Westpac Banking Corporation

ARBN 007 457 141

HALF YEAR PROFIT RESULTS 1998

Six months ended 31 March 1998

TABLE OF CONTENTS

1 REVIEW OF GROUP RESULTS[1]

1.1 PERFORMANCE SUMMARY

Westpac Banking Corporation's operating profit after income tax was $666 million for the half year ended 31 March 1998, a 4.4% increase on the 31 March 1997 half.

Earnings per share (EPS) before intangibles increased by 3.9% to 37.6 cents from 36.2 cents in the first half of 1997. EPS (after intangibles) for the half increased to 34.7 cents from 34.4 cents.

Directors intend declaring an interim fully franked dividend of 21 cents per ordinary share, an increase of 10.5% over the 1997 interim dividend of 19 cents per ordinary share (fully franked). This represents a payout ratio of 60.4%, up from 54.7%.

This result represents continuing progress in implementing our strategy of investing the bulk of our talent and resources in markets we know well, i.e. Australia and New Zealand.

These results were earned without the full benefits of the Trust Bank New Zealand or Bank of Melbourne (BML) mergers.

Key highlights of the result were:

- A strong capital position, with a Tier 1 capital ratio of 6.8% and total tangible equity to tangible assets ratio of 5.2%.
- Operating income increased 7%. The major contributors being BML, growth in retail funds management, retail insurance sales and financial markets income. These increases were offset somewhat by the cost of servicing debt associated with the buy-back of surplus capital.
- Expense/income ratio (before intangibles) improved to 59.1% from 60.9% in the 31 March 1997 half, with the staff productivity ratio improving to 3.21 from 2.94. Adjusted for the impacts of the BML merger, non-interest expenses decreased 2% in the period despite continued investment in technology including the Year 2000 issue.
- Continued strong asset quality with impaired loans as a proportion of total loans and acceptances decreasing to 0.9%. The net charge for bad and doubtful debt provisions for the half year was $50 million, the same as in the first half of 1997, but $22 million higher than in the prior half, reflecting the net impact of dynamic provisioning of Asian exposures. Total provisioning cover now stands at 179.6% of total impaired loans and 1.6% of total loans and acceptances.

Westpac will continue to actively manage its equity while making certain a prudent, strong capital position is maintained. To accomplish this, Westpac announced on 8 May 1998 another share buy-back scheme.

Looking ahead, competition is expected to remain intense against a backdrop of slower economic growth. In this environment, Westpac's focus will be on continual improvements in the delivery of better solutions to customers, thereby increasing the number of products per customer. The keys to future earnings performance will be the realisation of the full potential of the regional bank mergers, back-office centralisations, improving cross-sell ratios and continued sound risk management.

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[1] **Comparatives in this section are with the half year ended 31 March 1997 (pcp) unless otherwise stated.**

1.2 KEY BUSINESS DEVELOPMENTS

1.2.1 Regional Banking and Financial Services Strategy

A key benefit of Westpac's Australasian focused strategy has been the ability to broaden the customer base through mergers with Bank of Melbourne and Challenge Bank in Australia, and Trust Bank in New Zealand. These mergers have gained over two million new customers for the Westpac Group in Australia and New Zealand.

Westpac's regional banking strategy will continue to focus on enhancing relationships with its more than seven million customers, by providing access to integrated financial solutions through an extensive range of products and services.

Key developments on the recent mergers are summarised below.

WestpacTrust

As at 31 March 1998, the merger between Westpac and Trust Bank in New Zealand has yielded synergy benefits of NZ$79 million per annum, with integration costs of NZ$105 million.

Integration of the two branch networks, which will deliver most of the remaining merger benefits, is expected to be completed by August 1998. The merger is expected to deliver synergy benefits totalling approximately NZ$131 million per annum, compared to expected integration costs of NZ$184 million.

Bank of Melbourne (BML)

A new management structure for the combined operations in Victoria has been implemented and integration planning is well advanced. Full conversion of all systems and branch operations is scheduled to be completed by the end of the 1998 calendar year.

Since the merger announcement, detailed planning has identified additional synergy benefits for marginal additional expenditure on technology and network infrastructure. Synergy benefits are now estimated at $95 million per annum with total estimated integration costs of $180 million.

The opportunity to create greater value for customers, staff and shareholders from the merger is already being achieved through the roll-out of new products to Bank of Melbourne customers, such as credit cards and investment and superannuation products. BML customers have already saved over $1 million in bank fees by utilising the entire Westpac ATM network free of foreign transaction charges.

1.2.2 Investment in Infrastructure

Westpac has continued to make considerable investment in infrastructure to provide staff with improved tools to deliver better solutions to customers. Major activities in the 1998 first half have included:

NSW Operations Centre

In November 1997, Westpac successfully completed the implementation of the NSW Operations Centre, located at Concord West. This involved the relocation of over 900 staff in three key operational units from the Sydney CBD.

Designed as a "workplace of the future", the centre has the capacity to incorporate some additional interstate operations over the next 18-24 months. The development is also seen by the NSW Government as being a key part of Sydney's Inner West rejuvenation.

Launceston Telephone Banking Centre

Westpac will invest approximately $6 million in the building and fitout of a purpose-built telephone banking centre in Launceston, as an expansion site for Westpac Telephone Banking. Approximately 50% of Australian customers use Telephone Banking, conducting some 37 million calls per annum, 85% of which are answered by the automated voice response unit.

The centre which will reflect Westpac's continued commitment to a better workplace is scheduled to start operations in October 1998 with approximately 30 staff, growing to 120 by mid 1999.

1.2.3 Housing Loan Market and Mortgage Processing Centre

The Mortgage Processing Centre (MPC) has fundamentally changed Westpac's approach to the home mortgage business in Australia. Mortgages are now being processed and serviced at lower costs and with higher, more consistent, quality control at a single integrated centre; and in a form that allows Westpac to readily and efficiently securitise mortgages. The MPC provides Westpac with a strong and improving position in the origination and servicing of loans secured by residential mortgages. Home loan approvals are now more than 50% higher, in both number and value, than at the same period in 1997.

Adjusting for the impact of $429 million of Australian mortgages securitised during the first half of 1998 and including BML growth since 1 October 1997, Westpac's Australian housing outstandings increased by a net $2.1 billion or approximately 12.5% (annualised). The stronger trend in approvals is being partially offset by the continued high level of portfolio amortisation, as customers benefit from historically low interest rates.

In March 1998, the MPC commenced servicing mortgages for FAI Home Loans, its first third-party arrangement, which included an initial portfolio of over 5,000 loans.

1.2.4 Capital and Balance Sheet Management

Asset Growth

Westpac's recent asset growth has been primarily through in-market mergers. This has had the dual benefit of achieving customer and revenue growth, whilst also permitting cost savings and productivity gains. Combined with underlying business growth, this has increased customers and revenues without undue reliance on aggressive competition where risk can be inappropriately priced.

This prudent approach to balancing the trade off between risk pricing and balance sheet growth has seen continued improvement in asset quality, as dynamic provisioning disciplines have directed lending away from higher risk exposures which do not provide adequate return for the risk involved. The controlled growth of lending assets has also assisted in minimising the impact on interest spreads, despite the large contraction in product margins in several highly competitive market segments.

Asset Securitisation

Westpac remains committed to managing its balance sheet to enhance shareholder value. Securitisation represents a key tool that can be used to achieve this objective. Securitisation allows the balance sheet mix to be shifted away from lower return assets, improves liability and liquidity management, and allows a more efficient use of capital to deliver improved shareholder returns.

As at 31 March 1998, Westpac had securitised a total of $4.1 billion of assets through a combination of private placements and public issues to Australian and overseas investors, of which $654 million was securitised during the half. In April, Westpac broadened its securitisation program with $261 million of New Zealand residential mortgages being securitised.

Outstanding securitised loans totalled A$3.5 billion as 31 March 1998, after allowing for amortisation in the initial loans securitised.

Ordinary Share Buy-backs

Westpac continues to use on-market share buy-backs to reduce capital which is surplus to its immediate needs, as part of its active management of capital to improve shareholder value.

On 3 November 1997, Westpac announced a further on-market buy-back scheme (effective from 17 November 1997) of up to 85 million shares (approximately 5%) to be conducted over a period of up to six months. As at 13 May 1998, 80 million ordinary shares had been bought back at an average price of $10.03. During the buy-back period, the price paid for Westpac ordinary shares ranged from a low of $8.80 to a high of $10.78.

On 8 May 1998, Westpac announced a further buy-back of 60 million shares.

1.2.5 Year 2000 Project

Making Westpac's information technology applications Year 2000 compliant is estimated to cost $57 million, of which $24 million has been spent to date. To the maximum extent possible, the project is utilising existing Westpac resources.

Westpac's objective is to be Year 2000 compliant by 31 December 1998, to allow adequate time for testing.

A detailed statement on Westpac's Year 2000 project will be provided to the Australian Stock Exchange this month.

1.2.6 Asia

Standard Chartered Bank Strategic Relationship

When launched in November 1996, the strategic relationship with Standard Chartered Bank focused upon five key Asian countries. As a result of its initial success and the excellent working relationship between the two banks, the strategic relationship has been extended to cover all of Standard Chartered's 250 offices in 21 Asian countries. Over 300 of Westpac's Australian and New Zealand corporate and business customers are accessing the services available.

Westpac also plans to take advantage of Standard Chartered's network in Africa for Australasian customers doing business there, whilst Standard Chartered is looking to offer Westpac mortgages to Asian customers buying property in Australia.

Asian Exposures

Westpac's total exposure to Asia was $7,960 million as at 31 March 1998, down 23% from $10,303 million as at 30 September 1997. Exposure consisted of $2,960 million in on-balance sheet loans; $1,084 million in off-balance sheet, legally committed, but undrawn loan commitments; $513 million in off-balance sheet outstandings (principally guarantee and trade transactions) and $3,403 million in pre-settlement risk relating to delivery under financial market contracts. The pre-settlement risk includes $1,719 million representing the replacement cost (positive mark-to-market) of amounts owed to Westpac by counterparties and $1,684 million representing a conservative estimate of potential credit risk arising from future movements in currency and interest rates over the life of the counterparty contracts.

As of 31 March 1998, 85% of total Asian exposure was to investment grade customers and 63% was to Japanese customers. Exposure to Indonesia, South Korea, Thailand, Malaysia and Philippines totalled $846 million, or 11% of total exposure. For all of Asia, contractual maturities are relatively short, with approximately 40% of the portfolio maturing in 6 months and 75% within 12 months. On-balance sheet loans to Asia represented just 2.9% of the Westpac's net loans and acceptances.

More details of Westpac's Asian exposures are set out in Section 4.1 of this Announcement.

1.2.7 New *Business Options* Overdraft Package

On 31 March 1998, Westpac launched a business overdraft package integrating PC and telephone banking and card transaction services to allow businesses to better manage their cashflow. The package incorporates a competitive base interest rate of 7.2% for overdrafts secured by residential property, an additional fixed margin of 0.75% when secured by commercial property, or a margin of up to 2.6% when secured by business assets. This combination of competitive pricing and electronic banking features allows Westpac to compete aggressively for the $9 billion business overdraft market while achieving appropriate risk-adjusted returns.

1.2.8 Enterprise Development Agreement (EDA)

In early April 1998, Westpac reached in principle agreement with the Finance Services Union (FSU) on a new EDA, which also allows for specific business unit variations. The key features of the agreement include: increases in salaries, enhanced superannuation packages, improved flexibility for staff in working hours, improved working place benefits, and simplification of various employment awards and agreements.

The EDA, which will run to the end of 2000 and features annual salary increases in October each year of 3.5%, will be voted on by all staff in late May 1998. This new agreement was reached without any disruption to customer service throughout the negotiations with the FSU.

1.3 FINANCIAL SUMMARY

	Six months to/as at		
	31 March 1998	**30 Sept 1997**	**31 March 1997**
Shareholder value			
Earnings per ordinary share (cents)			
Basic	34.7	35.6	34.4
Basic before intangibles	37.6	37.2	36.2
Adjusted [(1)]	35.1	35.6	34.4
Return on average ordinary equity (annualised)			
Basic	15.5%	17.1%	16.9%
Adjusted [(1)]	16.5%	17.1%	16.9%
Fully franked dividends per ordinary share (cents)	21.0	20.0	19.0
Dividend payout ratio	60.4%	55.8%	54.7%
Net tangible asset backing per ordinary share ($)	3.48	3.69	3.54
Earnings			
Operating profit before income tax ($m) (including gross up) [(2)]	1,036	974	939
Operating profit after income tax attributable to shareholders ($m)	666	653	638
Return on average assets (annualised)	0.97%	1.06%	1.01%
Return on average risk adjusted assets (annualised)	1.34%	1.50%	1.47%
Net interest margin	3.46%	3.63%	3.55%
Non-interest income/total operating income	35.0%	33.6%	33.1%
Productivity and efficiency			
Productivity ratio [(3)]	3.21	3.01	2.94
Expense to income ratio before intangibles	59.1%	60.5%	60.9%
Personnel numbers			
Implied full time equivalent (FTE) [(4)]	35,613	33,477	33,433
Average implied FTE	35,766	33,605	34,115
Operating income per average implied FTE ($000)	156	156	154
Salaries and other staff expenses per average implied FTE ($000)	49	52	52

[(1)] *Adjusted to exclude the impact of the merger with Bank of Melbourne*
[(2)] *See note 1 on page 12*
[(3)] *Operating income/salaries and other staff expenses*
[(4)] *Implied FTE includes core FTE, overtime, temporary staff and contractors*

1.3 FINANCIAL SUMMARY (Cont'd)

	Six months to/as at		
	31 March 1998	30 Sept 1997	31 March 1997
Capital adequacy			
Capital adequacy ratios			
Total	9.0%	10.5%	10.3%
Tier 1	6.8%	8.0%	7.7%
Average ordinary equity ($m)	8,403	7,424	7,336
Average total equity ($m)	8,935	8,024	7,936
Total tangible equity to total tangible assets	5.2%	6.1%	5.7%
Total tangible equity to total risk adjusted assets	7.0%	8.2%	8.0%
Assets			
Total assets ($m)	136,059	118,963	122,043
Total assets pre securitisation ($m)	139,515	122,190	123,081
Net loans and acceptances ($m)	101,259	89,116	90,686
Net loans and acceptances pre securitisation ($m)	104,715	92,343	91,724
Risk-adjusted assets ($m)	99,839	87,133	86,901
Asset quality			
Impaired loans to total loans and acceptances	0.9%	1.0%	1.0%
Total provisions to total loans and acceptances	1.6%	1.8%	1.9%
Total provisions to total impaired loans	179.6%	184.2%	182.7%
Total bad debt expense to total loans and acceptances (basis points)	5	3	5
Delinquencies over 90 days	0.5%	0.8%	1.1%

2 PROFIT AND LOSS

2.1 PROFIT AND LOSS STATEMENTS

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

$m	Six months to 31 March 1998	30 Sept 1997	31 March 1997	% Mov't March 97 - March 98
Interest income				
Deposits with banks	123	206	249	*(50.6)*
Investment and trading securities	278	410	329	*(15.5)*
Statutory deposits	6	12	12	*(50.0)*
Loans and other receivables	3,917	3,492	3,841	*2.0*
Interest income	**4,324**	**4,120**	**4,431**	***(2.4)***
Fully taxable equivalent gross up *(note 1)*	**69**	**79**	**48**	***43.8***
Interest income (including gross up)	**4,393**	**4,199**	**4,479**	***(1.9)***
Interest expense				
Current and term deposits	(1,813)	(1,701)	(1,971)	*(8.0)*
Public borrowings	(187)	(203)	(220)	*(15.0)*
Deposits from banks	(158)	(177)	(214)	*(26.2)*
Loan capital	(76)	(82)	(80)	*(5.0)*
Other liabilities	(347)	(299)	(251)	*38.2*
Interest expense	**(2,581)**	**(2,462)**	**(2,736)**	***(5.7)***
Net interest income (including gross up)	**1,812**	**1,737**	**1,743**	***4.0***
Non-interest income				
Fees and commissions	668	627	567	*17.8*
Financial markets income	198	103	135	*46.7*
General and life insurance income	66	57	41	*61.0*
Other income	44	90	119	*(63.0)*
Non-interest income	**976**	**877**	**862**	***13.2***
Operating income (including gross up)	**2,788**	**2,614**	**2,605**	*7.0*
Provisions for bad and doubtful debts	(50)	(28)	(50)	-
Operating income (including gross up) net of provisions for bad and doubtful debts	**2,738**	**2,586**	**2,555**	***7.2***
Non-interest expenses				
Salaries and other staff expenses	(868)	(868)	(886)	*(2.0)*
Equipment and occupancy expenses	(308)	(298)	(285)	*8.1*
Other expenses	(472)	(416)	(413)	*14.3*
Amortisation of intangibles	(54)	(30)	(32)	*68.8*
Non-interest expenses	**(1,702)**	**(1,612)**	**(1,616)**	***5.3***
Operating profit before income tax (including gross up)	**1,036**	**974**	**939**	***10.3***
Fully taxable equivalent gross up *(note 1)*	(69)	(79)	(48)	*43.8*
Operating profit before income tax (excluding gross up)	**967**	**895**	**891**	***8.5***
Income tax expense	(300)	(241)	(252)	*19.0*
Outside equity interests	(1)	(1)	(1)	-
Operating profit after income tax attributable to shareholders	**666**	**653**	**638**	***4.4***

2.1 PROFIT AND LOSS STATEMENTS (Cont'd)

$m	Six months to/ as at 31 March 1998	30 Sept 1997	31 March 1997	% Mov't March 97 - March 98
Retained profits at the beginning of the financial period	1,873	1,662	1,366	*37.1*
Operating profit after income tax attributable to shareholders	666	653	638	*4.4*
Aggregate of amounts transferred (to)/ from reserves	(21)	(69)	16	*(231.3)*
Total available for appropriation	**2,518**	**2,246**	**2,020**	***24.7***
Dividends provided for or paid	(432)	(373)	(358)	*20.7*
Retained profits at the end of the financial period	**2,086**	**1,873**	**1,662**	***25.5***
Earnings (cents) per ordinary share after deducting preference dividends				
Basic	34.7	35.6	34.4	*0.9*
Fully diluted	33.5	34.6	33.2	*0.9*
Weighted average number of fully paid ordinary shares (millions)	1,872	1,781	1,796	*4.2*

Note 1: *Income amounts are presented on a fully taxable equivalent basis. This is defined as income on interest earning assets that is subject to either a reduced or zero rate of income tax, adjusted to give effect to the appropriate incremental income tax rate.*

The tax rate was 36% in all periods disclosed. Prior period comparatives have been restated.

Westpac earns income from a number of sources, which include tax effective financing. The benefit of this is reflected in a lower net income tax expense, with the associated funding costs included in interest expense, previously resulting in both negative net interest margin and operating income.

The average balance sheet and net interest margin analysis have previously reflected this interest income gross up. The inclusion of the gross up in the profit and loss statement effectively ensures consistency between this and the average balance sheet.

This improved disclosure has been made to allow the appropriate reflection of the operating income and related income and efficiency ratios of Westpac. This grossed up presentation is consistent with that adopted by major banks overseas.

IMPACT OF MERGER[1]

$m	Reported Group result 31 March 1998	BML	Adjusted Group result 31 March 1998
Net interest income (including gross up)	1,812	149	1,663
Non-interest income	976	25	951
Operating income (including gross up)	2,788	174	2,614
Provisions for bad and doubtful debts	(50)	(5)	(45)
Operating income (including gross up) net of provisions for bad and doubtful debts	2,738	169	2,569
Non-interest expenses [2]	(1,702)	(118)	(1,584)
Operating profit before income tax (including gross up)	1,036	51	985
Income tax expense (including gross up)	(369)	(20)	(349)
Outside equity interests	(1)	-	(1)
Operating profit after income tax	666	31	635
Implied Core FTE	35,766	1,942	33,824
Group assets ($m)	136,059	11,922	124,137
Net loans and acceptances ($m)	101,259	10,196	91,063
Earnings per ordinary share (cents) [3]	34.7		35.1
Expenses/income ratio (before intangibles)	59.1%		59.4%
Non-interest income/total operating income	35.0%		36.4%
Return on average assets	0.97%		1.00%
Intangible assets ($m)	1,837	880	957
Net interest margin	3.46%	2.78%	3.54%

(1) *The funding split for the merger with Bank of Melbourne ("BML") was 87.1% equity and 12.9% debt.*

(2) *Included in non-interest expenses is the BML goodwill amortisation expense of $23.0 million. (No material integration costs have been expensed to date.)*

(3) *EPS as at 31 March 1998, has been adjusted for the issue of 142 million shares as part consideration for the merger with Bank of Melbourne.*

2.2 INTEREST SPREAD AND MARGIN ANALYSIS

2.2.1 Spread and Margin Analysis

	Six months to		
%	31 March 1998	30 Sept 1997	31 March 1997
Group			
Interest spread on productive assets[(2)]	2.90	2.99	2.83
Impact of impaired loans	(0.03)	(0.02)	(0.05)
Interest spread[(1)]	2.87	2.97	2.78
Benefit of net non-interest bearing liabilities and equity[(3)]	0.59	0.66	0.77
Interest margin	3.46	3.63	3.55
Australia			
Interest spread on productive assets[(2)]	3.17	3.30	3.21
Impact of impaired loans	(0.03)	(0.02)	(0.05)
Interest spread[(1)]	3.14	3.28	3.16
Benefit of net non-interest bearing liabilities and equity[(3)]	0.57	0.63	0.81
Interest margin	3.71	3.91	3.97
New Zealand			
Interest spread on productive assets[(2)]	2.74	2.94	2.65
Impact of impaired loans	(0.01)	(0.01)	(0.01)
Interest spread[(1)]	2.73	2.93	2.64
Benefit of net non-interest bearing liabilities and equity[(3)]	0.12	0.16	0.22
Interest margin	2.85	3.09	2.86
Other Overseas			
Interest spread on productive assets[(2)]	0.69	0.64	0.64
Impact of impaired loans	(0.03)	(0.01)	(0.03)
Interest spread[(1)]	0.66	0.63	0.61
Benefit of net non-interest bearing liabilities and equity[(3)]	0.83	1.00	0.76
Interest margin	1.49	1.63	1.37

(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 net of impaired loans.*

(2) ***Interest spread on productive assets*** *is determined on the basis on the interest spread formula after excluding 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 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.*

2.2.2 Average Balance Sheets and Interest Rates

	Six months to 31 March 1998			Six months to 30 September 1997			Six months to 31 March 1997		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	$m	$m	%	$m	$m	%	$m	$m	%
Assets									
Interest earning assets									
Due from other banks									
Australia	941	14	3.0	564	17	6.0	1,126	34	6.1
New Zealand	1,187	51	8.6	1,086	42	7.8	932	51	11.0
Other Overseas	2,394	66	5.5	3,550	147	8.3	3,996	165	8.3
Investment and trading securities									
Australia	5,757	163	5.7	6,404	323	10.1	5,632	243	8.7
New Zealand	1,063	37	7.0	778	22	5.7	862	27	6.3
Other Overseas	2,066	77	7.5	1,941	66	6.8	1,993	59	5.9
Statutory deposits									
Australia	733	-	-	646	2	0.6	650	5	1.5
New Zealand	1	-	-	1	-	-	1	-	-
Other Overseas	214	6	5.6	300	10	6.7	284	7	4.9
Loans and other receivables									
Australia	66,444	2,810	8.5	56,335	2,422	8.6	57,839	2,651	9.2
New Zealand	19,500	992	10.2	19,658	983	10.0	19,732	1,057	10.7
Other Overseas	4,019	168	8.4	3,757	143	7.6	3,883	149	7.7
Impaired loans									
Australia	335	3	1.8	449	15	6.7	807	24	6.0
New Zealand	130	5	7.7	140	5	7.2	140	6	8.6
Other Overseas	73	1	2.7	64	1	3.1	102	1	2.0
Intragroup receivable									
Other Overseas	8,618	252	5.9	8,233	239	5.8	7,752	247	6.4
Interest earning assets and interest income including intragroup	113,475	4,645	8.2	103,906	4,437	8.6	105,731	4,726	9.0
Intragroup elimination	(8,618)	(252)		(8,233)	(238)		(7,752)	(247)	
Total interest earning assets and interest income	**104,857**	**4,393**	**8.4**	**95,673**	**4,199**	**8.8**	**97,979**	**4,479**	**9.2**
Non-interest earning assets									
Cash, bullion, due from other banks and statutory deposits	533			445			475		
Other assets	22,590			18,138			17,616		
Provisions for doubtful debts									
Australia	(1,393)			(1,462)			(1,560)		
New Zealand	(122)			(143)			(155)		
Other Overseas	(83)			(86)			(96)		
Total non-interest earning assets	**21,525**			**16,892**			**16,280**		
Acceptances of customers									
Australia	11,350			11,131			11,465		
New Zealand	52			2			24		
Other Overseas	59			51			59		
Total assets	**137,843**			**123,749**			**125,807**		

2.2.2 Average Balance Sheets and Interest Rates (Cont'd)

	Six months to 31 March 1998			Six months to 30 September 1997			Six months to 31 March 1997		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Liabilities and shareholders' equity									
Interest bearing liabilities									
Deposits									
Australia	46,743	1,029	4.4	41,208	926	4.5	40,250	1,128	5.6
New Zealand	15,999	550	6.9	15,982	533	6.7	15,636	592	7.6
Other Overseas	8,410	246	5.9	8,585	240	5.6	9,101	252	5.6
Public borrowings by subsidiary borrowing corporations									
Australia	5,430	171	6.3	5,371	185	6.9	5,363	199	7.4
New Zealand	408	16	7.9	427	18	8.5	473	20	8.5
Other Overseas	3	-	-	27	1	7.4	5	1	40.1
Due to other banks									
Australia	453	9	4.0	283	8	5.7	317	11	7.0
New Zealand	94	7	14.9	105	3	5.7	57	8	28.1
Other Overseas	4,307	130	6.1	4,327	167	7.7	4,581	194	8.5
Loan capital									
Australia	1,918	74	7.7	1,890	80	8.5	2,112	77	7.3
New Zealand	44	2	9.1	43	2	9.3	61	3	9.9
Other interest bearing liabilities									
Australia	6,341	208	6.6	3,561	202	11.4	5,181	116	4.5
New Zealand	1,188	75	12.7	922	44	9.6	770	77	20.1
Other Overseas	2,247	64	5.7	2,013	53	5.3	2,179	58	5.3
Intragroup payable									
Australia	4,823	127	5.3	4,560	120	5.3	3,677	116	6.3
New Zealand	3,795	125	6.6	3,673	118	6.4	4,075	131	6.4
Interest bearing liabilities and interest expense including intragroup	102,203	2,833	5.6	92,977	2,700	5.8	93,838	2,983	6.4
Intragroup elimination	(8,618)	(252)		(8,233)	(238)		(7,752)	(247)	
Total interest bearing liabilities and interest expense	**93,585**	**2,581**	**5.5**	**84,744**	**2,462**	**5.8**	**86,086**	**2,736**	**6.4**
Non-interest bearing liabilities									
Deposits and due to other banks									
Australia	3,503			3,147			3,191		
New Zealand	1,168			1,160			1,176		
Other Overseas	481			452			444		
Other liabilities	18,709			15,038			15,420		
Total non-interest bearing liabilities	**23,861**			**19,797**			**20,231**		
Acceptances									
Australia	11,350			11,131			11,465		
New Zealand	52			2			24		
Other Overseas	59			51			59		
Total liabilities	**128,907**			**115,725**			**117,865**		
Ordinary shareholders' equity	8,403			7,424			7,336		
Preference shareholders' equity	532			600			600		
Outside equity interests	1			-			6		
Total shareholders' equity	**8,936**			**8,024**			**7,942**		
Total liabilities and shareholders' equity	**137,843**			**123,749**			**125,807**		

2.2.2 Average Balance Sheets and Interest Rates (Cont'd)

	Six months to 31 March 1998			Six months to 31 September 1997			Six months to 31 March 1997		
	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	74,210	2,991	8.1	64,398	2,779	8.7	66,054	2,957	9.0
New Zealand	21,881	1,085	9.9	21,663	1,052	9.7	21,667	1,141	10.6
Other Overseas	17,384	569	6.6	17,845	606	6.8	18,010	628	7.0
Group	**113,475**	**4,645**	**8.2**	**103,906**	**4,437**	**8.6**	**105,731**	**4,726**	**9.0**
Interest bearing liabilities									
Australia	65,708	1,619	5.0	56,873	1,521	5.4	56,900	1,647	5.8
New Zealand	21,527	775	7.2	21,152	718	6.8	21,072	831	7.9
Other Overseas	14,968	440	5.9	14,952	461	6.2	15,866	505	6.4
Group	**102,203**	**2,834**	**5.6**	**92,977**	**2,700**	**5.8**	**93,838**	**2,983**	**6.4**
Interest spread									
Australia			3.1			3.3			3.2
New Zealand			2.7			2.9			2.6
Other Overseas			0.7			0.6			0.6
Group			2.9			3.0			2.8

2.2.3 Commentary on Spreads and Margins

Group

During the first half of 1998, the interest spread for the Group decreased by 10 basis points to 2.87%, of which BML's lower spread contributed 3 basis points.

The decline in spread principally reflects margin compression due to competitive pressure in New Zealand and the full period impact of interest rate cuts in Australia in the six months to 30 September 1997. These have been partially offset by the benefits of hedging income and the full period benefit of the Group's securitisation of assets in the second half of 1997, together with additional securitisation of $0.6 billion in the current period (as securitisation removes low margin assets from the balance sheet).

Interest margin for the Group declined by 17 basis points to 3.46% in first half of 1998, with the benefit of net non-interest bearing liabilities and equity declining from 0.66% to 0.59%. The decline in the benefit of free funds is due to a change in the mix of funding for interest earning assets, with an increased proportion funded by interest bearing liabilities, reflecting the impact of the continued buy-back of share capital, as well as the shares issued for the BML merger.

Australia

The interest spread in Australia declined 14 basis points to 3.14% in the six months to 31 March 1998. Bank of Melbourne's interest spread of 2.90% is lower than Westpac's principally due to the mix of their portfolio which has a relatively higher proportion of housing loans. Excluding the impact of Bank of Melbourne, Australian interest spreads have remained relatively steady, decreasing by 1 basis point to 3.27% (despite the full period impact of rate cuts), with the impact of impaired loans remaining relatively flat.

The key strategies which have positively impacted interest spreads are Westpac's hedging of interest rate risk and the full period impact of the securitisation program. Offsetting this is the impact of lower average returns on investment and trading securities. However, this margin impact has been more than offset by a $95 million increase in the financial markets component of non-interest income, as a result of increased customer business and trading profits derived on the portfolio. Fluctuations in the mix of income between net interest income and non-interest income arise from changes in the mix of securities in the portfolio and movements in yields and coupon rates for these securities.

With the benefit of net non-interest bearing liabilities and equity declining from 0.63% in the six months to 30 September 1997 to 0.57% in the current period, interest margins in Australia declined over the period to 3.71%. The decline in the benefit of net non-interest bearing liabilities and equity in Australia is due to the full period impact of rate cuts and Westpac's capital management strategies.

New Zealand

The interest spread in New Zealand declined by 20 basis points from 2.93% to 2.73% in the six months to 31 March 1998.

During the period the interest rate environment has been volatile with rates increasing. Due to competitive pressures these increases have not been passed on fully to customers resulting in only a marginal increase in the average rate earned on assets. However, whilst the rate paid on deposits has been maintained, the increase in wholesale funding costs has led to the overall decline in interest spread.

The benefit of net non-interest bearing liabilities and equity fell by 4 basis points primarily due to lower levels of non-interest bearing liabilities leading to a decline in interest margin of 24 basis points to 2.85%.

2.3 NON-INTEREST INCOME ANALYSIS

$m	Six months to 31 March 1998	30 Sept 1997	31 March 1997	% Movt March 97 - March 98
Fees and commissions				
Lending fees	246	226	213	*15.5*
Transaction fees and commissions received	263	252	230	*14.3*
Other non-risk fee income	159	149	124	*28.2*
	668	**627**	**567**	***17.8***
Financial markets income				
Foreign exchange	150	83	99	*51.5*
Other	48	20	36	*33.3*
	198	**103**	**135**	***46.7***
General and life insurance income				
Westpac Life MOS [(1)]	45	42	25	*80.0*
Insurance commissions and premiums (net of claims paid)	21	15	16	*31.3*
	66	**57**	**41**	***61.0***
Other income				
Dividends received	6	11	27	*(77.8)*
Lease rentals	7	8	13	*(46.2)*
Gains/(losses) on translation of overseas branch balances (net of hedging)	(8)	(7)	6	*(233.3)*
Service and management fees	-	1	8	-
Net profit on sale of premises and investments	19	35	60	*(68.3)*
Other	20	42	5	*300.0*
	44	**90**	**119**	***(63.0)***
Non-interest income	**976**	**877**	**862**	***13.2***
Non-interest income/total operating income	**35.0%**	**33.6%**	**33.1%**	**5.8**

(1) ***The Margin on Services (MOS)*** *profits have been determined in accordance with the "margin on services" methodology for the valuation of policy liabilities under professional standard 201, "Determination of Life Insurance Policy Liabilities" of the Institute of Actuaries of Australia. The result has been grossed up to a pre tax figure with the tax component included within tax expense.*

Commentary on Non-Interest Income[1]

Non-interest income increased by $114 million or 13.2% compared to the pcp due to strong growth in financial markets income, continued growth in fees and commissions as well as general and life insurance income, and the merger with Bank of Melbourne. Non-interest income now accounts for 35% of total operating income, up from 33.1% for the pcp on a grossed up basis. The ongoing focus on enhancing non-interest income streams has resulted in improvements across most business lines.

Lending fees increased by $33 million (15.5%) during the period reflecting increased recovery of costs and improved collection of fees via the implementation of the Branch Service Platform. Other non-risk fees increased by $35 million (28.2%) due principally to the full period impact of the retained spread over the investor margin on the growing portfolio of securitised assets.

Increased customer and trading activity, particularly in risk management products, resulted in a $63 million (46.7%) increase in financial markets non-interest income. This growth principally reflects the impact of increased customer activity and market volatility as a result of the economic conditions in Asia.

Retail financial services product sales and funds under management continued to grow strongly with total funds under management increasing from $13.2 billion to $17.6 billion, an increase of 33.3%. Insurance commissions and premiums growth of $5 million or 31.3% has resulted from the broadening of the product range and increased sales to the extensive Westpac customer base. Overall, this focus on retail financial services reflects Westpac's capacity to provide an extensive range and choice of products and services for customers across the spectrum. This range allows customers to choose the level of service they require.

The decline in other income reflects Westpac's continued rationalisation of its CBD property portfolio, although the impact in the current period is less than in the prior period.

Non-interest income will be further enhanced by providing customers with a better and more comprehensive range of products, developing new non-interest earnings streams, such as mortgage servicing, and the gradual movement to recover more of the costs of providing transactional and other services.

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[1] **Comparatives in this section are with the half year ended 31 March 1997 (pcp) unless otherwise stated.**

2.4 NON-INTEREST EXPENSE ANALYSIS

$m	Six months to 31 March 1998	30 Sept 1997	31 March 1997	% Movt March 97 - March 98
Salaries and other staff expenses				
Salaries and wages	732	714	730	*0.3*
Other staff expenses	136	154	156	*(12.8)*
	868	**868**	**886**	***(2.0)***
Equipment and occupancy expenses				
Operating lease rentals	128	118	104	*23.1*
Depreciation and amortisation:				
Premises	9	8	9	-
Leasehold improvements	9	5	5	*80.0*
Furniture and equipment	25	25	26	*(3.8)*
Technology	73	72	68	*7.4*
Electricity, water, rates and land tax	20	19	21	*(4.8)*
Other equipment and occupancy expenses	44	51	52	*(15.4)*
	308	**298**	**285**	***8.1***
Other expenses				
Amortisation of intangibles	54	30	32	*68.8*
Amortisation of deferred expenditure	14	11	10	*40.0*
Non-lending losses	9	15	9	-
Consultancy fees, computer software and other professional services	174	148	146	*19.2*
Stationery	46	39	45	*2.2*
Postage and telecommunications	101	93	92	*9.8*
Insurance	6	5	7	*(14.3)*
Advertising	51	45	29	*75.9*
Transaction taxes	5	3	4	*25.0*
Training	8	10	9	*(11.1)*
Travel	28	30	27	*3.7*
Other expenses	30	17	35	*(14.3)*
	526	**446**	**445**	***18.2***
Non-interest expenses	**1,702**	**1,612**	**1,616**	***5.3***
Productivity ratio [(1)]	3.21	3.01	2.94	
Expense/income ratio before intangibles	59.1%	60.5%	60.9%	
Salaries and other staff expenses per average implied FTE ($000)	49	52	52	
Total non-interest expenses per average implied FTE ($000)	95	96	95	

[(1)] *Operating income/salaries and other staff expenses*

Commentary on Expenses[1]

Non-interest expenses increased by $86 million to $1,702 million compared with pcp, however, overall the expense to income ratio improved from 60.9% to 59.1%. Excluding the impact of the merger with Bank of Melbourne, non-interest expenses decreased by $32 million (2.0%). This reflects savings due to merger synergies and the initial benefits arising from the investment in value adding activities such as the Mortgage Processing Centre, back office centralisation and the rationalisation of the branch network. Management expect further savings in future periods due to Westpac's continued focus on improving efficiency through investment in infrastructure and in particular, the synergies arising from the integration of Trust Bank New Zealand and Bank of Melbourne.

Operating lease rentals increased by $24 million to $128 million reflecting an increase in lease rentals in Australia as a result of the branch sale and leaseback program (introduced as a mechanism to use capital more efficiently), the impact of Bank of Melbourne partially offset by savings due to rationalisation as a consequence of the WestpacTrust merger. Technology depreciation expenses increased by 7.4% compared to the pcp, however, they remained flat compared to the six months ended 30 September 1997 reflecting the phasing of a number of major system infrastructure investments, in particular, the Mortgage Processing Centre and Branch Service Platform.

Consultancy fees, computer software and other professional services increased by $28 million reflecting the impact of Year 2000 costs and management's ongoing focus on initiatives to substantially improve productivity. A key component of the increase relates to investment in software for the new technology platforms being implemented to support a number of new project initiatives.

[1] **Comparatives in this section are with the half year ended 31 March 1997 (pcp) unless otherwise stated.**

3 BALANCE SHEET ANALYSIS

3.1 BALANCE SHEETS

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

$m As at:	31 March 1998	30 Sept 1997	31 March 1997	% Mov't Sept 97 - March 98
Assets				
Cash and balances with central banks	350	321	338	*9.0*
Statutory deposits	994	928	920	*7.1*
Due from other banks	3,695	4,002	5,208	*(7.7)*
Trading securities	*7,015*	*6,243*	*7,153*	*12.4*
Investment securities	*1,921*	*1,633*	*2,134*	*17.6*
Securities sold not yet delivered	*1,876*	*1,072*	*1,586*	*75.0*
Securities purchased under agreements to resell	*423*	*554*	*373*	*(23.7)*
Other financial markets assets	*11,489*	*9,370*	*6,584*	*22.6*
Total securities and financial markets assets	22,724	18,872	17,830	*20.4*
Productive loans	*90,468*	*78,629*	*80,541*	*15.1*
Acceptances of customers	*11,524*	*11,242*	*10,898*	*2.5*
Impaired assets	*883*	*833*	*983*	*6.1*
Less: provisions for bad and doubtful debts	*(1,616)*	*(1,588)*	*(1,736)*	*1.8*
Net loans and acceptances	101,259	89,116	90,686	*13.6*
Fixed assets	1,599	1,672	1,714	*(4.4)*
Intangible assets	1,837	1,029	1,058	*78.5*
Other assets	3,601	3,023	4,289	*19.1*
Total assets	**136,059**	**118,963**	**122,043**	***14.4***
Liabilities and equity				
Deposits	77,605	66,818	69,160	*16.1*
Public borrowings	5,791	5,818	5,803	*(0.5)*
Bonds, notes and commercial paper	8,099	6,273	7,244	*29.1*
Acceptances	11,524	11,242	10,898	*2.5*
Securities liabilities	3,642	1,589	2,438	*129.2*
Due to other banks	4,344	4,570	5,903	*(4.9)*
Other financial markets liabilities	10,505	9,276	7,098	*13.2*
Other liabilities	3,784	3,276	3,648	*15.5*
Total liabilities excluding loan capital	**125,294**	**108,862**	**112,192**	***15.1***
Subordinated bonds, notes and debentures	1,288	1,200	1,246	*7.3*
Subordinated perpetual notes	693	695	637	*(0.3)*
Total loan capital	**1,981**	**1,895**	**1,883**	***4.5***
Total liabilities	**127,275**	**110,757**	**114,075**	***14.9***
Net assets	**8,784**	**8,206**	**7,968**	***7.0***
Shareholders' equity				
Share capital	1,925	1,861	1,862	*3.4*
Reserves	4,768	4,466	4,439	*6.8*
Retained profits	2,086	1,873	1,662	*11.4*
Outside equity interests	5	6	5	*(16.7)*
Total shareholders' equity	**8,784**	**8,206**	**7,968**	***7.0***

3.1.1 Loans

$m As at:	31 March 1998	30 Sept 1997	31 March 1997
Australia			
Overdrafts	2,452	2,534	2,490
Credit card outstandings	2,661	2,415	2,331
Overnight and call money market loans	143	80	98
Own acceptances discounted	1,445	918	836
Term loans:			
Housing	35,750	26,275	28,234
Non-housing	18,758	17,790	17,976
Finance leases	1,970	2,050	2,062
Investments in leveraged lease and equity lease partnerships	316	301	294
Redeemable preference share finance	1,214	1,296	1,629
Other	3,071	2,163	2,278
Total - Australia	67,780	55,822	58,228
New Zealand			
Overdrafts	1,040	998	1,041
Credit card outstandings	508	510	518
Overnight and call money market loans	365	332	355
Own acceptances discounted	39	76	100
Term loans:			
Housing	10,642	11,115	10,942
Non-housing	6,119	6,334	6,198
Finance leases	24	29	21
Redeemable preference share finance	287	304	206
Other	145	149	154
Total - New Zealand	19,169	19,847	19,535
Other Overseas			
Overdrafts	170	181	191
Overnight and call money market loans	1	1	5
Term loans:			
Housing	922	595	546
Non-housing	1,997	1,733	1,829
Finance leases	90	96	98
Other	1,222	1,187	1,092
Total - Other Overseas	4,402	3,793	3,761
Total gross loans	**91,351**	**79,462**	**81,524**
Provisions for bad and doubtful debts	(1,616)	(1,588)	(1,736)
Total net loans	**89,735**	**77,874**	**79,788**
Securitised loans[1]	**3,456**	**3,227**	**1,038**

[1] *Net of amortisation in initial loans securitised*

3.1.2 Deposits and Public Borrowings

$m As at:	31 March 1998	30 Sept 1997	31 March 1997
DEPOSITS			
Australia			
Non-interest bearing	3,303	3,206	2,709
Certificates of deposit	4,268	2,086	3,914
Other interest bearing			
At call	24,971	20,758	19,209
Term	18,384	16,017	17,931
Total deposits in Australia	50,926	42,067	43,763
New Zealand			
Non-interest bearing	1,155	1,101	1,116
Certificates of deposit	2,196	2,294	1,621
Other interest bearing			
At call	5,089	5,439	5,264
Term	8,010	8,383	8,322
Total deposits in New Zealand	16,450	17,217	16,323
Other Overseas			
Non-interest bearing	449	478	429
Certificates of deposit	2,888	1,523	2,729
Other interest bearing			
At call	623	586	538
Term	6,269	4,947	5,378
Total deposits Other Overseas	10,229	7,534	9,074
Total deposits	**77,605**	**66,818**	**69,160**
PUBLIC BORROWINGS BY SUBSIDIARY BORROWING CORPORATIONS			
Australia			
Secured	4,027	4,259	4,299
Unsecured	1,378	1,126	1,028
Total public borrowings in Australia	5,405	5,385	5,327
New Zealand			
Secured	362	396	394
Unsecured	24	18	51
Total public borrowings in New Zealand	386	414	445
Other Overseas			
Unsecured	-	19	31
Total public borrowings Other Overseas	-	19	31
Total public borrowings by subsidiary borrowing corporations	**5,791**	**5,818**	**5,803**

3.2 BALANCE SHEET ANALYSIS

Westpac's balance sheet movements reflect a disciplined approach to asset pricing to ensure appropriate returns on capital and rewards for risk.

Assets

Total assets increased by $17.1 billion (net of additional securitisation of $0.6 billion in the period), or 14.4%, to $136.1 billion at 31 March 1998. Bank of Melbourne represented $11.9 billion or 10.0% of this increase.

In Australia, gross loans increased by $12 billion principally comprising an increase of $9.5 billion in housing loans and $1.0 billion in non-housing loans. Continued focus on marketing of credit card products, together with the continued success of the Global Rewards Visa card, has resulted in a 10% growth in outstandings in Australia.

In New Zealand, excluding the impact of exchange rate fluctuations, asset levels grew by approximately $0.7 billion, principally reflecting an increase in housing loans.

Other financial market assets increased by $2.1 billion in the period principally reflecting the impact of the positive mark-to-market value of derivatives, due to the depreciation of the Australian dollar against the US dollar during the period.

Liabilities

The overall level of liabilities of the Group increased by $16.5 billion to $127.3 billion at 31 March 1998, with $10.7 billion resulting from the merger with the Bank of Melbourne.

The growth in the lending portfolio has resulted in a requirement for increased funding of approximately $1.8 billion, as reflected in the increase in bonds, notes and commercial paper.

Excluding the impact of exchange rate fluctuations, deposits and public borrowings in New Zealand increased by $254 million.

Other financial market liabilities increased in the period principally reflecting the impact of the positive mark-to-market value of derivatives, due to the depreciation of the Australian dollar against the US dollar during the period.

Equity

Equity has increased by $0.6 billion, mainly due to the issue of shares for the Bank of Melbourne merger partially offset by the additional share buy-backs during the period.

4 ASSET QUALITY

4.1 ASIAN EXPOSURE

In 1993, Westpac made a strategic decision to re-align its Asian operations to focus on Australasian business and related Asian financial flows. The objective is to provide our Australasian customers with a range of services to support their Asian trading and investment activities.

As a result, Westpac's Asian exposures are heavily related to Australasian/Asian business and financial flows. Westpac's exposure to Asia is reported on the basis of the customer's country of ultimate risk, irrespective of where facilities are actually booked or where it is used (for example, loans to Asian borrowers for business or projects in Australia are reported as Asian exposure). As at 31 March 1998:

- Total exposure was $7,960 million; down 23% from $10,303 million as at 30 September 1997, comprising:

  - $2,960 million in on-balance sheet loans;
  - $1,084 million in off-balance sheet legally committed but undrawn loan commitments;
  - $513 million in off-balance sheet outstandings (principally guarantee and trade transactions); and
  - $3,403 million in unfunded, pre-settlement risk arising from foreign exchange and interest rate trading business, of which $1,719 million represents the replacement cost (positive mark-to-market) of amounts owed to Westpac by counterparties and $1,684 million representing a conservative estimation of potential credit risk arising from future movements in currency and interest rates over the life of the counterparty contracts. Virtually all of the exposure is with major banks in Japan, Singapore and Hong Kong.

- 85% of overall exposure is to investment grade customers ($6,784 million) and 63% is to Japanese customers ($5,005 million).

- 68% ($5,424 million) of total Asian exposure is to banks and non-bank financial institutions in Asia, 18% ($1,465 million) relates to exposures booked outside of Asia, principally in Australia, and the remaining 14% ($1,124 million) relates to government and corporate exposures booked in Asia.

- 40% of exposures contractually mature in 6 months and 75% within 12 months.

- Only 11% of total exposure ($846 million) is to Indonesia, South Korea, Thailand, Malaysia and the Philippines, the countries most effected by the current Asian economic downturn.

Asian Exposure by Customer Type

$m	Govern-ment	Banks & NBFIs[1]	Corporate	Project Finance	Total	Total
	31 March 1998					30 Sept 1997
Indonesia	33	36	38	95	202	197
South Korea	-	54	269	98	421	437
Thailand	-	15	97	29	141	190
Malaysia	-	8	72	-	80	90
Philippines	-	2	-	-	2	3
Sub-total	**33**	**115**	**476**	**222**	**846**	**917**
China (incl H.K.)	-	864	198	17	1,079	907
Taiwan	-	44	13	-	57	44
Singapore	86	561	320	-	967	894
Japan	-	3,834	1,171	-	5,005	7,529
Other	-	6	-	-	6	12
Total	**119**	**5,424**	**2,178**	**239**	**7,960**	**10,303**

[1] *NBFIs - non-bank financial institutions.*

Asian Exposure by Exposure Category as at 31 March 1998

$m	On-balance sheet loans	Undrawn commitments	Off-balance sheet outstandings	Pre-settlement risk	Total
Indonesia	94	53	55	-	202
South Korea	247	121	37	16	421
Thailand	106	12	23	-	141
Malaysia	7	61	11	1	80
Philippines	-	-	-	2	2
Sub-total	**454**	**247**	**126**	**19**	**846**
China (incl H.K.)	852	101	19	107	1,079
Taiwan	27	21	2	7	57
Singapore	441	72	245	209	967
Japan	1,181	643	121	3,060	5,005
Other	5	-	-	1	6
Total	**2,960**	**1,084**	**513**	**3,403**	**7,960**

4.2 IMPAIRED ASSETS

$m As at	31 March 1998 Gross	Specific Prov'n	Net	30 September 1997 Gross	Specific Prov'n	Net	31 March 1997 Gross	Specific Prov'n	Net
Non-accrual assets									
Australia	517	(204)	313	609	(205)	404	751	(257)	494
New Zealand	104	(35)	69	104	(42)	62	88	(42)	46
Other Overseas	204	(75)	129	70	(48)	22	89	(49)	40
Total	825	(314)	511	783	(295)	488	928	(348)	580
Restructured assets									
Australia	50	(9)	41	38	(16)	22	63	(16)	47
New Zealand	25	(9)	16	41	(24)	17	33	(22)	11
Other Overseas	7	(4)	3	7	(4)	3	6	(4)	2
Total	82	(22)	60	86	(44)	42	102	(42)	60
Total impaired assets (1)	**907**	**(336)**	**571**	**869**	**(339)**	**530**	**1,030**	**(390)**	**640**

(1) *Includes off-balance sheet impaired items of $24 million ($36 million as at 30 September 1997, $47 million as at 31 March 1997).*

4.3 ITEMS PAST DUE 90 DAYS BUT WELL SECURED

$m As at	31 March 1998	30 Sept 1997	31 March 1997
Australia			
Housing products	148	165	218
Other products	100	147	142
Total	248	312	360
New Zealand			
Housing products	28	23	19
Other products	21	32	28
Other Overseas	87	14	7
Total	136	69	54
Total	**384**	**381**	**414**

(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.

4.4 INCOME ON NON-ACCRUAL AND RESTRUCTURED ASSETS

$m	31 March 1998	Six months to 30 Sept 1997	31 March 1997
Interest received on non-accrual and restructured assets	15	21	31
Estimated interest forgone on non-accrual and restructured assets	19	48	54
Interest yield on average non-accrual and restructured assets	3.5%	4.7%	5.9%

4.5 BAD AND DOUBTFUL DEBT CHARGE AND RATIOS

	Six months to/ as at		
$m	31 March 1998	30 Sept 1997	31 March 1997
New specific provisions	82	83	63
Specific provisions no longer required	(85)	(79)	(134)
Specific provisions (net)	(3)	4	(71)
General provision (net)[1]	53	24	121
Total charge for bad and doubtful debts	50	28	50
Bad and doubtful debts charge to average loans and acceptances (annualised) (%)	0.10	0.06	0.12
Bad and doubtful debts charge to net interest income (%)	2.8	1.7	2.9

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

4.6 PROVISIONS FOR DOUBTFUL DEBTS

$m	Six months to/ as at 31 March 1998	30 Sept 1997	31 March 1997
General provision			
Balance at beginning of period	1,249	1,346	1,316
Exchange rate and other adjustments	(8)	(10)	(5)
Provisions of controlled entities acquired	60	-	-
Charge to operating profit	53	24	121
Recoveries of debts previously written off	47	48	45
Write-offs	(121)	(159)	(131)
Balance at period end	1,280	1,249	1,346
Specific provisions			
Balance at beginning of period	339	390	531
Exchange rate and other adjustments	37	(2)	1
Provisions of controlled entities acquired	17	-	-
New specific provisions	82	83	63
Specific provisions no longer required	(85)	(79)	(134)
Write-offs	(54)	(53)	(71)
Balance at period end	336	339	390
Total provisions	**1,616**	**1,588**	**1,736**

A detailed review incorporating possible further negative developments of our Asian exposure has resulted in increased provisioning. Provisions held against Asian exposures now total $38 million of specific provisions with a further $92 million of general provisions. Continued reductions in impaired assets in the non-Asian portfolio has partly offset the provisioning for Asia, while maintaining a prudent overall approach to provisioning cover. Total provisions to total impaired loans remain at an adequate level of 179.6% (184.2% at 30 September 1997).

4.7 IMPAIRED LOANS AND RATIOS

As at %	31 March 1998	30 Sept 1997	31 March 1997
Impaired loans to total loans and acceptances	0.9	1.0	1.0
Specific provisions to total impaired loans	37.3	39.3	41.1
Total provisions to total impaired loans	179.6	184.2	182.7
Total provisions to total loans and acceptances	1.6	1.8	1.9
Total impaired loans to shareholders' equity and total provisions	8.7	8.8	9.8

5 STATEMENTS OF CASHFLOWS

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

$m	Six months to /as at 31 March 1998	30 Sept 1997	31 March 1997
Cash flows from operating activities			
Interest received	4,385	4,179	4,406
Interest paid	(2,526)	(2,607)	(2,525)
Dividends received	6	11	27
Other non-interest income received	192	336	301
Non-interest expenses paid	(1,523)	(1,398)	(1,435)
(Increase)/ decrease in trading securities	993	575	(1,297)
Income taxes paid	(214)	(217)	(351)
Net cash provided by/(used in) operating activities	**1,313**	**879**	**(874)**
Cash flows from investing activities			
Proceeds from sale of investment securities	917	129	551
Proceeds from matured investment securities	75	891	375
Purchase of investment securities	(764)	(408)	(940)
Net (increase)/decrease in:			
Loans	(2,937)	2,093	1,340
Due from other banks	492	1,406	1,077
Statutory deposits	59	12	(42)
Other assets	508	1,398	(809)
Fixed assets additions	(144)	(179)	(139)
Proceeds from disposal of fixed assets	149	106	194
Controlled entities acquired	(174)	-	(346)
Net cash provided by/(used in) investing activities	**(1,819)**	**5,448**	**1,261**
Cash flows from financing activities			
Redemption of loan capital	(56)	(166)	-
Proceeds from issue of shares	29	8	22
Buyback of shares	(813)	(28)	(223)
Net increase/(decrease) in:			
Due to other banks	(627)	(1,681)	401
Deposits and public borrowings	2,416	(2,916)	(3)
Bonds, notes and commercial paper	(131)	(1,102)	(1)
Other liabilities	(25)	(95)	(18)
Loan capital	141	(7)	(306)
Payment of dividends to shareholders	(399)	(357)	(327)
Payment of dividends to outside equity interests	(1)	-	(2)
Net cash provided by/(used in) financing activities	**534**	**(6,344)**	**(457)**
Net (decrease)/ increase in cash and cash equivalents	**28**	**(17)**	**(70)**
Effect of exchange rate changes on cash and cash equivalents	1	-	-
Cash and cash equivalents at the beginning of the financial period [(1)]	321	338	408
Cash and cash equivalents at the end of the financial period	**350**	**321**	**338**

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

5 STATEMENTS OF CASHFLOWS (Cont'd)

$m	Six months to/as at 31 March 1998	30 Sept 1997	31 March 1997
Reconciliation of net cash provided by operating activities to operating profit after income tax			
Operating profit after income tax	666	653	638
Adjustments:			
Outside equity interests	1	1	1
Depreciation	116	110	108
Sundry provisions and other non-cash items	(493)	(456)	(352)
Bad and doubtful debts	50	76	95
(Increase)/decrease in trading securities	993	575	(1,297)
(Increase)/decrease in accrued interest receivable	(8)	59	(25)
Increase/(decrease) in accrued interest payable	56	(145)	211
Increase/(decrease) in provision for income tax	(79)	18	(236)
Increase/(decrease) in provision for deferred income tax	323	(196)	(213)
(Increase)/decrease in future income tax benefits	(263)	200	321
Amounts paid out of sundry provisions	(49)	(16)	(125)
Total adjustments	647	226	(1,512)
Net cash provided by/(used in) operating activities	1,313	879	(874)
Non-cash operating, investing and financing activities			
Issuance of 142 million $1 ordinary shares fully paid at a premium of $7.23 each as part consideration for acquisition of subsidiaries	(1,169)	-	-
Details of assets and liabilities of controlled entities acquired are as follows:			
Acquisitions			
Due from other banks	47	-	-
Trading securities	707	-	-
Investment securities	652	-	-
Statutory deposits	109	-	-
Loans	9,972	-	-
Other investments	-	-	346
Fixed assets	49	-	-
Other assets	60	-	-
Due to other banks	(10)	-	-
Deposits and public borrowings	(8,904)	-	-
Bonds, notes and commercial paper	(1,885)	-	-
Other liabilities	(319)	-	-
Intangible assets	903	-	-
	1,381	-	346
Integration costs provided, net of tax benefit	(63)	-	-
	1,318	-	346
Issuance of shares as part consideration	(1,169)	-	-
Current period cash payment for acquisition (net of cash acquired)	149	-	346
Cash acquired	25	-	-
Cash consideration and costs	174	-	346

6 BUSINESS GROUP RESULTS (Unaudited)

To enable a more in depth analysis of Westpac's results, the following business group results have been presented on a management reporting basis. Consequently, internal charges and transfer pricing adjustments have been reflected in the performance of each business group. The basis of reporting reflects the management of the business 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 Westpac.

The following business results highlight the key business units, and do not add to the total Group result. The remainder of the business group result includes the general provision charge and the result of the Asset Management Group, which is responsible for managing impaired assets and any consequent recoveries, as well as the sale of equity investments. Where the management reporting structure has changed or where accounting re-classifications have been made, comparatives have been restated and will therefore differ from results previously reported.

6.1 AUSTRALIAN RETAIL BANKING AND FINANCIAL SERVICES

$m	Six months to/as at 31 March 1998	30 Sept 1997	31 March 1997	% Mov't March 97 - March 98
Net interest income	1,290	1,131	1,244	*3.7*
Non-interest income	467	392	337	*38.6*
Operating income	1,757	1,523	1,581	*11.1*
Provision for bad and doubtful debts	(53)	(110)	(49)	*8.2*
Operating income net of provisions for bad and doubtful debts	1,704	1,413	1,532	*11.2*
Non-interest expenses	(1,120)	(993)	(997)	*12.3*
Operating profit before tax	584	420	535	*9.2*
Tax and outside equity interests	(201)	(145)	(184)	*9.2*
Profit on operations	383	275	351	*9.1*
	$bn	**$bn**	**$bn**	
Deposits and other public borrowings	41.2	34.8	35.1	*17.4*
Net loans and acceptances	62.2	50.2	52.1	*19.4*
Total assets	68.3	55.7	59.0	*15.8*
Funds under management	17.6	15.2	13.2	*33.3*
Personnel numbers - Total FTE	24,235	22,206	22,209	
Expense/income (before intangibles)	62.0%	64.7%	62.6%	
Productivity ratio	2.92	2.75	2.74	
Non-interest income/operating income	26.6%	25.7%	21.3%	

Australian Retail Banking and Financial Services represents the combined results of Westpac's Regional Banks, Australian Guarantee Corporation (AGC), as well as Westpac Financial Services. The increasing disintermediation of financial services in Australia and the consequent focus on providing retail customers with a more comprehensive package of financial products, has resulted in increased product substitution and sales across traditional boundaries. Consequently, Westpac has moved progressively towards managing the portfolio in this manner.

Australian Retail Banking and Financial Services continued in its determination to provide retail customers with total financial care through the provision of a broad range of superior products and a high level of service. This has been implemented via an integrated sales approach leveraged off the customer base of both the existing Westpac network and customers acquired through Westpac Life, Challenge Bank, and the merger with Bank of Melbourne. This continues to deliver strong growth in the sale of financial services and consumer finance products.

Westpac's strategy of growth through acquisition continues with the Bank of Melbourne merger. This strategy is considered appropriate in the current low interest rate environment, where there continues to be a risk that high levels of organic loan growth would require aggressive pricing and may result in increased bad debts when the interest rate cycle reverses. In recognition of this, Westpac has continued to price products competitively while improving the quality of the loan portfolio and focussing on appropriate return for risk.

Whilst BML has contributed incremental net interest income, strong competition in the banking industry has seen continuing pressure placed on net interest income. This has been particularly evident in business lending and deposit products, personal loans and some transaction accounts, leading to lower outstanding levels in these products in the six months to 31 March 1998. The full period impact of securitisation completed in the second half of 1997 together with additional securitisation during the period reduced net interest income (but increased non-interest income) during the period.

On 31 March 1998, Westpac launched a new cash management solution for small and middle sized businesses. A core part of this solution is the new Business Options Overdraft, which provides a flexible alternative for customers' day-to-day financing needs. In addition, customers are given the option of easy access to their business accounts via a choice of competitive "smart" banking products. This development is in keeping with Westpac's focus on maintaining risk adjusted returns as it takes into account all elements of our relationship with the customer (i.e. margins, fees, security and risk-based capital allocation).

Continued growth in the number of credit cards on issue, in particular the Global Rewards Visa Card, together with strong retail activity over the December quarter of 1997 have resulted in an increase in card merchant business and associated fee income. Further benefits in this area will arise through Westpac's role as Official Partner of the Sydney 2000 Olympic Games, and from which Westpac is already beginning to realise competitive advantages.

Retail sales of financial services products and funds under management continued to grow strongly over the half year. For the six months to December 1997 Westpac ranked first for net inflow in retail funds with a market share of 18.1% for the six months ended December 1997 *(Source: ASSIRT)*. This success reflects Westpac's ability to meet customers needs for financial advice with 90% of customers reporting the advice they receive from Westpac's financial consultants to be excellent or very good. Total funds under management in Australia have grown from $13.2 billion in March 1997 to $17.6 billion at March 1998, an increase of 33.3%.

The past six months have seen a continuation of the drive to deliver better products to customers with all the life insurance products having been improved to meet the changing needs of customers. Further, the superannuation member choice product has been launched in Western Australia (under state based legislation) which demonstrates that Westpac is at the forefront of providing solutions to customer needs.

Westpac continues to lead the custody market with average assets under administration increasing by $12.8 billion or 17% over the average for the prior year, ending the half year at $96.6 billion.

Also adding to the growth in non-interest income is the full period impact of both the move to recover more of the costs of providing transactional services through fee structures and the improved collection of lending, account keeping and transaction fees.

Profits from the sale of properties of approximately $19 million added to non-interest income as Westpac continued the rationalisation of its CBD property holdings.

The reduced provision for bad and doubtful debts reflects lower new provisions raised due to loan grade improvement, the earlier identification of problem loans, and improved collection techniques.

Non-interest expenses increased during the period reflecting the merger with Bank of Melbourne, continued investments in infrastructure, the Year 2000 project and projects focussed on improving productivity, partially offset by the commencement of the realisation of savings from previous investments in infrastructure and the ongoing rationalisation in the Regional Banks.

Westpac's Regional Banks have continued to invest in infrastructure and projects designed to improve customer service, increase revenue streams and improve productivity and efficiency in the future, through initiatives such as the Branch Service Platform and the NSW Operations Centre.

Consistent with the Group focus on managing capital as effectively as possible to improve shareholder value, strategies within the Regional Bank have included the securitisation of assets, particularly low margin loans, and the branch sale and lease back program. Westpac has now securitised a total of $4.1 billion of lending assets (in Australia) through a mixture of private placements and public issues of securities to investors. This had the impact of reducing net interest income and increasing non-interest income through servicing income and retention of the excess over the investor margin. The branch sale and lease back program, whilst increasing leasing costs, has released capital to be directed to more efficient uses.

The improvement in the productivity ratio principally reflects the impact of the inclusion of Bank of Melbourne.

6.2 INSTITUTIONAL BANKING

$m	Six months to/as at 31 March 1998	30 Sept 1997	31 March 1997	% Mov't March 97 - March 98
Net interest income	194	238	207	*(6.3)*
Non-interest income	267	205	200	*33.5*
Operating income	461	443	407	*13.3*
Provision for bad and doubtful debts	(1)	11	7	*(114.3)*
Operating income net of provisions for bad and doubtful debts	460	454	414	*11.1*
Non-interest expenses	(243)	(267)	(228)	*6.6*
Operating profit before tax	217	187	186	*16.7*
Tax and outside equity interests	(79)	(69)	(64)	*23.4*
Profit on operations	138	118	122	*13.1*
	$bn	**$bn**	**$bn**	
Deposits and other public borrowings	17.6	13.7	12.5	*40.8*
Net loans and acceptances	21.5	20.1	19.9	*8.0*
Total assets	44.9	38.6	38.7	*16.0*
Personnel numbers - Total FTE	2,520	2,505	2,543	*(0.9)*
Expense/income (before intangibles)	52.8%	60.2%	55.9%	
Productivity ratio	3.57	3.47	3.49	
Non-interest income/operating income	57.9%	46.3%	49.1%	

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

Operating profit before bad debts and tax have increased in the first half of 1998 over the second half of 1997 by $42 million or 24%. Notwithstanding an increase in bad debt provisioning in 1998 due to the decline in economic conditions in Asia, profit on operations increased by $20 million or 17% compared to the prior period.

Operating income increased by $18 million over the second half of 1997 with the majority of this growth in financial markets. The financial markets business has experienced very strong performance in the first half of 1998 in both trading and sales activity, particularly in risk management products, buoyed by volatility created by the economic conditions in Asia. There was a change in composition of financial markets income with net interest income down by $48 million and total non-interest income up by $82 million. Fluctuations in the mix between net interest income and non-interest income arise from changes in the mix of securities in the portfolio and movements in yields and coupon rates for these securities. Corporate finance income has also held up well, the second half of 1997 benefiting from the timing of the annual sell down of infrastructure bonds in June.

The property finance business has seen income improve $9 million (18%) compared to the September 1997 half, through the continued focus on provision of specialist property financing expertise for customers and the packaging and syndication of a one-off transaction.

Expense levels have been tightly controlled and are down 9% in the current period leading to a reduction in the expense to income ratio for the half year to March 1998 from 60.2% to

52.8%. The main expense contributors in the September half of 1997 were offshore premises and restructuring provisions, and investment in infrastructure and technology platforms, Real Time Gross Settlement and transactional service developments.

The provision for bad debts increased by a net $12 million over the period as a result of the new provisioning in Asia. Excluding the additional Asian provisioning, the underlying charge for bad debts is in credit reflecting writebacks and the overall quality of the loan book.

Comparison of earnings in the current period to the first half of 1997 is encouraging with operating income increasing by $54 million or 13% and operating profit before bad debts and tax increasing by $39 million or 22%. This reflects the emphasis placed on higher value adding income streams, particularly within financial markets, which have offset declining revenues in traditional lending businesses.

The increase in asset levels is predominantly due to revaluations of forward foreign exchange contracts arising from the decline in the Australian dollar against the US dollar (from 0.7197 to 0.6628) over the period from 30 September 1997 to 31 March 1998 resulting in an increase in the mark-to-market revaluation of both assets and liabilities.

Balance sheet and capital management continue to be a key focus. Although total assets have increased compared to 30 September 1997, Westpac continues to shift balance sheet usage away from traditional corporate lending where margins have reduced in recent years. Westpac continues to be selective in its lending to ensure that the total customer relationship provides an adequate return to shareholders and has continued to develop its expertise in providing customers with alternative funding solutions. This is reflected in Westpac's leading position in securitisation, syndication and the corporate bond market. Despite the less attractive margins, targeted lending to corporate customers continues to be an important element of the overall customer relationship.

Westpac has continued to expand its leading market share in corporate banking, and is now principal corporate banker to 27% of the top 500 corporations in Australia, more than 7 percentage points ahead of its nearest competitor. Westpac is ranked number one of the big four banks in terms of corporate customer satisfaction by independent customer surveys.

6.3 WESTPACTRUST AND PACIFIC REGIONAL BANKING

$m	Six months to/as at 31 March 1998	30 Sept 1997	31 March 1997	% Mov't March 97 - March 98
Net interest income	390	405	386	*1.0*
Non-interest income	168	167	164	*2.4*
Operating income	558	572	550	*1.5*
Provision for bad and doubtful debts	4	(23)	(7)	*(157.1)*
Operating income net of provisions for bad and doubtful debts	562	549	543	*3.5*
Non-interest expenses	(358)	(349)	(318)	*12.6*
Operating profit before tax	204	200	225	*(9.3)*
Tax and outside equity interests	(73)	(67)	(73)	-
Profit on operations	131	133	152	*(13.8)*
	$bn	**$bn**	**$bn**	
Deposits and other public borrowings	13.5	14.1	13.8	*(2.2)*
Net loans and acceptances	17.1	18.0	17.9	*(4.5)*
Total assets	18.9	20.0	19.9	*(5.0)*
Funds under management	0.9	1.1	1.0	*(10.0)*
Personnel numbers - Total FTE	8,270	8,170	8,127	
Expense/income (before intangibles)	60.7%	57.6%	54.3%	
Productivity ratio	3.46	3.42	3.41	
Non-interest income/operating income	30.1%	29.2%	29.8%	

WestpacTrust and Pacific Regional Banking provide retail financial services in New Zealand and the Pacific respectively.

WestpacTrust

The merger and full integration is progressing on schedule. The highlights in the six months to 31 March 1998 include the successful implementation of the largest technology change ever undertaken by either Westpac or Trust Bank, teleservicing centres becoming operational and the rollout of WestpacTrust branches in two of nine regions (the remainder are expected to be completed by the end of July 1998).

After excluding the impact of exchange rate fluctuations, operating profit remained flat. This reflects growth in the underlying business and a decline in interest margin.

Higher lending and deposit volumes were offset by a reduction in interest margins resulting in a decline in net interest income in the first half of 1998 of $10 million with the remaining reduction of $5 million due to exchange rate movements.

The reduction in the provision for bad and doubtful debts principally reflects an excess of provision writebacks over new provisions made.

Non-interest expenses increased marginally in the first half of 1998 mainly due to additional integration costs, arising from the merger, offset partially by synergies achieved. Staff numbers within support areas have increased prior to the conversion of branches to WestpacTrust. However, the level will decrease as the integration is completed.

Other highlights include the development of a securitisation capability with $261 million of WestpacTrust home loans securitised in the first tranche early in April 1998. Westpac Investment Management significantly improved its performance ranking in the Wholesale/ Corporate market from 15 in the quarter ended December 1996 to 4 in the quarter ended December 1997.

Pacific Regional Banking

Pacific Regional Banking recorded a 35% improvement in overall profit on operations in the March half year bolstered by an excellent performance in foreign exchange and further bad debt recoveries. This growth was achieved against a background of flat economic growth and market volatility following substantial currency movements.

Net interest income remained flat with improved margins offset by exchange rate movements. There has been some increase in the loan books for New Caledonia, Papua New Guinea and Fiji, however, weak economic activity throughout the region has impacted growth as new borrowers await more favourable economic signs.

Non-interest income increased through higher foreign exchange trading income.

Expenses remained relatively flat due to management focus on expense control.

High levels of writebacks and lower levels of new specific provisions have resulted in a bad and doubtful debt provisioning credit, reflecting an improvement in the quality of the portfolio.

7.0 GEOGRAPHIC SEGMENT RESULTS

	Six months to			As at		
	31 March 1998	**30 Sept 1997**	**31 March 1997**	**31 March 1998**	**30 Sept 1997**	**31 March 1997**
	Profit on operations ($m)			**Total assets ($bn)**		
Australia	496	481	400	101.4	85.1	88.0
New Zealand	96	95	150	24.4	24.2	23.2
Pacific Islands	27	18	19	1.6	1.6	1.5
Asia	(11)	8	16	3.8	3.7	3.8
Americas	20	30	20	2.0	1.7	3.2
Europe	38	21	33	2.9	2.7	2.3
Total	**666**	**653**	**638**	**136.1**	**119.0**	**122.0**

Profit on operations

Australia Results have been impacted by the merger with Bank of Melbourne offset by the continued investment in infrastructure to provide benefits to customers and project costs incurred to resolve the Year 2000 "Millennium Bug". High investment returns in the Life Company and profit on sale of investments contributed to the positive result in second half of 1997.

New Zealand Over the last 12 months profit on operations remained relatively flat with the growth in assets offset by the impact of the depreciation of the New Zealand dollar and margin compression due to strong local competition. The sale of equity investments positively impacted the first half 1997 result.

Pacific Islands The increase in profit is due to higher trading income in Papua New Guinea and improved bad debts due to lower levels of new specific provisions and increased write backs.

Asia Decrease in Asia's profit on operations is a result of an increase in bad debt provisioning due to the economic problems experienced in this region.

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

Total Assets

Australia The increase of $16.3 billion in Australia's is due principally to the merger with Bank of Melbourne assets and the increase in the positive mark-to-market value of off-balance sheet instruments.

New Zealand New Zealand's total assets have increased slightly due to growth in housing loans and financial market assets revaluations caused by foreign exchange movements. This has been offset by the impact of the depreciation of the Australian dollar against the New Zealand dollar.

Americas and Europe The increase in Americas is due largely to additional investment activity being undertaken. Slightly offsetting this has been the transfer of the offshore Treasury business from New York to London which accounts for the increase in asset levels in Europe.

8 CAPITAL ADEQUACY

As at **$m**	**31 March 1998**	**30 Sept 1997**	**31 March 1997**
Tier 1 capital			
Total shareholders' equity	8,784	8,206	7,968
Asset revaluation reserves	(178)	(202)	(229)
Intangible assets	(1,837)	(1,029)	(1,058)
Future income tax benefit net of deferred tax liability	-	(11)	-
Total tier 1 capital	**6,769**	**6,964**	**6,681**
Tier 2 capital			
Asset revaluation reserves	178	202	229
Subordinated undated capital notes	693	695	637
General provision for doubtful debts	1,280	1,249	1,346
Future income tax benefit related to general provision	(461)	(450)	(485)
Eligible subordinated bonds, notes and debentures	1,097	1,021	1,098
Total tier 2 capital	**2,787**	**2,717**	**2,825**
Tier 1 and tier 2 capital	**9,556**	**9,681**	**9,506**
Deductions:			
Other banks' capital instruments	(9)	(9)	(9)
Investment in controlled entities or associates (1)	(346)	(346)	(343)
Capital in funds management and securitisation activities (2)	(233)	(209)	(214)
Net qualifying capital	**8,968**	**9,117**	**8,940**
Risk adjusted assets	**99,839**	**87,133**	**86,901**
Tier 1 capital ratio	6.8%	8.0%	7.7%
Tier 2 capital ratio	2.8%	3.1%	3.3%
Deductions	(0.6%)	(0.6%)	(0.7%)
Net capital ratio	**9.0%**	**10.5%**	**10.3%**

(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.*

9 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, commodity prices and equities 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 1998 $bn	Notional amount[(1)]	Regulatory credit equivalent[(2)]	Positive mark-to-market (replacement cost)[(3)]	Negative mark-to-market[(4)]
1998				
Interest rate				
Futures	16.7	-	-	-
Forwards	17.0	0.1	-	-
Swaps	122.5	3.0	2.7	2.8
Purchased options	9.4	-	-	-
Sold options	2.2	0.2	-	-
Foreign exchange				
Forwards	243.8	9.0	6.3	6.1
Swaps	20.9	2.1	1.3	1.2
Purchased options	12.3	0.6	0.4	-
Sold options	12.7	-	-	0.3
Commodity	0.8	-	-	-
Equity	0.7	-	-	-
Total derivatives	**459.0**	**15.0**	**10.7**	**10.4**
As at 30 Sept 1997	**486.8**	**13.9**	**8.7**	**8.9**
As at 31 Mar 1997	**461.2**	**10.1**	**6.4**	**7.3**

(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.*

Maturity profile of derivatives outstandings in replacement cost terms

As at 31 March 1998 $bn	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
Interest rate							
Futures	-	-	-	-	-	-	-
Forwards	-	-	-	-	-	-	-
Swaps	0.1	0.1	0.2	0.6	1.1	0.6	2.7
Purchased options	-	-	-	-	-	-	-
Sold options	-	-	-	-	-	-	-
Foreign exchange							
Forwards	4.0	1.3	0.7	0.1	0.1	0.1	6.3
Swaps	0.2	0.2	0.2	0.3	0.3	0.1	1.3
Purchased options	0.2	0.1	0.1	-	-	-	0.4
Sold options	-	-	-	-	-	-	-
Commodity	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Total derivatives	4.5	1.7	1.2	1.0	1.5	0.8	10.7

69% of credit risk matures within one year and 79% within two years.

97% of credit exposure was to investment grade customers.

Daily earnings at risk [(1)]

$m	High	Low	Average
Six months ended 31 March 1998	11.55	4.27	6.84
Year ended 30 September 1997	10.88	4.94	7.43

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

Derivatives used for asset liability management purposes[1]

(End-user derivatives)

	Notional amount		
	31 March 1998 $bn	**30 Sept 1997 $bn**	**31 March 1997 $bn**
Interest rate			
Futures	10.4	14.4	9.9
Forwards	1.2	1.1	-
Swaps	28.3	30.7	23.1
Purchased options	-	0.1	0.1
Sold options	-	-	-
Foreign exchange			
Forwards	4.4	3.3	2.4
Swaps	13.3	13.3	11.1
Purchased options	-	-	-
Sold options	-	-	-
Total derivatives	57.6	62.9	46.6

(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. 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 reflects 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.

10 CREDIT RATINGS

Rating agency	Long term senior	Short term/ commercial paper
Fitch IBCA	AA-	A1+
Moody's	Aa3	P-1
Standard & Poor's	AA-	A-1+

11 DIVIDENDS

	Six months to		
	31 March 1998	30 Sept 1997	31 March 1997
	c/share	c/share	c/share
Ordinary dividend (fully franked @ 36%)			
Interim	21.0	-	19.0
Final	-	20.0	-
Total dividend provided for or paid	**$m**	**$m**	**$m**
Ordinary	392	354	338
Preference	17	19	20
	409	373	358
Underprovision for 1997 final dividend (1)	23	-	-
	432	373	358
Ordinary dividend payout ratio	60.4%	55.8%	54.7%

(1) *Underprovision due to the increased number of shares on issue as a result of the merger with Bank of Melbourne. These were issued subsequent to the end of the previous financial period.*

12 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the six months ended 31 March 1998.

13 EXCHANGE RATES

Currency	Average	Spot
USD	0.6801	0.6628
GBP	0.4114	0.3953
NZD	1.1373	1.1970

14 INCOME TAX

$m	31 March 1998	30 Sept 1997	31 March 1997
	Six months to/ as at		
Income tax reconciliation			
Operating profit before income tax (excluding gross up)	967	895	891
Fully taxable equivalent gross up	69	79	48
Operating profit before income tax (including gross up)	1,036	974	939
Prima facie tax on operating profit before income tax (excluding gross up) based on the company tax rate in Australia of 36%	348	322	321
Add/(deduct) reconciling items expressed on a tax effected basis:			
Rebateable and exempt dividends	(29)	(35)	(40)
Tax losses (now)/not tax effected	(16)	(19)	(14)
Non-assessable items	(20)	-	(28)
Non-deductible items	39	33	30
Adjustment for overseas tax rates	(10)	(34)	(13)
Prior period adjustments and other items (net)	(12)	(26)	(4)
	(48)	(81)	(69)
Total income tax expense attributable to operating profit	300	241	252
Fully taxable equivalent gross up	69	79	48
Total income tax charge (including gross up)	**369**	**320**	**300**
Effective tax rate (including gross up)	**35.6%**	**32.9%**	**31.9%**

15 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 March 1998	31 March 1997	31 March 1998	31 March 1997
	*** USD**	***USD**	**AUD**	**AUD**
Net profit as reported	**453**	502	**666**	638
Depreciation on buildings	**4**	5	**7**	6
Gain on sale of properties (including amortisation of gains on sale of properties subject to lease back arrangements)	**6**	25	**9**	32
Staff Options expense adjustment	**(3)**	-	**(5)**	-
Amortisation of goodwill not recognised based on 20 year life	**(5)**	(6)	**(8)**	(8)
Superannuation (pension) expense adjustment	**4**	14	**6**	18
Life insurance adjustment (net of tax)	**(2)**	-	**(3)**	-
Adjusted US GAAP net profit	**457**	540	**672**	686

*USD amounts are calculated using the following average exchange rates:
Six months ended 31 March 1998: AUD1 = USD0.68010
Six months ended 31 March 1997: AUD1 = USD0.78710

As at: $m	31 March 1998	31 March 1997	31 March 1998	31 March 1997
	***USD**	*** USD**	**AUD**	**AUD**
Shareholders' equity as reported	**5,822**	6,257	**8,784**	7,968
Outside equity interests	(3)	(4)	(5)	(5)
	5,819	6,253	**8,779**	7,963
Elimination of asset revaluation reserve	**(118)**	(180)	**(178)**	(229)
Depreciation on buildings	**31**	28	**47**	36
Deferred gains on sale of properties subject to lease back arrangements	**(36)**	(41)	**(55)**	(53)
Adjustment re provision for employee redundancy benefits	**-**	2	**-**	3
Goodwill not recognised on acquisitions	**31**	49	**47**	62
Restoration of previously deducted goodwill less amortisation and amounts written-off	**2**	4	**4**	5
Life insurance adjustment (net of tax)	**(1)**	-	**(3)**	-
Investment securities fair value adjustment (including life company investment)	**2**	(12)	**4**	(15)
Superannuation (pension) expense adjustment	**(64)**	(96)	**(97)**	(122)
Staff Options expense adjustment	**(3)**	-	**(5)**	-
Final dividend provided	**259**	265	**392**	338
Adjusted US GAAP equity	**5,922**	6,272	**8,935**	7,988

*USD amounts are calculated using the following spot exchange rates:
31 March 1998: AUD1 = USD0.66280
31 March 1997: AUD1 = USD0.78520

There is no material difference between the level of assets at 31 March 1998 and 31 March 1997 as reported and the level of assets determined as at these dates in accordance US GAAP.

16 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, 11 June 1998 (Sydney time) at:

Corporate 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 11 June 1998.)

New York

For American Depository Receipts, at 5.00pm, 10 June 1998 (New York time) at:

Morgan Guaranty Trust Company of New York, 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, 11 June 1998 (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: 2 June 1998.

The date proposed for the payment of the interim dividend is 3 July 1998.

BA McNee
Group Secretary and General Counsel

19 May 1998

For further information contact:

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Owen van der Wall, Director of Public Affairs (02) 9216 0760

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Noel Purcell, General Manager Group Investor Relations (02) 9226 1774 or
Trevor Berthold, Manager Group Investor Relations (02) 9226 4008

17 DIRECTORS' REPORT

The Directors of Westpac Banking Corporation 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 first six months of the financial year which will end on 30 September 1998.

DIRECTORS

The names of the Directors of the Parent Entity 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, Hon. DEcon, FAIM. Age 69. 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 Rio Tinto Limited, Santos Limited, Australian Minerals and Energy Environment Foundation and Adelaide Symphony Orchestra Pty. Limited. Deputy Chairman of Rio Tinto plc.

Robert Joss, Age 56. Appointed Managing Director January 1993. Robert Joss spent twenty two 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. Chairman of the Australian Bankers Association and a Trustee of the National Parks and Wildlife Foundation of New South Wales.

Barry Capp, BE(Civil), BCom, BA. Age 64. 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 and Australian Infrastructure Fund Limited. Director of Freight Rail Corporation, Melbourne Research Enterprises Limited, Melbourne University Private Limited, Tassal Limited and Hellaby Holdings Limited.

The Hon. Sir Llewellyn Edwards, AC, MB, BS, FRACMA, LLD(h.c.), FAIM. Age 62. Director since November 1988. Sir Llewellyn Edwards has had extensive experience in Queensland state politics (including five years as Treasurer), business and in community service (Chairman World Expo 88 Authority and Chancellor of University of Queensland). Director of James Hardie Industries Limited and TCNZ Australia Pty. Limited.

John Fairfax, AM. Age 56. Director since December 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 has extensive experience in the media industry and takes an active interest in community organisations including the Royal Agricultural Society of NSW. Chairman of Rural Press Limited Group and Cambooya Investments Limited. Director of Crane Group Limited and Australian Rural Leadership Foundation Limited.

Patrick Handley, Age 53. Executive Director since November 1997. Patrick Handley joined Westpac in 1993 with eighteen years banking experience in the United States. At Banc One Corporation for thirteen years, he was Chief Financial Officer for eight of them, with additional management responsibilities for its mortgage and leasing subsidiaries as well as its acquisition program. He is Group Executive and Chief Financial Officer of Westpac, with responsibility for finance, taxation and accounting, Group Treasury, Information Technology, Public and Consumer Affairs, Investor Relations and Australian Guarantee Corporation.

Ian Harper, AM, BA, LLB. Age 66. Director since July 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. Mr Harper chairs the Westpac Staff Superannuation Plan Pty. Limited Board representing the main Board of Directors.

Warren Hogan, MA, PhD, DSc(h.c.). Age 69. Director since August 1986. Warren Hogan was Professor of Economics at the University of Sydney from 1968 to 1998. He is an Adjunct Professor in the Faculty of Business of the University of Technology, Sydney. Adviser to business, government and international organisations including the World Bank, Harvard University Development Advisory Service and the Australian Stock Exchange. Director of the Principal Board, Australian Mutual Provident Society, 1993 to 1995.

Helen Lynch, AM. Age 55. Director since November 1997. Helen Lynch had thirty five years' experience in Westpac including membership of Westpac's executive team before retiring in 1994. She is Chairman of the Superannuation Funds Management Corporation of South Australia and a director of Coles Myer Limited, Southcorp Holdings Limited and OPSM Protector Limited. She is also a director of the Centre for Independent Studies and The Garvan Medical Research Institute. In 1997 she was appointed a delegate to the Constitutional Convention.

Eve Mahlab, AO, LLB. Age 60. 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.

David Morgan, BEc, MSc, PhD. Age 51. Executive Director since November 1997. David Morgan has extensive experience in the financial sector, having worked in the International Monetary Fund in Washington in the 1970s and the Federal Treasury in the 1980s where he headed all major areas before being appointed Senior Deputy Secretary. Since joining Westpac in 1990, he has had responsibility for all major operating divisions including Westpac Financial Services, Retail Banking, Commercial Banking, Institutional Banking and International Banking. His current areas of responsibility are Institutional Banking, International Banking and Westpac Financial Services.

John Morschel, DipQS, AAIQS, FAIM. Age 54. Director since July 1993. John Morschel has broad experience in the property and construction industries and the life insurance and financial services industry. Director of CSR Limited, Comalco Limited and Tenix Pty. Limited. Trustee of the Art Gallery of New South Wales.

Peter Ritchie, BCom, FCPA. Age 56. 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 Malaysia and New Zealand Boards. Executive Chairman of Culligan NSW. Director of Seven Network Limited.

Christopher Stewart, Age 69. Director since November 1997. Christopher Stewart has been Chairman of the Bank of Melbourne since 1989. He was also Chief Executive Officer of that bank until his retirement in 1993 and was Managing Director of its predecessor, RESI-Statewide Building Society from 1979 to 1989. He is Chairman of Melbourne Water Corporation and a director of Permanent Trustee Company Limited, Gandel Management Limited and Milton

Corporation Limited. He is a Trustee of The Financial Markets Foundation for Children and the Families in Distress Foundation.

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 5 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, 3 audit committee meetings, 2 credit and market risk committee meetings, 3 remuneration committee meetings and 3 special Board committee meetings. No meeting lapsed for want of a quorum.

Particulars of Directors' attendance at these meetings are set out on page 57 and form part of this Report.

REVIEW AND RESULTS OF OPERATIONS

The operating result of the Group for the accounting period after tax and outside equity interests was a profit of $666 million.

A review of the operations of the Group and the results of those operations for the accounting period is set out on pages 10 to 43 and forms part of this Report.

SIGNIFICANT CHANGES

The Bank of Melbourne Schemes of Arrangement received final approval from the Victorian Supreme Court on 17 October 1997, by which time all regulatory approvals were to hand. Full legal integration of the two entities was achieved on 3 May 1998.

On 17 November 1997, the previously announced buy-back of 85 million, or approximately 5%, of the Parent Entity's fully paid ordinary shares by way of an on-market buy-back scheme was commenced. On 15 May 1998, this buy-back scheme was concluded with some 80 million shares having been repurchased.

EVENTS AFTER END OF ACCOUNTING PERIOD

On 8 May 1998, the Parent Entity announced its intention to undertake a further buy-back of an aggregate of up to 60 million, or approximately 3.1%, of its fully paid ordinary shares and converting preference shares. The buy-back will be effective from 22 May 1998.

DIRECTORS' SHAREHOLDINGS

Particulars of shares in the Parent Entity or in a related body corporate in which Directors of the Parent Entity have relevant interests are set out on page 56 and form part of this Report.

DIRECTORS' INTERESTS IN CONTRACTS

As required by the Corporations Law, some Directors have given notice to the Parent Entity 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 Parent Entity and those companies.

DIRECTORS' BENEFITS

No Director of the Parent Entity 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 Parent Entity; 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 Parent Entity, an entity that the Parent Entity 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.

For and on behalf of the Board of Directors.

J A Uhrig
Chairman

R L Joss
Managing Director

19 May 1998

DIRECTORS' HOLDINGS OF WESTPAC SHARES AS AT 19 MAY 1998:

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	100,000	231,943
R.P. HANDLEY	1,700,000 [(2)]	
I.R.L. HARPER	39,516	534,527
W.P. HOGAN	14,066	
R.L. JOSS	1,416,667 5,433,334 [(3)]	
H.A. LYNCH	8,000	
E. MAHLAB	10,500	534,527
D.R. MORGAN	467,232 1,225,000 [(2)]	
J.P. MORSCHEL	4,000	
P.D. RITCHIE	20,714	15,000
C.J. STEWART	150,075	
J.A. UHRIG	53,000	547,527

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 Senior Officer's Share Purchase Scheme.*

[(3)] *Options issued under the Chief Executive Share Option Agreement.*

FOR PERIOD FROM 1 OCTOBER 1997 TO 31 MARCH 1998

	REGULAR BOARD MEETINGS		SPECIAL BOARD MEETINGS		BOARD AUDIT COMMITTEE		BOARD CREDIT AND MARKET RISK COMMITTEE		BOARD REMUNERATION COMMITTEE		SPECIAL COMMITTEE MEETINGS[1]	
	A	B	A[3]	B	A	B	A	B	A	B	A	B
W. B. CAPP	5	5	2	2	3	3	-	1	3	2	3	1
SIR LLEWELLYN EDWARDS	5	5	2	1	3	3	-	-	3	3	3	-
J. B. FAIRFAX	5	5	2	2	-	1	2	2	-	1	3	2
R.P. HANDLEY[2]	4	4	2	2	-	1	-	1	-	-	2	1
I. R. L. HARPER	5	5	2	2	3	3	-	1	-	1	3	2
W. P. HOGAN	5	4	2	2	-	-	2	1	3	2	3	-
H.A. LYNCH[2]	4	4	2	1	-	-	-	-	-	-	2	-
R. L. JOSS	5	5	2	1	-	1	-	2	-	3	3	1
E. MAHLAB	5	5	2	1	-	-	2	2	3	3	3	-
D.R. MORGAN[2]	4	4	2	1	-	1	-	1	-	-	2	-
J. P. MORSCHEL	5	4	2	1	-	2	-	-	-	1	3	1
P. D. RITCHIE	5	5	2	2	3	2	-	-	3	2	3	-
C.J. STEWART[2]	4	4	2	2	-	-	-	-	-	-	2	1
J. A. UHRIG	5	5	2	2	-	1	2	2	3	3	3	-

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.
1 - The membership of special committees comprises any two Board members.
2 - Mr Handley, Ms Lynch, Dr Morgan and Mr Stewart were appointed to the Board on 12 November 1997.
3 - One of which was by teleconfe rence.