 21% share of loans. In terms of customer relationships, WestpacTrust is the main banker to 27% of the personal market and around 25% of the small and medium business market.

So far, on an annualised basis, some 48% of the initially planned synergy benefits of NZ$140 million have been achieved. When fully integrated in mid 1998, the integration costs are expected to total around NZ$165 million.

Bank of Melbourne

As a continuation of its regional strategy, and with a particular need to strengthen its competitive position in Victoria, Westpac announced on 3 April 1997 an agreement with the Bank of Melbourne under which Westpac will make an offer to acquire all the issued shares in Bank of Melbourne through schemes of arrangement. This offer is subject to the necessary regulatory and shareholder approvals.

Consistent with Westpac's regional strategy, the customers of Bank of Melbourne will benefit from a broader product and service range. The stronger balance sheet; the substantially larger network and distribution capability; and the reduced cost from centralised national processing will improve the competitive position of the merged entity in the market. It is intended that the merged entity will operate under the Bank of Melbourne name.

Westpac Life

The purchase of Westpac Life on 1 October 1996 extended the range of financial services products manufactured by Westpac and sold to customers through the regional bank networks. Significant opportunity exists to extend penetration of Westpac's customer base in financial services, and to expand sales to customers gained through the regional bank mergers.

The $343 million purchase has been positive to earnings per share in the first half and has allowed Westpac to integrate production, administration, and sales of life insurance, superannuation and other investment products, thus reducing operating expenses and providing a superior value proposition for customers.

1.2.2 Capital Management

Asset Securitisation

Asset securitisation is a key component of Westpac's active capital management. It involves the sale of loans to investors, thereby removing assets from the balance sheet and allowing capital to be redeployed.

Westpac retains the residual margin over the investors' return, whilst the investors assume the credit risk. As a consequence, Westpac is not required to hold any regulatory capital against securitised assets and is able to reduce capital through mechanisms such as share buy-backs.

While securitisation reduces net interest income, both earnings per share and return on average ordinary equity are higher than would be the case if these assets remained on the balance sheet. As a direct result, customers can be offered more competitive pricing, and at the same time shareholders receive improved returns.

On 19 February 1997, Westpac completed the securitisation of $650 million of its Premium Option home loan portfolio through a private placement. This followed the earlier securitisation of $340 million of Basic Option home loans on 30 September 1996.

Westpac subsequently announced on 21 April 1997, the securitisation of a further $604.4 million of housing loans via the public issue of mortgage backed, pass-through, floating rate securities, taking total securitisation of home loan assets to approximately $1.6 billion.

Ordinary Share Buy-backs

Consistent with the active management of capital to improve shareholder value, Westpac is continuing to use on-market share buy-backs to reduce excess capital whenever appropriate.

On 4 November 1996, Westpac announced that it would undertake a buy-back of 85 million (approximately 5%) fully paid ordinary shares, conducted as a normal on-market transaction through the Australian Stock Exchange. In the period to 6 February 1997, 31.1 million shares were purchased at an average price of $7.16, which compared favourably with the average market price during that period.

On 2 May 1997, Westpac announced that it had put in place a further on-market buy-back scheme, to be effective from 19 May 1997, that will enable it to buy-back up to 50 million (approximately 2.8%) of fully paid ordinary shares. This scheme is effectively an extension of the 4 November 1996 scheme, which could not be completed in the six months allowed by the Australian Stock Exchange.

1.2.3 Productivity Initiatives

Mortgage Processing Centre

The development of the Mortgage Processing Centre (MPC) has positioned Westpac so that it can be a key participant in the rapidly changing and increasingly competitive home lending market.

Westpac's ability to undertake benchmark securitisation transactions is attributable, in part, to the standardisation and control of all mortgage origination and documentation, and the mortgage servicing capability of the MPC.

Just as critical is the MPC's role in Westpac's regional bank strategy in providing the servicing capacity to absorb the large increase in mortgages that have been, or are anticipated to be, acquired through regional integration. As an illustration of this potential scale, the combined mortgage portfolios of Challenge Bank, Trust Bank New Zealand and Bank of Melbourne equates to around 65% of the number of loans currently being serviced by the MPC. The potential benefits from increased scale are significant.

The Mortgage company is currently capitalised at $130 million.

Financial Markets Centralisation

Westpac has become the first Australian bank to centralise its offshore financial markets transaction processing and accounting, and has become one of the first banks in the world to achieve this for derivatives products globally.

The project commenced in October 1995 and involved moving support functions from London, New York and Tokyo to Sydney. This process is largely complete and has delivered cost savings of $36 million per annum through a reduction of 160 staff and significant reductions in premises and technology infrastructure costs.

1.2.4 Asset Quality

The continuing focus on risk management disciplines, and the practice of recognising the expected loss against net interest income at the time loans are written (dynamic provisioning), has driven a further improvement in asset quality.

Total gross impaired assets have been reduced by 24% and now are down to 1.1% of total loans and acceptances. Westpac's provisions to total impaired loans have risen to over 180%, reflecting not only the reduction in impaired loans, but also Westpac's prudent approach to provisioning, thereby ensuring shareholders are adequately protected from expected losses through credit cycles.

Westpac believes that these practices will assist in maintaining underlying asset quality, while ensuring adequate portfolio provisioning, thereby reducing earnings volatility.

1.3 FINANCIAL SUMMARY

	Six months to/as at		
	31 March 1997	30 Sept 1996	31 March 1996
Shareholder value			
Earnings per ordinary share (cents)	34.4	29.7	29.2
Return on average ordinary equity (annualised)	16.9%	14.5%	14.7%
Dividends per ordinary share (cents)			
- franked @ 36%	19.0	17.0	16.0
Dividend payout ratio	54.7%	54.8%	55.8%
Net tangible asset backing per ordinary share ($)	3.54	3.39	3.77
Earnings			
Operating profit before income tax ($m)	891	760	796
Operating profit after income tax attributable to ordinary shareholders ($m)	638	567	565
Return on average assets (annualised)	1.01%	0.95%	1.00%
Net interest margin	3.55%	3.76%	3.68%
Non-interest income/total operating income	33.9%	30.8%	31.6%
Productivity and efficiency			
Efficiency (expense to income) ratio before intangibles, restructuring expenses	62.05%	63.46%	61.38%
Personnel numbers			
- core full time equivalent (FTE)	31,779	33,832	32,561
- average core FTE	32,495	33,479	31,947
Operating income per average core FTE ($000)	158	147	142
Salaries and other staff expenses (excluding restructuring expenses) per average core FTE ($000)	55	53	52

1.3 FINANCIAL SUMMARY (cont'd)

	Six months to/as at		
	31 March 1997	**30 Sept 1996**	**31 March 1996**
Capital adequacy			
Capital adequacy ratio			
- Total	10.3%	10.8%	13.0%
- Tier 1	7.7%	7.4%	9.2%
Average ordinary equity ($m)	7,336	7,542	7,436
Average total equity ($m)	7,936	8,142	8,036
Average tangible ordinary equity to total average tangible assets	5.0%	5.6%	6.4%
Tangible ordinary equity to gross loans and acceptances	6.8%	6.5%	8.3%
Assets			
Group assets ($m)	122,043	121,513	115,746
Group assets - pre securitised assets ($m)	123,081	121,853	115,746
Net loans and acceptances ($m)	90,686	92,398	84,070
Net loans and acceptances - pre securitised assets ($m)	91,724	92,738	84,070
Risk-adjusted assets ($m)	86,901	86,503	81,409
Asset quality			
Impaired loans to total loans and acceptances	1.0%	1.4%	1.9%
Total provisions to total impaired loans	182.7%	145.1%	112.6%

2 PROFIT AND LOSS STATEMENT

(Based on results that have been subject to review by Westpac's auditors)

$m	Six months to 31 March 1997	30 Sept 1996	31 March 1996	% Mov't Sept 96 - March 97
Interest income				
- Deposits with banks	249	279	277	*(10.8)*
- Investment and trading securities	329	287	275	*14.6*
- Statutory deposits	12	12	11	-
- Loans and other receivables	3,841	3,931	3,448	*(2.3)*
Interest income	**4,431**	**4,509**	**4,011**	***(1.7)***
Interest expense				
- Current and term deposits	(1,971)	(1,931)	(1,696)	*2.1*
- Public borrowings	(220)	(233)	(231)	*(5.6)*
- Deposits from banks	(214)	(263)	(325)	*(18.6)*
- Loan capital	(80)	(79)	(90)	*1.3*
- Other liabilities	(251)	(298)	(120)	*(15.8)*
Interest expense	**(2,736)**	**(2,804)**	**(2,462)**	***(2.4)***
Net interest income	**1,695**	**1,705**	**1,549**	***(0.6)***
Provision for bad and doubtful debts	(50)	(51)	(70)	*(2.0)*
Net interest income after provisions for bad and doubtful debts	**1,645**	**1,654**	**1,479**	***(0.5)***
Non-interest income				
- Fees and commissions	592	570	532	*3.9*
- Financial markets income	135	104	114	*29.8*
- Other income	142	84	68	*69.0*
Non-interest income	**869**	**758**	**714**	***14.6***
Operating income net of provisions for bad and doubtful debts	**2,514**	**2,412**	**2,193**	***4.2***
Non-interest expenses				
- Salaries and other staff expenses	(886)	(957)	(837)	*(7.4)*
- Equipment and occupancy expenses	(285)	(252)	(231)	*13.1*
- Other expenses	(420)	(417)	(321)	*0.7*
- Amortisation of intangibles	(32)	(26)	(8)	*23.1*
Non-interest expenses	**(1,623)**	**(1,652)**	**(1,397)**	***(1.8)***
Operating profit before tax	**891**	**760**	**796**	***17.2***
Tax expense	(252)	(191)	(230)	*31.9*
Outside equity interests	(1)	(2)	(1)	*(50.0)*
Operating profit after income tax attributable to shareholders	**638**	**567**	**565**	***12.5***

2 PROFIT AND LOSS STATEMENT (Cont'd)

(Based on results that have been subject to review by Westpac's auditors)

$m	Six months to 31 March 1997	30 Sept 1996	31 March 1996	% Mov't Sept 96 - March 97
Retained profits at the beginning of the financial period	1,366	1,147	842	*19.1*
Aggregate of amounts transferred (to)/from reserves	16	(29)	74	*155.2*
Total available for appropriation	**2,020**	**1,685**	**1,481**	***19.9***
Appropriations:				
- Dividends provided for or paid	(358)	(319)	(334)	*12.2*
Retained profits at the end of the financial period	**1,662**	**1,366**	**1,147**	***21.7***
Earnings (cents) per Ordinary Share after deducting preference dividends				
- basic	34.4	29.7	29.2	*15.8*
- fully diluted	33.2	28.9	28.2	*14.9*
Weighted average number of fully paid Ordinary Shares (millions)	1,796	1,840	1,866	*(2.4)*

3 BALANCE SHEET ANALYSIS

3.1 BALANCE SHEET

(Based on results that have been subject to review by Westpac's auditors)

$m As at:	31 March 1997	30 Sept 1996	31 March 1996	% Mov't Sept 96 - March 97	% Mov't March 96 - March 97
Assets					
Cash and balances with central banks	338	408	636	*(17.2)*	*(46.9)*
Statutory deposits	920	879	779	*4.7*	*18.1*
Due from other banks	5,208	6,286	5,056	*(17.1)*	*3.0*
Trading securities	*7,153*	*5,603*	*6,005*	*27.7*	*19.1*
Investment securities	*2,134*	*2,080*	*2,690*	*2.6*	*(20.7)*
Securities sold not yet delivered	*1,586*	*761*	*3,765*	*108.4*	*(57.9)*
Securities purchased under agreements to resell	*373*	*243*	*220*	*53.5*	*69.5*
Other financial markets assets	*6,584*	*6,666*	*7,363*	*(1.2)*	*(10.6)*
Total securities and financial markets assets	17,830	15,353	20,043	*16.1*	*(11.0)*
Productive loans	*80,541*	*81,756*	*71,826*	*(1.5)*	*12.1*
Acceptances of customers	*10,898*	*11,197*	*12,454*	*(2.7)*	*(12.5)*
Impaired assets	*983*	*1,292*	*1,669*	*(23.9)*	*(41.1)*
Less: provisions for bad and doubtful debts	*(1,736)*	*(1,847)*	*(1,879)*	*(6.0)*	*(7.6)*
Net loans and acceptances	90,686	92,398	84,070	*(1.9)*	*7.9*
Fixed assets	1,714	1,869	1,661	*(8.3)*	*3.2*
Intangible assets	1,058	1,156	426	*(8.5)*	*148.4*
Other assets	4,289	3,164	3,075	*35.6*	*39.5*
Total assets	**122,043**	**121,513**	**115,746**	***0.4***	***5.4***
Liabilities and equity					
Deposits	69,160	68,769	58,837	*0.6*	*17.5*
Public borrowings	5,803	6,117	5,858	*(5.1)*	*(0.9)*
Bonds, notes and commercial paper	7,244	7,226	5,326	*0.2*	*36.0*
Acceptances	10,898	11,197	12,454	*(2.7)*	*(12.5)*
Securities liabilities	2,438	1,374	4,457	*77.4*	*(45.3)*
Due to other banks	5,903	5,419	6,951	*8.9*	*(15.1)*
Other financial markets liabilities	7,098	7,405	8,055	*(4.1)*	*(11.9)*
Other liabilities	3,648	3,916	3,003	*(6.8)*	*21.5*
Total liabilities excluding loan capital	**112,192**	**111,423**	**104,941**	***0.7***	***6.9***
Subordinated bonds, notes and debentures	1,246	1,266	1,656	*(1.6)*	*(24.8)*
Subordinated undated capital notes	637	933	950	*(31.7)*	*(32.9)*
Total loan capital	**1,883**	**2,199**	**2,606**	***(14.4)***	***(27.7)***
Total liabilities	**114,075**	**113,622**	**107,547**	***0.4***	***6.1***
Net assets	**7,968**	**7,891**	**8,199**	***1.0***	***(2.8)***
Shareholders' equity					
Share capital	1,862	1,887	1,979	*(1.3)*	*(5.9)*
Reserves	4,439	4,632	5,067	*(4.2)*	*(12.4)*
Retained profits	1,662	1,366	1,147	*21.7*	*44.9*
Outside equity interests	5	6	6	*(16.7)*	*(16.7)*
Total shareholders' equity	**7,968**	**7,891**	**8,199**	***1.0***	***(2.8)***

3.2 LOANS

$m As at:	31 March 1997	30 Sept 1996	31 March 1996
Australia			
Overdrafts	2,490	3,180	3,104
Credit card outstandings	2,332	1,940	1,846
Overnight and call money market loans	98	112	100
Own acceptances discounted	843	830	895
Term loans:			
- Housing - owner occupied	21,260	22,646	22,912
- Housing - other	6,975	6,978	6,545
- Non-housing	18,949	18,509	19,452
Finance leases	2,360	2,430	2,541
Investments in leveraged lease and equity lease partnerships	303	318	343
Redeemable preference share finance	1,630	1,586	1,276
Other Real Estate Owned	80	80	79
Other	2,200	2,470	1,529
Total - Australia	59,520	61,079	60,622
New Zealand			
Overdrafts	1,041	1,005	685
Credit card outstandings	518	450	264
Overnight and call money market loans	355	360	361
Own acceptances discounted	100	157	192
Term loans:			
- Housing - owner occupied	10,880	10,033	3,676
- Housing - other	62	500	-
- Non-housing	6,272	6,471	4,425
Finance leases	25	35	42
Investments in leveraged lease and equity lease partnerships	-	-	-
Redeemable preference share finance	206	32	31
Other	155	639	682
Total - New Zealand	19,614	19,682	10,358
Total - Other overseas	3,771	3,868	4,095
Total gross loans	82,905	84,629	75,075
Less:			
- Unearned income	1,381	1,581	1,580
- Provisions for doubtful debts	1,736	1,847	1,879
Total net loans	**79,788**	**81,201**	**71,616**

3.3 DEPOSITS AND PUBLIC BORROWINGS

$m As at:	31 March 1997	30 Sept 1996	31 March 1996
DEPOSITS			
Australia			
Non-interest bearing	2,709	3,943	4,686
Certificates of deposit	3,914	4,574	4,441
Other interest bearing - at call	19,209	17,996	17,332
- term	17,931	16,963	17,850
Total deposits in Australia	43,763	43,476	44,309
New Zealand			
Non-interest bearing	1,116	1,075	715
Certificates of deposit	1,621	1,806	1,631
Other interest bearing - at call	5,264	4,462	2,206
- term	8,322	9,204	3,395
Total deposits in New Zealand	16,323	16,547	7,947
Other overseas			
Non-interest bearing	429	438	434
Certificates of deposit	2,729	2,749	1,688
Other interest bearing - at call	538	529	504
- term	5,378	5,030	3,955
Total deposits other overseas	9,074	8,746	6,581
Total deposits	**69,160**	**68,769**	**58,837**
PUBLIC BORROWINGS BY SUBSIDIARY BORROWING CORPORATIONS			
Australia			
Secured	4,299	4,435	4,312
Unsecured	1,028	1,141	1,006
Total public borrowings in Australia	5,327	5,576	5,318
Overseas			
Secured	394	492	486
Unsecured	82	49	54
Total public borrowings overseas	476	541	540
Total public borrowings by subsidiary borrowing corporations	**5,803**	**6,117**	**5,858**

3.4 BALANCE SHEET MOVEMENTS

Total assets grew by $530 million, or 0.4%, to $122.0 billion during the first half of 1997.

Major balance sheet movements between September 1996 and March 1997 were:

Assets

- Trading securities increased by $1.6 billion to $7.2 billion, partly offset by a $1.1 billion reduction in holdings of other banks' deposits to $5.2 billion. These movements have occurred as part of Westpac's liquidity management and in response to trading opportunities.
- Securities sold not yet delivered, and securities purchased under agreement to resell increased by $1.0 billion to $2.0 billion. This increased forward activity reflects market opportunities.
- Net loans and acceptances fell by $1.7 billion to $90.7 billion. The decrease reflects the sale of Challenge Bank's Victorian assets, ($1.2 billion) to Bank of Melbourne. In addition, in the first half of 1997, Westpac securitised $650 million of its Premium Option Home Loan portfolio through a private placement.
- The impact of these strategic initiatives is reflected in a 6% reduction in Australian housing owner occupied loans held on the balance sheet. Despite the challenges associated with the merger in New Zealand, strong growth has been achieved in housing owner occupied loans, up 8%. This has been partially offset by a 3% decrease in the non-housing term loans.
- Due to significant marketing efforts, credit card outstandings in Australia have grown by 20%. The level of Australian overdrafts has declined 22%, reflecting a change in business customer preference towards use of consumer finance products such as mortgage backed loans. There has been strong underlying growth in finance leases. This increase has been offset by a decrease in the gross loan amount as a result of legislation requiring a change in the method of recording exposures in these products. This is reflected in a corresponding decrease in unearned income with no change to the overall net loan exposure.
- Gross impaired assets were reduced by $309 million, or 24%, to $983 million, reflecting the continued improvement in asset quality.

Liabilities

- Deposits increased by $391 million to $69.2 billion and due to other banks' increased by $484 million to $5.9 billion. There has also been significant movement in the mix of funding from deposits and public borrowings. In Australia, whilst the level of non-interest bearing deposits has declined, other interest bearing deposits have increased further. These movements highlight a market shift in customer preferences towards interest bearing deposits, coupled with the achievement of underlying growth in deposits in the Australian Retail Bank. Partially offsetting this is the impact of the sale of Challenge Bank Victorian deposits ($0.4 billion) to Bank of Melbourne. The decrease in certificates of deposits in Australia and New Zealand reflects the changed funding requirements.

- Securities liabilities increased by $1.1 billion to $2.4 billion. This relates to increased volumes in forward trading, taking advantage of market opportunities.

4 STATEMENT OF CASHFLOWS

	Six months to		
$m	**31 March 1997**	**30 Sept 1996**	**31 March 1996**
Cash flows from operating activities			
Interest received	4,406	4,516	3,989
Interest paid	(2,525)	(2,700)	(2,483)
Dividends received	27	13	3
Other non-interest income received	301	1,209	444
Non-interest expenses paid	(1,435)	(1,506)	(1,262)
Decrease/(increase) in trading securities	(1,297)	2,087	(230)
Income taxes paid	(351)	(91)	(107)
Net cash provided by/(used in) operating activities	**(874)**	**3,528**	**354**
Cash flows from investing activities			
Proceeds from sale of investment securities	551	395	710
Proceeds from matured investment securities	375	266	465
Purchase of investment securities	(940)	(108)	(1,458)
Net (increase)/decrease in:			
- loans	1,340	(2,423)	(3,298)
- due from other banks	1,077	(1,254)	(84)
- statutory deposits	(42)	(105)	(15)
- other assets	(812)	(453)	274
Fixed assets additions	(139)	(286)	(226)
Proceeds from disposal of fixed assets	194	76	124
Controlled entities acquired	(343)	(1,095)	(265)
Net cash provided by/(used in) investing activities	**1,261**	**(4,987)**	**(3,773)**
Cash flows from financing activities			
Proceeds from issue of shares	22	2	12
Buyback of shares	(223)	(545)	-
Net increase/(decrease) in:			
- due to other banks	401	(1,528)	(25)
- deposits and public borrowings	(3)	3,316	2,680
- bonds, notes and commercial paper	(1)	531	1,927
- other liabilities	(18)	82	(421)
- loan capital	(306)	(311)	(139)
Payment of dividends to shareholders	(327)	(315)	(307)
Decrease in outside equity interests	(2)	(1)	(1)
Net cash provided by/(used in) financing activities	**(457)**	**1,231**	**3,726**
Net increase/(decrease) in cash and cash equivalents	**(70)**	**(228)**	**307**
Effect of exchange rate changes on cash and cash equivalents	-	-	(1)
Cash and cash equivalents at the beginning of the financial period *	408	636	330
Cash and cash equivalents at the end of the financial period	**338**	**408**	**636**

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

4 STATEMENT OF CASHFLOWS (Cont'd)

	Six months to		
	31 March	**30 Sept**	**31 March**
$m	**1997**	**1996**	**1996**
Reconciliation of net cash provided by operating activities to operating profit after income tax			
Operating profit after income tax	638	567	565
Adjustments:			
Outside equity interests	1	2	1
Depreciation	108	96	78
Sundry provisions and other non-cash items	(352)	522	(204)
Bad and doubtful debts	95	96	110
(Increase)/decrease in trading securities	(1,297)	2,087	(230)
(Increase)decrease in accrued interest receivable	(25)	7	(22)
Increase/(decrease) in accrued interest payable	211	104	(21)
Increase/(decrease) in provision for income tax	(236)	318	13
Increase/(decrease) in provision for deferred income tax	(213)	100	(190)
(Increase)/decrease in future income tax benefits	321	(288)	320
Amounts paid out of sundry provisions	(125)	(83)	(66)
Total adjustments	(1,512)	2,961	(211)
Net cash provided by/(used in) operating activities	(874)	3,528	354
Non-cash operating, investing and financing activities			
Issuance of 0.3 million(70.1 million at 31 March 1996) $1 ordinary shares fully paid at a premium of $4.45 each and 2.6 million $1 ordinary shares fully paid at a premium of $4.93 each as part consideration for acquisition of subsidiaries	-	17	382
Details of assets and liabilities of controlled entities acquired are as follows:			
Acquisitions			
Due from the Westpac Group	-	-	151
Due from other banks	-	-	40
Trading securities	-	1,566	203
Investment securities	-	-	247
Statutory deposits	-	-	50
Loans	-	7,197	4,294
Acceptances of customers	-	-	133
Other investments	343	-	7
Fixed assets	-	111	17
Other assets	-	148	45
Due to other banks	-	-	(42)
Due to the Westpac Group	-	(47)	(61)
Deposits and public borrowings	-	(6,937)	(4,132)
Bonds, notes and commercial paper	-	(1,398)	(533)
Acceptances	-	-	(133)
Other liabilities	-	(179)	(51)
Loan capital	-	(62)	(10)
Intangible assets	-	731	414
	343	1,130	639
Integration costs provided, net of tax benefit	-	(20)	(36)
	343	1,110	603
Issuance of shares as part consideration	-	(17)	(382)
Prior period cash payment for investment	-	-	(41)
Current period cash payment for acquisition (net of cash acquired)	343	1,093	180
Cash acquired	-	2	85
Cash consideration and costs	343	1,095	265

5 BUSINESS GROUP RESULTS

(Management reporting basis[1] unaudited)

	Six months to			As at		
	31 Mar 1997	30 Sept 1996	31 Mar 1996	31 Mar 1997	30 Sept 1996	31 Mar 1996
	Profit on operations ($m)			Standard assets ($bn)		
Australian Banking Group	274	347	308	51.3	53.2	53.1
Institutional Banking	*122*	*125*	*154*	*38.7*	*35.4*	*39.9*
New Zealand Retail and Pacific Regional Banking	*149*	*74*	*88*	*19.8*	*19.6*	*9.8*
Total Institutional and International Banking	271	199	242	58.5	55.0	49.7
Australian Guarantee Corporation	63	43	43	7.4	7.3	7.2
Other[2]	30	(22)	(28)	4.8	6.0	5.7
	638	567	565	122.0	121.5	115.7

(1) *The information in this business group summary has been presented on a management reporting basis. As such, internal charges and transfer pricing adjustments have been reflected in the performance of each business group. In addition, the basis of reporting reflects the management of the businesses within the Westpac Group rather than the legal structure of the Group. Therefore, these results cannot be compared directly to the performance of individual legal entities within the Westpac Group.*

(2) *Other includes the general provision charge and the results of the Asset Management Group, which is responsible for managing impaired assets and any consequent recoveries, as well as sale of equity investments. Also included in this category is a restructuring provision of $63 million in the six months to 30 September 1996.*

The above business group breakdown reflects the current management structure within Westpac, resulting from an organisational restructure in May 1996. The 31 March 1996 business group results have been restated for comparative purposes.

5.1 AUSTRALIAN BANKING[1]

	Six months to/as at			% Mov't
	31 March 1997	30 Sept 1996	31 March 1996	Sept 96 - March 97
	$m	$m	$m	
Net interest income	952	1,074	1,050	*(11.4)*
Provision for bad and doubtful debts	(7)	19	(34)	*(136.8)*
Non-interest income	344	301	280	*14.3*
Net operating income	1,289	1,394	1,296	*(7.5)*
Non-interest expenses	(874)	(844)	(816)	*3.6*
Operating profit before tax	415	550	480	*(24.5)*
Tax and outside equity interests	(141)	(203)	(172)	*(30.5)*
Profit on operations	274	347	308	*(21.0)*
	$bn	$bn	$bn	
Deposits and other public borrowings	29.3	28.5	30.0	*2.8*
Net loans and acceptances	44.7	46.9	47.0	*(4.7)*
Total assets	51.3	53.2	53.1	*(3.6)*
Personnel numbers - core FTE	17,596	19,360	21,104	
Expense/income (before intangibles)	66.82%	60.65%	61.05%	
Return on assets	1.11%	1.30%	1.23%	
Non-interest income/operating income	26.5%	21.9%	21.1%	

N/A = Not Available

(1) *Australian Banking comprises the Australian Retail Bank, including Challenge Bank, and Westpac Financial Services.*

- Intense competition in the retail and business segments of the banking industry has seen a reduction in margins, contributing to the reduction in net interest income. Additionally, Westpac has been securitising assets to more efficiently use capital. A total of $1 billion of lending assets had been securitised as at 31 March 1997, reducing net interest income but increasing non-interest income through servicing income.

- The sale of Challenge Bank's Victorian lending assets ($1.2 billion) and deposit liabilities ($0.4 billion), has also contributed to the reduction in net interest income. The impact of the sale of these assets and liabilities and the securitisation program has been partially offset by underlying growth in housing and credit card products, and retail deposit products.

- Strategies have been adopted to further improve the quality of loans, reflected in the relatively low provision expense for bad and doubtful debts. Exposures have been reduced through the abovementioned asset reductions, the quality (grade) of loans has improved and measures have been developed for earlier identification of problem loans. The provision for bad and doubtful debts in the six months to September 1996 includes writebacks of provisions no longer required.

- The increase in non-interest income represents a change in the mix of transactional banking products, as well as the larger then anticipated growth in Westpac's top value 'Classic Plus' account. Processes for collecting account keeping and transaction fees have been significantly improved, further increasing non-interest income. Strong marketing efforts have been rewarded through an increase in cards merchant business and associated fee income. Benefits in this area are expected to flow from the sponsorship of the 2000 Olympics and associated customer initiatives, providing competitive advantages for Westpac.

- Profits from the sale of properties added to non-interest income, as Westpac continues to rationalise its CBD property holdings.

- Continued strong growth in sales of financial services products and the successful integration of Westpac Life have also significantly contributed to the overall growth in non-interest income.

- Non-interest expenses have increased by $30 million largely due to: a $9 million increase in Westpac Financial Services, from an increased cost base following the Westpac Life acquisition and also increased business volumes; investment expenses of approximately $20 million in productivity enhancing infrastructure such as the Branch Service Platform, further centralisation of loan servicing, and sales support technology, to provide benefits in 1998 through improved efficiency and productivity of the sales force; and higher underlying personnel costs flowing from wage increases under the Enterprise Development Agreement. These increases have been offset by significant expense savings, including a 9% reduction in core FTE, made as a result of the ongoing program to restructure the retail bank through rationalisation of the branch network. This program focuses on providing more efficient customer services, whilst achieving significant savings in personnel and associated operating costs.

5.2 INSTITUTIONAL BANKING[1]

	Six months to/as at			% Mov't
	31 March 1997	30 Sept 1996	31 March 1996	Sept 96 - March 97
	$m	$m	$m	
Net interest income	207	249	241	*(16.9)*
Provision for bad and doubtful debts	7	15	53	*(53.3)*
Non-interest income	218	167	165	*30.5*
Net operating income	432	431	459	*0.2*
Non-interest expenses	(246)	(242)	(234)	*1.7*
Operating profit before tax	186	189	225	*(1.6)*
Tax and outside equity interests	(64)	(64)	(71)	-
Profit on operations	122	125	154	*(2.4)*
	$bn	$bn	$bn	
Deposits and other public borrowings	12.5	15.2	12.1	*(17.8)*
Net loans and acceptances	19.9	19.4	19.8	*2.6*
Total assets	38.7	35.4	39.9	*9.3*
Personnel numbers - core FTE	2,436	2,566	2,576	
Expense/income (before intangibles)	57.88%	58.17%	57.64%	
Return on assets	0.61%	0.67%	0.77%	
Non-interest income/operating income	51.3%	40.1%	40.6%	

N/A = Not Available

[1] *Institutional Banking provides services to institutional customers both in Australia and overseas in the areas of financing, transactional business, financial markets and corporate finance.*

- Financial Markets income increased by $18 million, or 15%, through increased customer and trading activity and the development of new products. Some switching occurred between interest and non-interest income with net interest income down by $13 million, and non-interest income up by $31 million. The nature of financial markets business is such that the mix between net interest income and trading income will fluctuate with changes in bond yields and market rates.

- Corporate Finance has achieved strong growth in non-interest income, following the successful involvement in several major infrastructure deals and the development of innovative new products.

- Contracting margins, due to competitive pressures, have reduced net interest income in the Transactional Services, Financing and Property Finance areas. To ensure efficient use of capital, the Financing and Property Finance businesses are pursuing alternatives for securitising and syndicating assets.

- The restructure of offshore operations was completed during the current half year with financial markets processing and trading operations now centralised in Sydney. This makes Westpac one of the few banks in the world to operate with this leading edge infrastructure. Gains have already resulted from the restructure, with expenses able to be held relatively flat. The expense to income ratio has declined and further efficiency improvements are expected to flow from improvements in processes and productivity.

- The trend in provision for bad and doubtful debts reflects significant reductions in low-grade loans, primarily offshore, during 1996 as a result of the rationalisation of non-core lending, allowing write-backs to provisions. The overall quality of the portfolio has continued to improve and remains strongly provisioned.

5.3 NEW ZEALAND RETAIL AND PACIFIC REGIONAL BANKING[1]

	Six months to/as at			% Mov't
	31 March 1997	30 Sept 1996	31 March 1996	Sept 96 - March 97
	$m	$m	$m	
Net interest income	383	291	222	*31.6*
Provision for bad and doubtful debts	(7)	(5)	(1)	*40.0*
Non-interest income	164	147	115	*11.6*
Net operating income	540	433	336	*24.7*
Non-interest expenses	(318)	(323)	(203)	*(1.5)*
Operating profit before tax	222	110	133	*101.8*
Tax and outside equity interests	(73)	(36)	(45)	*102.8*
Profit on operations	149	74	88	*101.4*
	$bn	$bn	$bn	
Deposits and other public borrowings	13.8	14.3	7.0	*(3.5)*
Net loans and acceptances	17.9	17.6	8.9	*1.7*
Total assets	19.8	19.6	9.8	*1.0*
Personnel numbers - core FTE	7,869	8,214	5,262	
Expense/income (before intangibles)	54.48%	70.78%	60.24%	
Return on assets	1.49%	0.91%	1.79%	
Non-interest income/operating income	30.0%	33.6%	34.1%	

N/A = Not Available

(1) *New Zealand Retail (WestpacTrust) and Pacific Regional Banking provide retail banking services in New Zealand and the Pacific.*

- Net interest income increased primarily due to the full period impact of Trust Bank New Zealand. In addition, increased income resulted from the growth in loan volumes, offset by the impact of margin compression driven by competitive market conditions.

- The improvement in operating profit for New Zealand resulted in part from the full period impact of Trust Bank and has been achieved in a changing environment (as a result of the merger process) which reflects management's focus on customer retention.

- In November 1996 WestpacTrust was announced as the new identity of the merged bank in New Zealand. The integration of head office and support structures has been successfully completed, and a new regional sales and service structure established. Progress to date on the merger is running ahead of schedule and below expected cost.

5.4 AUSTRALIAN GUARANTEE CORPORATION[1]

	Six months to/as at			% Mov't
	31 March 1997	30 Sept 1996	31 March 1996	Sept 96 - March 97
	$m	$m	$m	
Net interest income	251	231	222	*8.7*
Provision for bad and doubtful debts	(42)	(53)	(50)	*(20.8)*
Non-interest income[2]	(1)	(5)	(6)	*(80.0)*
Net operating income	208	173	166	*20.2*
Non-interest expenses	(110)	(104)	(100)	*5.8*
Operating profit before tax	98	69	66	*42.0*
Tax and outside equity interests	(35)	(26)	(23)	*34.6*
Profit on operations	63	43	43	*46.5*
	$bn	$bn	$bn	
Deposits and other public borrowings	5.8	6.0	5.9	*(3.3)*
Net loans and acceptances	7.2	7.2	7.0	-
Total assets	7.4	7.3	7.2	*1.4*
Personnel numbers - core FTE	2,394	2,409	2,436	
Expense/income (before intangibles)	44.00%	46.02%	46.30%	
Return on assets	1.71%	1.19%	1.22%	

N/A = Not Available

(1) *AGC is a finance company operating principally in Australia and New Zealand offering products in the consumer finance, commercial and motor retail markets.*

(2) *Includes commissions paid to agents.*

- Net interest income has increased by 9% as a result of high growth in volumes of business within the Consumer and Commercial streams, partially offset by the continued impact of pressure on margins. A decrease in the level of dealer commission paid (netted against income received) as a result of lower volumes of motor retail product, has also improved net interest income.

- Tighter controls and an improved 'scorecard' system for approving new finance has resulted in improved quality of business, which combined with improved collections have contributed to the 21% reduction in the provision for bad and doubtful debts.

Despite substantial increases in activity levels, non-interest expenses have been contained to a 6% increase. Ongoing investment in the underlying business processes has improved efficiency and enabled staff numbers to continue to be reduced. These efficiency gains are reflected in a reduction in the expense to income ratio.

6 GEOGRAPHIC SEGMENT RESULTS

	Six months to			As at		
	31 Mar 1997	30 Sept 1996	31 Mar 1996	31 Mar 1997	30 Sept 1996	31 Mar 1996
	Profit on operations ($m)			Standard assets ($bn)		
Australia	400	446	423	88.0	86.4	87.2
New Zealand	150	52	62	23.2	23.3	13.2
Pacific Islands	19	21	16	1.5	1.5	1.6
Asia	16	8	8	3.8	4.6	5.8
Americas	20	22	15	3.2	2.6	3.2
Europe	33	18	41	2.3	3.1	4.7
Total	638	567	565	122.0	121.5	115.7

Profit on operations

Australia Results have been impacted by the continued compression in margins, combined with the sale of Challenge Bank's Victorian assets and liabilities.

New Zealand The substantial increase in profit is due to the full period impact of Trust Bank New Zealand, coupled with the partial delivery of synergies associated with the merger. Additionally, the sale of equity investments positively impacted the first half of 1997.

Pacific Islands First half 1997 results are down as margin compression has been experienced throughout most areas, due to strong local competition.

Asia The results for the first half 1997 have been positively affected by a prior year tax adjustment.

Americas and Europe Fluctuations in profit have been influenced by financial markets income.

Standard assets

Australia The increase of $1.6 billion in Australia is largely attributable to growth in securities and forwards, offset by the decrease in loans associated with the sale of Challenge Bank's Victorian assets and securitisation of housing loans.

New Zealand Assets in New Zealand have remained steady, following the merger with Trust Bank New Zealand on 1 June 1996.

Asia While growing sales activities in Asia, the centralisation of trading activities in Australia has resulted in a lower level of assets in Asia.

Europe The decrease reflects lower interbank and financial markets assets, and the transfer of certain derivatives trading to Australia.

7 INTEREST SPREAD AND MARGIN ANALYSIS

7.1 SPREAD AND MARGIN ANALYSIS

%	Six months to 31 March 1997	30 Sept 1996	31 March 1996
Group			
Interest spread on productive assets[2]	2.83	2.98	2.84
Impact of impaired loans	(0.05)	(0.06)	(0.13)
Interest spread[1]	2.78	2.92	2.71
Benefit of net non-interest bearing liabilities and equity[3]	0.77	0.84	0.97
Interest margin	3.55	3.76	3.68
Australia			
Interest spread on productive assets[2]	3.21	3.49	3.19
Impact of impaired loans	(0.05)	(0.07)	(0.17)
Interest spread[1]	3.16	3.42	3.02
Benefit of net non-interest bearing liabilities and equity[3]	0.81	0.85	0.96
Interest margin	3.97	4.27	3.98
New Zealand			
Interest spread on productive assets[2]	2.65	2.95	2.81
Impact of impaired loans	(0.01)	(0.08)	(0.08)
Interest spread[1]	2.64	2.87	2.73
Benefit of net non-interest bearing liabilities and equity[3]	0.22	0.43	0.57
Interest margin	2.86	3.30	3.30

(1) ***Interest spread*** *is the difference between the average yield on all interest earning assets and the average rate paid on all interest bearing liabilities.*

(2) ***Interest spread on productive assets*** *is determined on the basis of the interest spread formula after excluding OREO and non-accrual loans, and the interest relating thereto, from the equation.*

(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 these funds.*

The calculations for Australia, New Zealand and overseas take into account the interest expense/income of cross border, intragroup borrowing/lending.

7.2 AVERAGE BALANCE SHEET AND INTEREST RATES

	Six months to 31 March 1997			Six months to 30 Sept 1996			Six months to 31 March 1996		
	Ave Bal	Int	Ave Rate	Ave Bal	Int	Ave Rate	Ave Bal	Int	Ave Rate
	$m	$m	%	$m	$m	%	$m	$m	%
Assets									
Interest earning assets									
Due from other banks									
- Australia	1,126	34	6.0	1,271	36	5.7	493	19	7.7
- New Zealand	932	51	10.9	1,214	63	10.4	1,088	44	8.1
- Other Overseas	3,996	164	8.2	3,798	180	9.5	4,520	214	9.5
Investment and trading securities									
- Australia	5,632	243	8.6	3,928	191	9.7	5,468	187	6.8
- New Zealand	862	27	6.3	671	32	9.5	657	24	7.3
- Other Overseas	1,993	59	5.9	2,096	64	6.1	2,466	63	5.1
Statutory deposits									
- Australia	650	5	1.5	646	7	2.2	588	8	2.7
- New Zealand	1	-	-	1	-	-	1	-	-
- Other Overseas	284	7	4.9	172	5	5.8	116	3	5.2
Loans and other receivables									
- Australia	57,839	2,652	9.2	58,228	2,924	10.0	54,168	2,756	10.2
- New Zealand	19,732	1,057	10.7	15,608	851	10.9	9,988	524	10.5
- Other Overseas	3,883	149	7.7	3,924	152	7.7	4,386	164	7.5
Impaired loans									
- Australia	807	24	5.9	1,090	37	6.8	1,370	24	3.5
- New Zealand	140	6	8.6	190	4	4.2	190	5	5.3
- Other Overseas	102	1	2.0	134	4	6.0	194	3	3.1
Intragroup receivable									
- Other Overseas	7,752	247	6.4	5,023	165	6.6	7,615	247	6.5
Interest earning assets and interest income including intragroup	105,731	4,726	8.9	97,994	4,715	9.6	93,308	4,285	9.2
Intragroup elimination	(7,752)	(247)		(5,023)	(165)		(7,615)	(247)	
Total interest earning assets and interest income	**97,979**	**4,479**	**9.1**	**92,971**	**4,550**	**9.8**	**85,693**	**4,038**	**9.4**
Non-interest earning assets									
Cash, bullion, due from other banks and statutory deposits	475	-	-	586	-	-	578	-	-
Other assets	17,616	-	-	15,828	-	-	16,282	-	-
Provisions for doubtful debts									
- Australia	(1,560)	-	-	(1,651)	-	-	(1,683)	-	-
- New Zealand	(155)	-	-	(151)	-	-	(105)	-	-
- Other Overseas	(96)	-	-	(100)	-	-	(114)	-	-
Total non-interest earning assets	**16,280**	**-**	**-**	**14,512**	**-**	**-**	**14,958**	**-**	**-**
Acceptances of customers									
- Australia	11,465	-	-	12,095	-	-	12,021	-	-
- New Zealand	24	-	-	3	-	-	45	-	-
- Other Overseas	59	-	-	146	-	-	114	-	-
Total assets	**125,807**	**4,479**	**7.1**	**119,727**	**4,550**	**7.6**	**112,831**	**4,038**	**7.2**

7.2 AVERAGE BALANCE SHEET AND INTEREST RATES (Cont'd)

	Six months to 31 March 1997			Six months to 30 Sept 1996			Six months to 31 March 1996		
	Ave Bal	Int	Ave Rate	Ave Bal	Int	Ave Rate	Ave Bal	Int	Ave Rate
	$m	$m	%	$m	$m	%	$m	$m	%
Liabilities and shareholders' equity									
Interest bearing liabilities									
Deposits									
- Australia	40,250	1,127	5.6	40,830	1,210	5.9	38,494	1,239	6.4
- New Zealand	15,636	592	7.6	13,004	508	7.8	7,082	271	7.7
- Other Overseas	9,101	252	5.5	7,267	213	5.9	5,989	186	6.2
Public borrowings by subsidiary borrowing corporations									
- Australia	5,363	199	7.4	5,489	211	7.7	5,309	208	7.8
- New Zealand	473	20	8.5	504	20	7.9	498	21	8.4
- Other Overseas	5	1	40.0	31	2	12.9	29	2	13.8
Due to other banks									
- Australia	317	11	6.9	232	9	7.8	310	12	7.7
- New Zealand	57	8	28.1	94	4	8.5	70	4	11.4
- Other Overseas	4,581	195	8.5	5,473	250	9.1	7,567	309	8.2
Loan capital - Australia	2,173	80	7.4	2,347	79	6.7	2,813	90	6.4
Other interest bearing liabilities									
- Australia	5,181	116	4.5	5,501	223	8.1	1,789	65	7.3
- New Zealand	770	77	20.0	278	34	24.5	172	-	-
- Other Overseas	2,179	58	5.3	621	41	13.2	3,215	55	3.4
Intragroup payable									
- Australia	3,677	116	6.3	2,188	73	6.7	4,450	144	6.5
- New Zealand	4,075	131	6.4	2,835	92	6.5	3,165	103	6.5
Interest bearing liabilities and interest expense including intragroup	93,838	2,983	6.4	86,694	2,969	6.8	80,952	2,709	6.7
Intragroup elimination	(7,752)	(247)		(5,023)	(165)		(7,615)	(247)	
Total interest bearing liabilities and interest expense	**86,086**	**2,736**	**6.4**	**81,671**	**2,804**	**6.9**	**73,337**	**2,462**	**6.7**
Non-interest bearing liabilities									
Deposits and due to other banks									
- Australia	3,191	-	-	2,934	-	-	3,352	-	-
- New Zealand	1,176	-	-	661	-	-	711	-	-
- Other Overseas	444	-	-	434	-	-	438	-	-
Other liabilities	15,420	-	-	13,635	-	-	14,771	-	-
Total non-interest bearing liabilities	**20,231**	**-**	-	**17,664**	**-**	-	**19,272**	**-**	-
Acceptances									
- Australia	11,465	-	-	12,095	-	-	12,021	-	-
- New Zealand	24	-	-	3	-	-	45	-	-
- Other Overseas	59	-	-	146	-	-	114	-	-
Total liabilities	**117,865**	**2,736**	**4.6**	**111,579**	**2,804**	**5.0**	**104,789**	**2,462**	**4.7**
Ordinary shareholders' equity	7,336	-	-	7,542	-	-	7,436	-	-
Preference shareholders' equity	600	-	-	600	-	-	600	-	-
Outside equity interests	6	-	-	6	-	-	6	-	-
Total shareholders' equity	**7,942**	**-**	**-**	**8,148**	**-**	**-**	**8,042**	**-**	**-**
Total liabilities and shareholders' equity	**125,807**	**2,736**	**4.3**	**119,727**	**2,804**	**4.7**	**112,831**	**2,462**	**4.4**

7.2 AVERAGE BALANCE SHEET AND INTEREST RATES (Cont'd)

	Six months to 31 March 1997			Six months to 30 September 1996			Six months to 31 March 1996		
	Ave Bal	Int	Ave Rate	Ave Bal	Int	Ave Rate	Ave Bal	Int	Ave Rate
	$m	$m	%	$m	$m	%	$m	$m	%
Interest earning assets (including impaired loans)									
- Australia	66,054	2,957	9.0	65,163	3,195	9.8	62,087	2,994	9.6
- New Zealand	21,667	1,141	10.5	17,684	950	10.7	11,924	597	10.0
- Other Overseas	18,010	628	7.0	15,147	570	7.5	19,297	694	7.2
Group	**105,731**	**4,726**	**8.9**	**97,994**	**4,715**	**9.6**	**93,308**	**4,285**	**9.2**
Interest bearing liabilities									
- Australia	56,900	1,647	5.8	56,587	1,805	6.4	53,165	1,758	6.6
- New Zealand	21,072	831	7.9	16,715	658	7.9	10,987	399	7.3
- Other Overseas	15,866	505	6.4	13,392	506	7.6	16,800	552	6.6
Group	**93,838**	**2,983**	**6.4**	**86,694**	**2,969**	**6.8**	**80,952**	**2,709**	**6.7**
Interest spread									
- Australia			3.2			3.4			3.0
- New Zealand			2.6			2.9			2.7
- Other Overseas			0.6			-			0.6
- Group			2.8			2.9			2.7

Prior periods have been restated to reflect the impact of intragroup funding and the associated notional interest within the interest spread of the appropriate geographies.

7.3 COMMENTARY ON SPREADS AND MARGINS

Group

The interest margin for the Group declined by 21 basis points reflecting the combination of competitive pressures, particularly in the housing loan market, and a reduction in the benefit of free funds resulting from the buy-back of capital.

Australia

Interest spread decreased by 26 basis points which is in line with the decline in interest spread on productive assets. This has been partially offset by a continuing improvement in the impact of impaired loans, the average level of which has fallen by 25%.

The compression of margins on loans and other receivables reflects highly competitive conditions, particularly within the housing loan and small business markets. Also impacting margins is the securitisation of lending assets, which reduces net interest income, but is partially offset by an increase in fee income. The benefit to Westpac is reflected in a lower level of risk and therefore reduced capital requirements. During the second half of 1996, a decision to not aggressively bid for term deposits and the positive impact of active balance sheet management in the falling interest rate environment, contributed to a short term gain in interest spread.

Also contributing to the margin trend is a 43% increase in the level of trading securities held in response to market opportunities. While these securities have returned a margin below the average rate of the portfolio, this margin impact has been offset by a $31 million increase in the financial markets component of non-interest income, largely as a result of trading profits derived on the portfolio.

The average rate paid on deposits and public borrowings has decreased by only 30 basis points, as the full impact of recent Reserve Bank of Australia (RBA) rate cuts has not yet been passed onto customer deposit rates. The interest spread has also been impacted by the increased funding provided by offshore areas within Westpac.

The buy-back of 31.1 million shares occurred during the first half of 1997. This reduced the benefit of net non-interest bearing liabilities and equity, reflected by a 4 basis points decline.

New Zealand

The interest spread has decreased by 23 basis points. This is attributable to a 30 basis point reduction in spread on productive assets, offset by a reduction in the impact of impaired loans reflecting the improved quality of assets.

The interest spread has been impacted by funding provided by other offshore areas within Westpac. The notional rate of the intragroup funding was below the average rate of New Zealand's total funding. As a proportion of New Zealand's total liabilities, intragroup funding has declined resulting in a fall in the interest spread.

8 NON-INTEREST INCOME

$m	Six months to 31 March 1997	30 Sept 1996	31 March 1996	% Mov't Sept 96 - March 97
Fees and commissions				
Loan fees[1]	111	110	94	*0.9*
Other fees and commissions:				
- risk fees[2]	102	121	132	*(15.7)*
- non-risk fees[3]	379	339	306	*11.8*
	592	**570**	**532**	***3.9***
Financial markets income[4]				
Foreign exchange	99	79	96	*25.3*
Other	36	25	18	*44.0*
	135	**104**	**114**	***29.8***
Other income				
Dividends received	27	13	3	*107.7*
Insurance commissions and premiums	19	19	16	-
Lease rentals	13	10	10	*30.0*
Gains/(losses) on translation of overseas branch balances (net of hedging)	6	14	-	*(57.1)*
Service and management fees	8	7	7	*14.3*
Net profit on sale of premises and investments	60	12	9	*400.0*
Other	9	9	23	-
	142	**84**	**68**	***69.0***
Non-interest income	**869**	**758**	**714**	***14.6***
Non-interest income/total operating income	**33.9%**	**30.8%**	**31.6%**	

(1) ***Loan fees*** *represent primarily fees generated by Australian and New Zealand banking operations.*

(2) ***Risk fees*** *include banking fees associated with bill issuance and guarantees.*

(3) ***Non-risks fees*** *incorporate account keeping and transaction fees and Financial Services' revenues (including the margin on services result of Westpac Life).*

(4) ***Financial markets income*** *represents primarily foreign exchange income and the revenues derived from the sale of risk management products. It also includes revenues from controlled discretionary trading activities. Income of $37 million earned on securities and cash balances held in the normal course of trading and financial markets business, is reported under net interest income.*

8 NON-INTEREST INCOME (Cont'd)

Trends in non-interest income

The underlying level of non-interest income across most business areas has been enhanced, as a result of the continued introduction of value adding products and improved cross selling. This has lead to improved non-risk fee income.

In the lending market (both housing and business), competitive pressures have continued to influence loan fee generation, particularly the waiving of establishment fees. However, improved fee collection mechanisms have assisted in maintaining the general level of fees and commissions. In addition, returns over the investor margin on securitised assets have generated loan fees.

The trend in customer demand away from bills of exchange to attractive fixed rate lending has again impacted risk fees. In addition, there has been a shift from risk to non-risk fees flowing from the increased use of line fees when pricing bills of exchange.

Non-risk fees have continued to increase, due partially to the full period impact of the Trust Bank New Zealand merger. The purchase of Westpac Life on 1 October 1996 and continued growth in financial services products, contributed significantly to the underlying improvement through improved sales and new product offerings. These businesses provide significant opportunities for future growth.

A 30% increase in the financial markets component of non-interest income was due to increased customer and trading activity. The mix of total financial markets income between net interest income and non-interest income is influenced by changes in the yields and coupon rates of the underlying securities. Overall financial markets income (including the net interest income component) increased by $18 million (or 15%) reflecting increased activity.

The significant increase in other income is largely due to the sale of equity investments in New Zealand. Profits on sale of properties, resulting from the continued rationalisation of Westpac's CBD property portfolio and the ongoing branch sale and leaseback program, also contributed.

9 NON-INTEREST EXPENSES

$m	Six months to 31 March 1997	30 Sept 1996	31 March 1996	% Mov't Sept 96 - March 97
Salaries and other staff expenses				
Salaries and wages	722	693	657	*4.2*
Restructuring expenses	-	63	-	*(100.0)*
Other staff expenses	164	201	180	*(18.4)*
	886	**957**	**837**	***(7.4)***
Equipment and occupancy expenses				
Operating lease rentals	104	89	77	*16.9*
Depreciation and amortisation:				
- premises	9	7	7	*28.6*
- leasehold improvements	5	7	6	*(28.6)*
- furniture and equipment	26	32	28	*(18.8)*
- technology	68	50	37	*36.0*
Electricity, water, rates and land tax	21	21	22	-
Other equipment and occupancy expenses	52	46	54	*13.0*
	285	**252**	**231**	***13.1***
Other expenses				
Amortisation of intangibles	32	26	8	*23.1*
Amortisation of deferred expenditure	10	5	5	*100.0*
Non-lending losses	9	11	(4)	*(18.2)*
Consultancy fees, computer software and other professional services	146	112	97	*30.4*
Stationery	45	38	35	*18.4*
Postage and telecommunications	92	85	76	*8.2*
Insurance	13	9	7	*44.4*
Advertising	29	41	25	*(29.3)*
Transaction taxes	4	7	7	*(42.9)*
Training	9	11	9	*(18.2)*
Travel	27	32	27	*(15.6)*
Other expenses	36	66	37	*(45.5)*
	452	**443**	**329**	***2.0***
Non-interest expenses	**1,623**	**1,652**	**1,397**	***(1.8)***
Efficiency ratio (expense/income)	63.30%	67.07%	61.73%	
- before intangibles, restructuring expenses	62.05%	63.46%	61.38%	
Salaries and other staff expenses (excluding restructuring expenses)				
- per average core FTE ($000)	55	53	52	
Total non-interest expenses				
- per average core FTE ($000)	100	99	87	

9 NON-INTEREST EXPENSES (Cont'd)
Comments on expenses

Total non-interest expenses decreased due to the continued focus on improving productivity and efficiency. Whilst the half does not contain any additional restructuring expenses, it does reflect the full period impact of Trust Bank New Zealand. On a comparative basis, non-interest expenses have been held flat in nominal terms, reflecting real expense savings. This is a result of management discipline to reduce the level of core, recurrent expenditure.

Excluding restructuring expenses of $63 million in the prior half, staff costs have decreased by $8 million, despite the full period impact of Trust Bank New Zealand. The underlying salaries and other staff expense to average core FTE ratio has increased marginally.

Equipment and occupancy expenses have increased by 13%. Operating lease rentals have increased by 17% as a result of increased branch leasing costs associated with the branch sale and lease-back program, as well as increased rentals due to disposal of CBD properties currently partially occupied on short term leasing arrangements. Technology depreciation expense increases reflect Westpac's continued investment in systems infrastructure throughout 1996 and 1997, in particular the Mortgage Processing Centre and the Branch Service Platform.

The increase in consultancy fees, computer software and other professional services reflects Westpac's focus on initiatives to substantially reduce unit costs through continuing back office centralisation and combining core support activities to achieve economies of scale. In addition, costs have been incurred on a project which will automate and standardise current collection and dishonour processes, as well as the Branch Service Platform, designed to improve front office efficiency and sales productivity.

10 ASSET QUALITY

10.1 IMPAIRED ASSETS

$m As at	31 March 1997 Gross	Specific Prov	Net	30 September 1996 Gross	Specific Prov	Net	31 March 1996 Gross	Specific Prov	Net
Non-accrual assets									
- Australia	671	(257)	414	894	(346)	548	1,264	(541)	723
- New Zealand	88	(42)	46	178	(77)	101	179	(88)	91
- Other overseas	89	(49)	40	109	(65)	44	118	(74)	44
Total	848	(348)	500	1,181	(488)	693	1,561	(703)	858
Restructured assets									
- Australia	63	(16)	47	61	(17)	44	76	(26)	50
- New Zealand	33	(22)	11	24	(22)	2	19	(15)	4
- Other overseas	6	(4)	2	7	(4)	3	12	(5)	7
Total	102	(42)	60	92	(43)	49	107	(46)	61
Assets acquired through security enforcement (OREO)									
- Australia	80	-	80	80	-	80	79	-	79
- New Zealand	-	-	-	-	-	-	-	-	-
- Other overseas	-	-	-	-	-	-	-	-	-
Total	80	-	80	80	-	80	79	-	79
Total impaired Assets [(1)]	**1,030**	**(390)**	**640**	**1,353**	**(531)**	**822**	**1,747**	**(749)**	**998**

(1) *Includes off balance sheet impaired items of $47 million ($61 million as at 30 September 1996, $78 million as at 31 March 1996).*

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

$m As at	31 March 1997	30 Sept 1996	31 March 1996
Australia			
- Housing products	218	210	216
- Other products	142	188	219
Total	360	398	435
New Zealand			
- Housing products	19	18	N/A
- Other products	28	24	34
Other overseas	7	9	10
Total	54	51	44
Total	**414**	**449**	**479**

N/A = Not Available (included in other products total)

(1) *Under Reserve Bank of Australia 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.

10.3 INCOME ON NON -ACCRUAL AND RESTRUCTURED ASSETS

$m	31 March 1997	Six months to 30 Sept 1996	31 March 1996
Interest received on non-accrual and restructured assets	31	45	32
Estimated interest forgone on non-accrual and restructured assets	54	90	87
Interest yield on average non-accrual and restructured assets	5.9%	6.4%	3.7%

10.4 BAD AND DOUBTFUL DEBT CHARGE AND RATIOS

$m	31 March 1997	Six months to 30 Sept 1996	31 March 1996
New specific provisions	63	112	88
Specific provisions no longer required	(134)	(265)	(198)
Specific provisions (net)	(71)	(153)	(110)
General provision (net)(1)	121	204	180
Total charge for bad debts and provisions	50	51	70
Bad and doubtful debts charge to average loans and acceptances (annualised) (%)	0.12	0.14	0.17
Bad and doubtful debts charge to net interest income (%)	2.9	3.0	4.5

(1) *Addition after recognition of write-offs and recoveries.*

Improvements in the quality of the asset portfolio are reflected in lower levels of new specific provisions. Policies have focused on further improving the quality of new business. In addition, measures have been developed to enable earlier identification of problem loans. In line with the lower levels of impaired assets, the level of specific provisions has declined.

10.5 PROVISIONS FOR DOUBTFUL DEBTS

$m	31 March 1997	30 Sept 1996	31 March 1996
General provision			
Balance at beginning of year	1,316	1,130	980
Exchange rate and other adjustments	(5)	4	9
Provisions of subsidiaries acquired	-	83	27
Bad debts written off	(131)	(150)	(106)
Recoveries of debts previously written off	45	45	40
Transfer from specific provision	-	-	-
Charge to operating profit	121	204	180
Balance at year end	1,346	1,316	1,130
Specific provisions			
Balance at beginning of year	531	749	950
Exchange rate and other adjustments	1	(6)	(20)
Provisions of subsidiaries acquired	-	18	47
New provisions for loans	63	112	88
Transfer to general provision	-	-	-
Provisions no longer required	(134)	(265)	(198)
Bad debts written off	(71)	(77)	(118)
Balance at year end	390	531	749
Total Provisions	**1,736**	**1,847**	**1,879**

The balance of the general provision increased by $30 million reflecting additional provisioning required by minor adjustments to historical loan loss factors applied to the credit portfolios.

Specific provisions have reduced as a result of the decrease in the level of impaired assets. New impaired assets fell to $163 million from $211 million in the prior period.

Westpac has very strong provisioning coverage. Emerging bad debts are well within expectations, and substantial further increases in the total provisioning coverage ratio are not anticipated. The total provisions to total loans and acceptances ratio of 1.9% is within industry parameters of 1.6% to 2.0%.

10.6 IMPAIRED LOANS[1] AND RATIOS

As at %	31 March 1997	30 Sept 1996	31 March 1996
Impaired loans to total loans and acceptances	1.0	1.4	1.9
Specific provisions to total impaired loans	41.1	41.7	44.9
Total provisions to total impaired loans	182.7	145.1	112.6
Total provisions to total loans and acceptances	1.9	2.0	2.2
Total impaired loans to shareholders' equity and total provisions	9.8	13.1	16.6

(1) *Excludes OREO*

11 CAPITAL ADEQUACY

As at $m	31 March 1997	30 Sept 1996	31 March 1996
Tier 1 capital			
Total shareholders' equity	7,968	7,891	8,199
Less: Asset revaluation reserves	(229)	(260)	(296)
Intangible assets	(1,058)	(1,156)	(426)
Future income tax benefit net of deferred tax liability	-	(99)	-
Total tier 1 capital	**6,681**	**6,376**	**7,477**
Tier 2 capital			
Asset revaluation reserves	229	260	296
Subordinated undated capital notes	637	933	950
General provision for doubtful debts	1,346	1,316	1,130
Less: Future income tax benefit related to general provision	(485)	(474)	(407)
Eligible subordinated bonds, notes and debentures	1,098	1,114	1,280
Total tier 2 capital	**2,825**	**3,149**	**3,249**
Tier 1 and tier 2 capital	**9,506**	**9,525**	**10,726**
Deductions:			
- Other banks' capital instruments	(9)	(9)	(9)
- Investment in controlled entities or associates[(1)]	(343)	-	-
- Capital in funds management and securitisation activities[(2)]	(214)	(182)	(130)
Net qualifying capital	**8,940**	**9,334**	**10,587**
Risk adjusted assets	**86,901**	**86,503**	**81,409**
Tier 1 capital ratio	7.7%	7.4%	9.2%
Tier 2 capital ratio	3.3%	3.6%	4.0%
Deductions	(0.7%)	(0.2%)	(0.2%)
Net capital ratio	**10.3%**	**10.8%**	**13.0%**

(1) *This deduction represents the Group's investment in Westpac Life Insurance Services.*

(2) *This deduction has been made pursuant to the Reserve Bank of Australia'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.*

12 DERIVATIVES

Derivatives are bilateral contracts or payment exchange agreements whose value derives from the value of an underlying asset, reference rate or index. Derivative financial instruments include forward and futures contracts, swaps and options. Westpac transacts derivatives based on interest rates, exchange rates and commodity prices and enters into derivatives transactions in the normal course of business for trading, primarily as an intermediary to meet customers' needs, and for its own balance sheet management purposes.

Derivatives outstandings

As at 31 March 1997 **$bn**	**Notional amount**[1]	**Regulatory credit equivalent**[2]	**Positive mark-to-market (Replacement cost)**[3]	**Negative mark-to-market**[4]
Interest rate				
Futures	23.0	-	-	-
Forwards	27.9	-	-	-
Swaps	125.9	2.8	2.4	2.2
Purchased options	12.9	0.2	-	-
Sold options	4.4	-	-	-
Foreign exchange				
Forwards	229.0	5.2	3.0	3.3
Swaps	20.6	1.6	0.9	1.6
Purchased options	8.1	0.3	0.1	-
Sold options	9.0	-	-	0.2
Commodity	0.4	-	-	-
Total derivatives	**461.2**	**10.1**	**6.4**	**7.3**
As at 30 Sept 1996	**455.2**	**10.0**	**6.3**	**7.3**
As at 31 Mar 1996	**488.0**	**10.3**	**7.3**	**7.8**

(1) ***Notional amount*** *refers to the face value or the amount upon which cash flows are calculated.*

(2) ***Regulatory credit equivalent*** *is calculated using Reserve Bank of Australia 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 Westpac's counterparties of replacing all transactions in a loss position.*

12 DERIVATIVES (cont'd)

Maturity profile of derivatives outstandings in replacement cost terms

As at 31 March 1997 $bn	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years	5+ years	Total
Interest rate							
Futures	-	-	-	-	-	-	-
Forwards	-	-	-	-	-	-	-
Swaps	0.2	0.1	0.2	0.4	1.2	0.3	2.4
Purchased options	-	-	-	-	-	-	-
Sold options	-	-	-	-	-	-	-
Foreign exchange							
Forwards	1.7	0.8	0.4	0.1	-	-	3.0
Swaps	-	0.1	0.2	0.2	0.3	0.1	0.9
Purchased options	0.1	-	-	-	-	-	0.1
Sold options	-	-	-	-	-	-	-
Commodity	-	-	-	-	-	-	-
Total derivatives	**2.0**	**1.0**	**0.8**	**0.7**	**1.5**	**0.4**	**6.4**

59% of credit risk matures within one year and 70% within two years.
99% of credit exposure was to investment grade customers.

Daily earnings at risk(1)

$m	High	Low	Average
Six months ended 31 March 1997	10.41	4.80	7.14
Year ended 30 September 1996	6.76	2.36	4.17

(1) *Market risk is measured and monitored against trading limits using a value at risk methodology, which measures the potential loss from an adverse movement within a specified probability over a particular period. The value at risk model is based on 99% confidence level, 2.326 standard deviations and one day holding period.*

12 DERIVATIVES (cont'd)

Derivatives used for asset and liability management purposes[1]
(End-user derivatives)

	Notional amount		
$bn	**31 March 1997**	**30 Sept 1996**	**31 March 1996**
Interest rate			
Futures	9.9	8.7	13.2
Forwards	-	3.3	3.4
Swaps	23.1	24.7	21.7
Purchased options	0.1	0.2	0.2
Sold options	-	-	-
Foreign exchange			
Forwards	2.4	2.4	2.2
Swaps	11.1	7.1	3.8
Purchased options	-	-	-
Sold options	-	-	-
Total derivatives	**46.6**	**46.4**	**44.5**

(1) *Derivatives positions used in the Group's asset and liability management activities are established by internal transactions with independently managed dealing units within the Group. The dealing units, in turn, cover their position with offsetting transactions in the market place. These transactions do not, in themselves, give rise to credit risk as they are arranged entirely within the Westpac Group. Credit risk does arise in respect of the offsetting transactions in the market place by the dealing units and such transactions and the related credit exposure are included in the table of derivatives outstandings.*

The notional amount of derivatives used for asset and liability management purposes, has increased as a result of transactions undertaken during the period to manage the Group's sensitivity to movements in interest rates, and to manage the impact of exchange rate fluctuations on offshore borrowings. This has resulted in a lowering in the overall sensitivity of the Group to adverse interest rate and currency movements.

13 CREDIT RATINGS

Rating Agency	Long Term Senior	Short Term / Commerical Paper
IBCA	AA-	A1+
Moody's	Aa3	P-1
Standard & Poor's	AA-	A-1+
Thomson BankWatch	AA-	TBW-1

14 DIVIDENDS

	Six months to		
	31 March 1997	30 Sept 1996	31 March 1996
	c/share	c/share	c/share
Ordinary dividend (fully franked @ 36%)			
- interim	19.0	-	16.0
- final	-	17.0	-
Total dividend provided for or paid	**$m**	**$m**	**$m**
Ordinary	338	307	297
Preference	20	19	20
	358	326	317
Underprovision for 1995 final dividend	-	-	10
Overprovision for 1996 interim dividend	-	(7)	7
	358	319	334
Ordinary dividend payout ratio	54.7%	54.8%	55.8%

15 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the half year ended 31 March 1997.

16 EXCHANGE RATES

Currency	Average	Spot
USD	0.7871	0.7852
GBP	0.4816	0.4805
NZD	1.1222	1.1301

17 INCOME TAX

$m	Six months to 31 March 1997	30 Sept 1996	31 March 1996
Income tax reconciliation			
Operating profit before income tax	891	760	796
Prima facie tax on operating profit based on the company tax rate in Australia of 36%	321	273	287
Add/(deduct) reconciling items expressed on a tax effected basis:			
Rebateable and exempt dividends	(40)	(27)	(20)
Tax losses (now)/not tax effected	(14)	(8)	(16)
Non-assessable items	(28)	(14)	(9)
Non-deductible items	30	21	10
Adjustment for overseas tax rates	(13)	(7)	(3)
Prior period adjustments and other items (net)	(4)	(47)	(19)
	(69)	(82)	(57)
Total income tax expense attributable to operating profit	**252**	**191**	**230**
Effective tax rate	**28.3%**	**25.1%**	**28.9%**

18 GROUP FINANCIAL INFORMATION FOR US INVESTORS

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

Six months to: **$m**	**31.3.97** **USD***	**31.3.96** **USD***	**31.3.97** **AUD***	**31.3.96** **AUD***
Net profit as reported	**502**	**425**	**638**	**565**
Depreciation on buildings	5	3	6	4
Gain on sale of properties (including amortisation of gains on sale of properties subject to lease back arrangements)	25	21	32	28
Provision for employee redundancy benefits not previously recognised under US GAAP	-	(47)	-	(63)
Amortisation of goodwill based on 20 year life	(6)	(6)	(8)	(8)
Superannuation (pension) expense adjustment	14	19	18	26
Adjusted US GAAP net profit	**540**	**415**	**686**	**552**

** USD amounts are calculated using the following average exchange rates:*
Six months ended 31 March 1996: AUD1 = USD0.7525
Six months ended 31 March 1997: AUD1 = USD0.7871

As at: **$m**	**31.3.97** **USD***	**31.3.96** **USD***	**31.3.97** **AUD***	**31.3.96** **AUD***
Shareholders' equity as reported	**6,257**	**6,387**	**7,968**	**8,199**
Less outside equity interests	(4)	(5)	(5)	(6)
	6,253	6,382	7,963	8,193
Elimination of asset revaluation reserve	(180)	(231)	(229)	(296)
Depreciation on buildings	28	20	36	26
Deferred gains on sale of properties subject to lease back arrangements	(41)	(38)	(53)	(49)
Adjustment re provision for employee redundancy benefits	2	2	3	3
Goodwill not recognised on acquisitions	49	61	62	78
Restoration of previously deducted goodwill less amortisation and amounts written-off	4	4	5	5
Investment securities fair value adjustment	(12)	(22)	(15)	(29)
Superannuation (pension) expense adjustment	(96)	(126)	(122)	(162)
Interim dividend provided	265	237	338	304
Adjusted US GAAP equity	**6,272**	**6,289**	**7,988**	**8,073**

** USD amounts are calculated using the following spot exchange rates:*
31 March 1996: AUD1 = USD0.7790
31 March 1997: AUD1 = USD0.7852

There is no material difference between the level of assets at 31.3.97 and 31.3.96 as reported and the level of assets determined in accordance with US GAAP.

19 RECORD DATE

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

Record date for determination of dividend entitlement on ordinary shares:

Australian and New Zealand Registers

At 5.00pm, 12 June 1997 (Sydney time) at:

KPMG Registrars Pty Limited, 55 Hunter 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 12 June 1997).

New York

For American Depository Receipts, at 5.00pm, 11 June 1997 (New York time) at:

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

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

Tokyo

At 3.00pm, 12 June 1997 (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, 7-7, Nishi-Ikebukuro 1-chome, Toshima-ku, Tokyo, 171, Japan.)

Ex-dividend date: 3 June 1997.

The date proposed for the payment of the interim dividend is 4 July 1997.

B A McNee
Group Secretary and General Counsel

14 May 1997

For further information contact:
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Noel Purcell, General Manager Group Investor Relations (02) 9226 1774 or
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20 DIRECTORS' REPORT

The Directors of Westpac Banking Corporation report as follows on the affairs of the economic entity constituted by the Bank and the entities it controlled from time to time during the accounting period consisting of the first six months of the financial year which will end on 30 September 1997.

20.1 DIRECTORS

The names of the Directors of the Bank in office at the date of this Report together with particulars of their qualifications, experience and special responsibilities are set out below:

John Uhrig, AO, BSc, DUniv, FAIM. Age 68. Appointed Chairman October 1992, Director since November 1989. John Uhrig has broad industry and manufacturing experience and has participated in and contributed to a variety of government and community bodies. Chairman of CRA Limited, Santos Limited and the Australian Minerals and Energy Environment Foundation. Deputy Chairman of The RTZ Corporation PLC. Member of the National Council of the Adelaide Festival.

Robert Joss, BA, MBA, PhD. Age 55. Appointed Managing Director January 1993. Robert Joss spent 22 years at Wells Fargo & Company, gaining experience in all facets of banking and financial services. He was a Vice Chairman of Wells Fargo from 1986 to 1993. Prior to Wells Fargo, he spent three years with the United States Treasury Department. President of the Australian Institute of Banking and Finance and a Trustee of the National Parks and Wildlife Foundation of New South Wales and a Director of the Clean Up Australia Foundation.

Barry Capp, BE(Civil), BCom, BA. Age 63. Director since May 1993. Barry Capp was employed for many years in financial and commercial roles and has had experience in company reconstructions. Chairman of National Foods Limited, Trade Indemnity Australia Limited and Australian Infrastructure Fund Limited. Director of Hellaby Holdings Limited, Tassal Limited and Freight Rail Corporation.

The Hon. Sir Llewellyn Edwards, AC, MB, BS, FRACMA, LLD(h.c.), FAIM. Age 61. Director since 1988. Sir Llewellyn Edwards has had extensive experience in Queensland state politics (including five years as Treasurer) and in community service (Chairman World Expo 88 Authority and Chancellor of University of Queensland). Chairman of Multi Function Polis Development Corporation. Director James Hardie Industries Limited, Peregrine Capital Australia Limited and TCNZ Australia Pty. Limited.

John Fairfax, AM. Age 55. Director since 1996. John Fairfax has considerable understanding of the financial services needs of the commercial and rural sectors and of the impact of production and information technology on industry strategy. He takes an active interest in community organisations including the Royal Agricultural Society of NSW and the Australian Rural Leadership Foundation. Director of Rural Press Limited Group, Cambooya Investments Limited, G. E. Crane Holdings Limited and Australian Rural Leadership Foundation Limited.

Ian Harper, AM, BA, LLB. Age 65. Director since 1987. Ian Harper, previously a partner of Allen Allen & Hemsley since 1960 and now a consultant to that firm, has practised extensively in corporations law. He has held a variety of financial service company board positions over many years. Chairman of Capcount Property Trust, President of NSW Council of Australian Institute of Company Directors, Director of Mayne Nickless Limited and other companies.

Warren Hogan, MA, PhD, DSc(h.c.). Age 68. Director since 1986. Warren Hogan has been Professor of Economics at the University of Sydney since 1968. Adviser to business, government and international organisations including the World Bank, Harvard University Development Advisory Service and the Australian Stock Exchange.

Eve Mahlab, AO, LLB. Age 59. Director since October 1993. Eve Mahlab has practised as a solicitor, managed a family, owned and operated several successful small businesses and served on government and community boards. She has been extensively involved in community activities particularly those relating to business education, women and social change. Director of the Walter and Eliza Hall Institute of Medical Research Superannuation Fund. She is also a member of the advisory board of Creative Brands Pty. Limited and a member of the Council of the Australian Association of Philanthropy.

John Morschel, DipQS, AAIQS, FAIM. Age 53. Director since July 1993. John Morschel has broad experience in the property and construction industries and the life insurance and financial services industry. Appointed Executive Director August 1995. A Director of CSR Limited and MasterCard International. Trustee of the Art Gallery of New South Wales.

Peter Ritchie, BCom, FCPA. Age 55. Director since January 1993. Peter Ritchie has broad consumer marketing and commercial experience. Chairman and founding director of McDonald's Australia Limited and currently a member of McDonald's Hong Kong, Malaysia and New Zealand Boards. Executive Chairman of Culligan Australia. Chairman Stadium Australia Management Limited. Director of Seven Network Limited.

20.2 DIRECTORS' MEETINGS

Attendance at meetings is only part of the commitment Directors make in order to discharge the duties and responsibilities of their office.

During the accounting period, there were 7 regular pre-scheduled meetings of the Board of Directors, 2 special non-scheduled meetings of the Board of Directors convened to deal formally with matters previously discussed by Directors, 5 audit committee meetings, 2 credit and market risk committee meetings, 2 remuneration committee meetings and 2 special Board committee meetings. No meeting lapsed for want of a quorum.

Particulars of Directors' attendance at these meetings are set out on page 51 and form part of this Report.

20.3 REVIEW AND RESULTS OF OPERATIONS

The operating result of the economic entity for the accounting period after tax and outside equity interests was a profit of $638 million.

A review of the operations of the economic entity and the results of those operations for the accounting period is set out on pages 3 to 45 and forms part of this Report.

20.4 SIGNIFICANT CHANGES

On 18 November 1996, the previously announced buy-back of 85 million, or approximately 5%, of the Bank's fully paid ordinary shares by way of an on-market buy-back scheme, was commenced. As at 6 February 1997, 31.1 million shares have been repurchased under the scheme.

20.5 EVENTS AFTER END OF ACCOUNTING PERIOD

On 3 April 1997, an agreement to merge with the Bank of Melbourne under schemes of arrangement was reached and the terms of the agreement publicly announced.

The agreement is conditional on the obtaining of all necessary regulatory approvals.

On 2 May 1997, Westpac announced its intention to undertake a further buy-back of 50 million, or approximately 2.8%, of its fully paid ordinary shares by way of an on-market buy-back scheme. The buy-back will become effective from 19 May 1997.

20.6 DIRECTORS' SHAREHOLDINGS

Particulars of shares in the Bank or in a related body corporate in which Directors of the Bank have relevant interests are set out on page 52 and form part of this Report.

20.7 DIRECTORS' INTERESTS IN CONTRACTS

As required by the Corporations Law, some Directors have given notice to the Bank that, since the date of the last Report, they hold office in specified companies and as such are to be regarded as having an interest in any contract or proposed contract which may be made between the Bank and those companies.

20.8 DIRECTORS' BENEFITS

No Director of the Bank has, during or since the accounting period, received or become entitled to receive a benefit other than:

a) remuneration paid to non-executive directors within the limit fixed by a resolution passed at the annual general meeting held on 24 January 1996; or

b) the fixed salary and other employee benefits, including share options, of a full time employee of the Bank; or

c) normal professional fees received by a firm of solicitors of which a Director is a consultant.

by reason of a contract made by the Bank, an entity that the Bank controlled or a related body corporate with the Director or with a firm of which he or she is a member or with an entity in which he or she has a substantial financial interest.

20.9 ROUNDING OF AMOUNTS

All amounts shown in this Report have been rounded to the nearest million dollars.

20.10 Notes to and Forming Part of the Financial Statements

Westpac Banking Corporation and its controlled entities

Basis of preparation of Half Year Financial Statements

These general purpose consolidated accounts for the half year ended 31 March 1997 have been prepared in accordance with Accounting Standard AASB1029 “Half-Year Accounts and Consolidated Accounts” as applicable to an Australian bank. It is recommended that this Report should be read in conjunction with the Annual Report for the year ended 30 September 1996 and any public announcements made by Westpac Banking Corporation during the half year in accordance with any continuous disclosure obligations arising under the Corporations Law.

For and on behalf of the Board of Directors.

J. A. Uhrig	R.L. Joss
Chairman	Managing Director

14 May 1997

21 DIRECTORS’ STATEMENT

In accordance with a resolution of the directors of Westpac Banking Corporation, in the opinion of the directors, the financial statements are drawn up:

a) in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law and with Accounting Standard AASB 1029 “Half-year Accounts and Consolidated Accounts”; and

b) so as to give a true and fair view of the profit and of the cash flows of the economic entity for the half-year ended 31 March 1997 and the state of affairs of the economic entity as at 31 March 1997.

Dated at Sydney this 14 day of May 1997.

For and on behalf of the Board.

J. A. Uhrig	R.L. Joss
Chairman	Managing Director

FOR PERIOD FROM 1 OCTOBER 1996 TO 31 MARCH 1997

	Regular Board Meetings		Special Board Meetings		Board Audit Committee		Board Credit and Market Risk Committee		Board Remuneration Committee		Special Committee Meetings*	
	A	B	A**	B	A	B	A	B	A	B	A	B
P.L. Baillieu***	5	5	-	-	4	4	-	-	-	-	2	1
W.B. Capp	7	7	2	1	5	5	-	-	2	2	2	1
Sir Llewellyn Edwards	7	6	2	1	1	0	-	-	2	2	2	1
J.B. Fairfax	4	4	2	2	-	-	1	1	-	-	1	-
I.R.L. Harper	7	6	2	2	5	5	-	-	-	-	2	2
W.P. Hogan	7	7	2	1	-	-	2	2	-	-	2	1
R.L. Joss	7	7	2	2	-	-	-	-	-	-	2	1
E. Mahlab	7	7	2	1	-	-	2	2	1	1	2	1
J.P. Morschel	7	7	2	1	-	-	-	-	-	-	2	2
P.D. Ritchie	7	7	2	1	5	4	-	-	2	2	2	1
J.A. Uhrig	7	7	2	1	-	-	2	2	2	2	2	1

Column A - Indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.

Column B - Indicates the number of those meetings attended by the Director.

* - The membership of special committees comprises any two Board members.

** - One of which was a teleconference.

*** - Retired from the Board of the Bank on 20 January 1997.

DIRECTORS' HOLDINGS OF WESTPAC SHARES AS AT 14 MAY 1997:

Name	Number of Ordinary Fully Paid Shares and Options	Non Beneficial [1]
W.B. Capp	12,616	
Sir Llewellyn Edwards	8,312	
J.B. Fairfax	74,611	184,943
I.R.L. Harper	39,516	713,327
W.P. Hogan	14,066	
R.L. Joss	1,666,667 3,333,334 [2]	
E. Mahlab	10,500	713,327
J.P. Morschel	4,000 600,000 [3]	
P.D. Ritchie	20,714	15,000
J.A. Uhrig	53,000	726,327

Notes:

(1) Certain of the Directors are Trustees for a staff related fund and as Trustees of that fund, they are considered to have a "relevant interest" in those shares and shares subject to warrants.

(2) Options issued under the Chief Executive Share Option Agreement.

(3) Options issued under the J. P. Morschel Share Option Deed.