

# Media release

2 November 2005

## Westpac provides template for 2005 full year Profit Announcement

Westpac has today lodged the template for its 2005 full year Profit Announcement scheduled for 3 November 2005.

While the structure of the Profit Announcement is consistent with recent periods, there have been some amendments to how data is presented along with some data reclassifications.

This release discusses each item. In addition, an updated template for the Profit Announcement is provided, which includes updated prior period comparative data that will appear in our 3 November announcement.

### Changes since the 31 March interim results include:

- Details of the acquisition of the remaining 49% of Hastings Funds Management Limited;
- An update to the presentation of Financial Markets income;
- Reclassification of investment income in BT Financial Group;
- Reallocation of tax charges; and
- Changes to the average balance sheet for intragroup funding.

In addition, the release updates the market for some significant non-cash items that impact the 2005 result. These include:

- The full year impact of the revaluation of the cross currency swap hedging 2004 TPS on 2005 earnings; and
- The full year impact of certain accounting treatments that impact the presentation of our 2005 earnings.

Due to certain data reclassifications, minor amendments have been made to some numbers in prior periods. There have also been some adjustments of business unit comparatives. Updated numbers for prior comparative periods are provided in the attached template.

The new template for Westpac's 2005 full year results has also been lodged on the Westpac website at [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre)

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# **WESTPAC BANKING CORPORATION**

## **PROFIT ANNOUNCEMENT PRESENTATION CHANGES & TEMPLATE**

### **Full Year Earnings to 30 September 2005**

#### **1. Acquisition of the remaining 49% of Hastings**

From 1 July 2005, 100% of the results of Hastings Funds Management Limited (Hastings) have been included as profit attributable to equity holders of Westpac Banking Corporation, the effective date of acquiring the remaining 49% interest not held. As the results of Hastings were already consolidated with the rest of the Group, the completion of the acquisition will not have a material impact on earnings or the presentation of the Group's statement of financial position and statement of financial performance for the second half.

#### **2. Presentation of Financial Markets income**

In addition to changes we presented at the interim Profit Announcement, we have made some further changes to the presentation of Financial Markets (FM) income in section 3.2 of the Profit Announcement. The first of the changes is a reclassification of equity products, which moves from Capital Markets to Other. Additionally, the Financial Markets institutional sales and syndicate teams have moved directly into the Financial Markets business to better align product and sales. Please refer to section 3.2 (Review of Earnings) of the attached Profit Announcement template for revised comparatives associated with this change.

#### **3. Reclassification of BT Financial Group investment income**

Accounting standard AASB1038 Life Insurance business requires the earnings received on the assets backing policyholder liabilities to be treated as investment income. For the year ended 30 September 2005 income received on BT Financial Group investments held with the Institutional Bank were reclassified from net interest income to investment income (non-interest income) to reflect this treatment. Comparatives for 31 March 2005 and 30 September 2004 have also been updated to reflect this change. These changes were made to more appropriately reflect the results of the BT Financial Group segment. As the reclassification related to transactions within the Westpac Group which are eliminated on consolidation, the reclassification has no impact on Group results. Please refer to section 4.4 (BT Financial Group Results) and section 7 (Wealth Management Business) of the attached Profit Announcement template for revised comparatives associated with this change.

#### **4. Reallocation of tax charges**

At the interim Profit Announcement, we raised certain tax charges in the Group Business Unit. These were an estimate at the time and we now have allocated the tax charge to the appropriate business unit to more accurately reflect underlying business performance. Accordingly, the 31 March 2005 comparatives for the relevant business units now reflect a different tax charge for the six months ended 31 March 2005. Refer to section 4 (Business unit Performance) of the attached Profit Announcement template for revised comparatives associated with this change.

#### **5. Deconsolidation of Epic Energy**

On 2 June 2004, Westpac acquired a 100% interest in a group of companies that owned and operated three strategically placed natural gas transmission pipeline assets (Epic) via a trust structure. The financial results for Epic for the period 2 June to September 30, and the financial position as at 30 September were included in Westpac's 2004 full year results.

Westpac ceased to be the controlling entity of Epic on 14 December 2004 following the completion of the public offering of 148 million stapled securities in the Hastings Diversified Utilities Fund (HDUF). The financial results of Epic for the period 1 October 2004 to 14 December 2004 will be included in Westpac's results for the 12 months ended 30 September 2005. Westpac has retained no holding in HDUF.

To assist comparison of our full year results with prior periods and to provide an understanding of the impact of Epic on the Group results, Epic's earnings contribution for each period is highlighted in Section 9, Earnings Reconciliation, of the attached Profit Announcement template.

## 6. Changes to the average balance sheet for intragroup funding

Subsequent to the interim Profit Announcement, certain intragroup funding arrangements between the Australian and New Zealand geographies have been reclassified from interest bearing to non-interest bearing, following a review of intragroup lending and borrowing in the average balance sheet. This has led to an increase in the net average intragroup payable for New Zealand and a corresponding decrease in non-interest bearing liabilities for New Zealand. Similarly, the net intragroup payable for Australia has decreased with a corresponding increase in the non-interest bearing liabilities for Australia. There is no change in total average liabilities within either geography and no change in the Group reported average balance sheet.

The reclassification has led to a change in the spread and the benefit derived from net non interest bearing liabilities and equity in both the Australia and New Zealand geographic analysis. There is no impact on margins and no impact at the Group level.

In addition, we have also updated the full year September 2004 comparatives for the impacts of changes to the average balance sheet relating to New Zealand deposits, previously disclosed in the interim Profit Announcement. This reclassification led to a change in the New Zealand spread and the benefit derived from net non-interest bearing liabilities and equity for both the New Zealand geography and the Group. There is no impact on margins.

The following table summarises the changes to movements in the average balance sheet and spread and margins for the Group, Australia and New Zealand for 30 September 2004 and 31 March 2005. These changes are also reflected in section 5.5 Notes to 2005 Financial Information (Note 2. Interest Spread and Margin Analysis and Note 3. Average Balance Sheet and Interest Rates) in the attached Profit Announcement template.

	Revised			Reported			Change		
	Full year 30 Sept 04	Half year 31 March 05	Half year 30 Sept 04	Full year 30 Sept 04 <sup>2</sup>	Half year 31 March 05 <sup>3</sup>	Half year 30 Sept 04 <sup>3</sup>	Full year 30 Sept 04	Half year 31 March 05	Half year 30 Sept 04
<b>Average Balance Sheet</b>									
<b>Interest bearing liabilities</b>									
Intragroup payable									
Australia	13,843	17,289	15,503	14,425	17,888	16,095	(582)	(599)	(592)
New Zealand	9,158	9,804	8,991	8,576	9,205	8,399	582	599	592
<b>Non-interest bearing liabilities</b>									
All other liabilities <sup>1</sup>	22,549	18,830	19,177	22,549	18,830	19,177	0	0	0
<b>Group</b>									
Net Interest Spread	2.10%	2.04%	2.10%	2.12%	2.04%	2.10%	(0.02%)	0.00%	0.00%
Benefit of net non-interest bearing liabilities and equity	0.43%	0.44%	0.40%	0.41%	0.44%	0.40%	0.02%	0.00%	0.00%
Net Interest Margin	2.53%	2.48%	2.50%	2.53%	2.48%	2.50%	0.00%	0.00%	0.00%
<b>Australia</b>									
Net Interest Spread	2.01%	1.92%	2.01%	2.03%	1.94%	2.03%	(0.02%)	(0.02%)	(0.02%)
Benefit of net non-interest bearing liabilities and equity	0.38%	0.38%	0.33%	0.36%	0.36%	0.31%	0.02%	0.02%	0.02%
Net Interest Margin	2.39%	2.30%	2.34%	2.39%	2.30%	2.34%	-	-	-
<b>New Zealand</b>									
Net Interest Spread	2.54%	2.38%	2.49%	2.55%	2.29%	2.40%	(0.01%)	0.09%	0.09%
Benefit of net non-interest bearing liabilities and equity	0.39%	0.52%	0.43%	0.38%	0.61%	0.52%	0.01%	(0.09%)	(0.09%)
Net Interest Margin	2.93%	2.90%	2.92%	2.93%	2.90%	2.92%	-	-	-

<sup>1</sup> The All other liabilities line in the Average Balance Sheet is only shown at Group level and therefore not split by geography. Although there is a decrease in all other liabilities in the New Zealand geography and a corresponding increase in the Australia geography, the net impact for All other liabilities at Group level is nil.

<sup>2</sup> As reported in the 30 September 2004 Profit Announcement.

<sup>3</sup> As reported in the 31 March 2005 Profit Announcement.

## ***Non-cash items that impact the 2005 result***

### **7. The impact of the cross currency swap hedging the 2004 TPS hybrid instrument**

As indicated at the interim Profit Announcement, the accounting treatment applied across the TPS 2004 structure causes a change in reported earnings but has no economic impact on the Group. This difference is expected to reverse post the implementation of International Financial Reporting Standards (IFRS) as 2004 TPS are expected to be classified as debt and the revaluation of the debt and the swap will then offset. With a consistent accounting treatment across both the instrument and the cross currency swap there will be no earnings impact associated with this instrument post IFRS.

Accordingly, for the purposes of calculating cash earnings we reverse the 2004 TPS revaluation from net profit. For the 12 months to 30 September 2005, the impact is a charge to non-interest income of \$25 million, with \$25 million added back to arrive at cash earnings.

For the six months to 31 March 2005, the impact was a charge of \$40 million to non-interest income and for the six months to 30 September 2005 the impact was a benefit to non-interest income. Accordingly, a \$40 million charge and a \$15 million gain respectively, was added back to arrive at cash earnings.

### **8. Other items that impact the presentation of our results**

The external presentation of earnings is impacted by certain accounting requirements to gross up earnings, and in some cases the financial position, to meet the requirements of Australian accounting standards. These include the consolidation of managed investment schemes where the Group's statutory funds have a majority holding, and the recognition of investment earnings on life policy statutory funds on a "gross of tax" basis. Importantly, these adjustments do not impact net profit after tax, cash earnings or the net assets of the Group. However, they do impact the presentation of revenues, expenses, tax expense and minority interests.

Where appropriate the Profit Announcement discusses the performance of the business excluding the impact of these items, as these do not affect shareholder returns. This discussion will be in addition to discussion of the reported results.

The impact of each item on our statement of financial performance is contained in section 9.1 (Earnings Reconciliation) of the attached Profit Announcement template.

# Profit Announcement

For the year ended 30 September 2005

Incorporating the requirements of Appendix 4E



Australia's First Bank

Revenues from ordinary activities <sup>1,2</sup>	up	to
Profit from ordinary activities after tax attributable to equity holders <sup>2</sup>	up	to
Net profit for the period attributable to equity holders <sup>2</sup>	up	to
<b>Dividend Distributions (cent s per share)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final Dividend		
Interim Dividend	49	49
Record date for determining entitlements to the dividend		

<sup>1</sup> Comprises interest income, interest expense and non-interest income.

<sup>2</sup> All comparisons with the twelve months ended 30 September 2004.

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

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## 2.1 EARNINGS

We consider cash earnings a more appropriate measure of financial performance. It adjusts the reported profit result for material items that do not reflect cash flows available to ordinary shareholders, including: amortisation of goodwill and distributions paid on hybrid equity. The cash earnings measure also eliminates the pre-tax impact of the hedge related to our latest hybrid capital instrument, US\$525 million Trust Preferred Securities 2004 (TPS 2004<sup>1</sup>) as the hybrid instrument itself is not revalued.

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	2005	2004	Sept 04- Sept 05
Net interest income		2,545			4,755	
Non-interest income <sup>2</sup>		1,659			3,255	
Net operating income		4,204			8,010	
Operating expenses <sup>2</sup>		(2,034)			(3,940)	
Goodwill amortisation		(83)			(164)	
Underlying performance		2,087			3,906	
Bad and doubtful debts		(203)			(414)	
Profit from ordinary activities before income tax		1,884			3,492	
Income tax expense		(541)			(913)	
Net profit		1,343			2,579	
Net profit attributable to outside equity interests <sup>2</sup>		(18)			(40)	
<b>Net profit attributable to equity holders of Westpac Banking Corporation (WBC)</b>		1,325			2,539	
Goodwill amortisation		83			164	
Distributions on other equity instruments		(68)			(154)	
TPS 2004 revaluation <sup>1</sup>		40			10	
<b>Cash earnings</b>		1,380			2,559	

### 2.1.1 KEY FINANCIAL DATA

	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	2005	2004	Sept 04- Sept 05
<b>Shareholder value</b>						
Cash earnings per ordinary share (cents)		74.9			138.6	
Earnings per ordinary share (cents)		68.2			129.2	
Economic profit (\$m)		900			1,603	
Weighted average ordinary shares (millions)		1,842			1,846	
Fully franked dividends per ordinary share (cents)		49			86	
Dividend payout ratio - cash earnings (%)		65.4			62.0	
Net tangible assets per ordinary share (\$)		5.82			5.47	
<b>Productivity and efficiency</b>						
Expense to income ratio (%)		48.4			49.2	
Total banking expense to income ratio (%)		47.8			48.2	
Full-time equivalent staff (FTE)		26,890			27,013	
<b>Business Performance</b>						
Net interest spread (%) <sup>3</sup>		2.04			2.10	
Net interest margin (%) <sup>3</sup>		2.48			2.53	
Average interest earning assets (\$m)		215,321			196,459	

Notes explained on page 5.

## 2.2 SUMMARY FINANCIAL POSITION

\$m	30 Sept 2005	31 March 2005	30 Sept 2004	% Mov't Mar 05- Sept 05	% Mov't Sept 04- Sept 05
<b>Assets</b>					
Cash		2,039	1,800		
Due from other financial institutions		10,095	9,538		
Trading and investment securities		13,221	13,412		
Loans and acceptances		194,096	188,005		
Life insurance assets <sup>2</sup>		12,711	12,957		
Other assets		21,509	19,367		
<b>Total assets</b>		<b>253,671</b>	<b>245,079</b>		
<b>Liabilities</b>					
Due to other financial institutions		8,137	7,071		
Deposits		145,814	146,533		
Debt issues		42,096	36,188		
Acceptances		5,127	5,534		
Life insurance policy liabilities		11,252	10,782		
Loan capital		4,762	4,431		
Other liabilities <sup>2</sup>		20,230	18,223		
<b>Total liabilities</b>		<b>237,418</b>	<b>228,762</b>		
<b>Equity</b>					
Equity attributable to equity holders of WBC		15,529	14,888		
Outside equity interests <sup>2</sup>		724	1,429		
<b>Total equity</b>		<b>16,253</b>	<b>16,317</b>		

### 2.2.1 KEY FINANCIAL DATA

	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year 2005	% Mov't Full Year 2004 Sept 04- Sept 05
<b>Profitability and capital adequacy</b>					
Return on average adjusted ordinary equity		19.3%			19.3%
Cash earnings to average adjusted ordinary equity		21.2%			20.7%
Total capital ratio		10.0%			9.7%
Tier 1 capital ratio		7.1%			6.9%
Adjusted common equity to risk weighted assets (ACE)		5.2%			4.8%
Risk weighted assets (\$m)		162,038			158,489
Total committed exposures (\$m)		308,206			302,654
Average adjusted ordinary equity (\$m)		12,999			12,340
Average total equity (\$m)		16,384			15,827
<b>Asset quality</b>					
provisions		2.2%			2.5%
Specific provisions to total impaired assets		42.5%			34.8%
General provisions to non-housing loans and acceptances		1.5%			1.6%
General provisions to risk weighted assets		0.9%			0.9%
Total provisions to gross loans and acceptances		0.9%			0.9%
Total bad and doubtful debt charge to average loans and acceptances annualised (basis points)		21			23
Bad debts written off to average gross loans and acceptances (basis points)		14			14

Notes explained on page 5.

**2.3 BALANCED SCORECARD**

<b>Stakeholder Results</b>
<b>Shareholders</b> <ul style="list-style-type: none"><li>• [ ].</li></ul>
<b>Customers</b> <ul style="list-style-type: none"><li>• [ ].</li></ul>
<b>Staff</b> <ul style="list-style-type: none"><li>• [ ].</li></ul>
<b>Corporate Responsibility and Sustainability</b> <ul style="list-style-type: none"><li>• [ ].</li></ul>

**Notes to sections 2.1, 2.2, 2.3 and 3.2**

1 *Cash earnings removes the TPS 2004 revaluation from net profit. The accounting treatment for the structure causes a change in reported earnings but has no economic impact on the Group. More specifically, a NZ\$/US\$ cross currency swap, as part of the TPS 2004 structure, is reported on a market value basis while the underlying equity instrument is reported at historic exchange rates. The impact of this change is that non-interest income in the current year includes a \$25 million unrealised loss associated with the revaluation of the NZ\$/US\$ cross currency swap. The revaluation of the NZ\$/US\$ cross currency swap was undertaken at the NZ\$/US\$ exchange rate of 0.6927 on 30 September 2005. Accordingly, to ensure cash earnings accurately reflect earnings available to shareholders, \$25 million is added back to net profit.*

*Post implementation of International Financial Reporting Standards (IFRS), TPS 2004 will be classified as debt and the revaluation of the debt and the swap will then offset. With a consistent accounting treatment through the structure there will be no adverse earnings impact post IFRS.*

2 *Westpac consolidates certain Managed Investment Schemes where the statutory funds within Westpac Life Insurance Services Limited and BT Life Limited demonstrate a capacity to control these schemes. The effect on earnings for the year ended 30 September 2005 comprises: \$94 million non-interest income; \$4 million operating expenses and \$90 million net profit attributable to outside equity interests. The effect on earnings for the year ended 30 September 2004 includes: \$33 million non-interest income; \$3 million operating expenses and \$30 million net profit attributable to outside equity interests. There is no impact on net profit attributable to equity holders or cash earnings. Refer section 9 Earnings reconciliation.*

3 *Net interest spread and margins are calculated on net interest income adjusted for tax equivalent gross up of \$[ ] million in the twelve months to 30 September 2005 (\$[ ] million in the first half and \$[ ] million in the second half) and \$222 million in the twelve months to 30 September 2004. We have entered into various tax effective financing transactions that derive income subject to a reduced rate of income tax. To provide comparability, this income is presented on a tax equivalent basis for margin calculations. In the presentation of the average balance sheet, net interest spread and net interest margin are also presented on a tax equivalent basis. Refer section 5.5, Note 3 Average Balance Sheet and Interest Rates, for a reconciliation of net interest income used in the calculation of net interest spread and net interest margins.*

**3.1 SUMMARY**

**2005 Earnings**

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**Chart here**

**Shareholder Returns**

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Chart here

**Business Unit Summary**

[ ]

**Chart here**

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**3.2 REVIEW OF EARNINGS**

\$m			% Mov't		% Mov't	
	Half Year Sept 05	Half Year March 05	Mar 05- Sept 05	Full Year 2005	Full Year 2004	Sept 04- Sept 05
Net interest income		2,545			4,755	
Non-interest income <sup>2</sup>		1,659			3,255	
Net operating income		4,204			8,010	
Operating expenses <sup>2</sup>		(2,034)			(3,940)	
Goodwill amortisation		(83)			(164)	
Underlying performance		2,087			3,906	
Bad and doubtful debts		(203)			(414)	
Profit from ordinary activities before income tax		1,884			3,492	
Income tax expense		(541)			(913)	
Net profit		1,343			2,579	
Net profit attributable to outside equity interests <sup>2</sup>		(18)			(40)	
<b>Net profit attributable to equity holders of WBC</b>		1,325			2,539	
Goodwill amortisation		83			164	
Distributions on other equity instruments		(68)			(154)	
TPS 2004 revaluation <sup>1</sup>		40			10	
<b>Cash earnings</b>		1,380			2,559	

**Net operating income**

Net operating income includes items and accounting treatments, which either do not impact cash earnings or are considered non-core (Epic). Details of these items are:

**Net interest income**

[ ]

**REVIEW OF GROUP OPERATIONS**

Year End Profit Announcement 2005

<b>Loans<sup>1</sup></b>	<b>As at 30 Sept 2005</b>	<b>As at 31 March 2005</b>	<b>As at 30 Sept 2004</b>	<b>% Mov't Sept 04- Sept 05</b>	<b>% Mov't Mar 05- Sept 05</b>	<b>% Mov't Sept 04- Mar 05</b>
<b>\$m</b>						
<b>Business Unit</b>						
Business and Consumer Banking		138,776	135,198			3
Consumer (Australia)		101,655	98,946			3
Housing		94,327	91,602			3
Personal (loans and cards)		7,328	7,344			-
Business (incl. equip. finance)		37,121	36,252			2
Westpac Institutional Bank		27,851	25,468			9
New Zealand <sup>2</sup> (NZ\$)		30,156	28,239			7
BT Financial Group		2,141	1,785			20
Pacific Banking		821	782			5
<b>Group</b>						
Net loans & acceptances		194,096	188,005			3
<b>Deposits</b>						
<b>\$m</b>	<b>As at 30 Sept 2005</b>	<b>As at 31 March 2005</b>	<b>As at 30 Sept 2004</b>	<b>% Mov't Sept 04- Sept 05</b>	<b>% Mov't Mar 05- Sept 05</b>	<b>% Mov't Sept 04- Mar 05</b>
<b>Business Unit</b>						
Business and Consumer Banking		77,546	74,699			4
Consumer		50,847	50,420			1
Business		26,699	24,279			10
Westpac Institutional Bank		15,660	13,912			13
New Zealand <sup>2</sup> (NZ\$)		19,271	18,565			4
Pacific Banking		1,120	1,137			(1)
Other <sup>3</sup>		33,764	39,409			(14)
<b>Group</b>						
Total Deposits		145,814	146,533			-

<sup>1</sup> Net loans and acceptances.

<sup>2</sup> New Zealand comprises our New Zealand retail banking operations and wealth management businesses.

<sup>3</sup> Includes Treasury short term wholesale funding.

**Margins**

	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
Net Interest Income (\$m) <sup>3</sup>		2,664			4,977	
Average Interest Earning Assets (\$m)		215,321			196,459	
Net Interest Average Margin		2.48%			2.53%	

Chart here

*Full Year*

*Second Half*

Notes explained on page 5.

**Non-interest income**

\$m	30 Sept 2005	30 Sept 2004	% Mov't Sept 04- Sept 05
<b>Reported non-interest income</b>		3,255	
Less adjustments:			
Consolidation of Epic (2 June 2004 to 14 December 2004) <sup>1</sup>	(11)	(27)	
Policy holder tax recoveries	(88)	(33)	
Consolidation of the Life Company MIS <sup>2,3</sup>	(94)	(33)	
TPS 2004 hedge revaluation <sup>1</sup>	25	14	
<b>Core non-interest income</b>		3,176	

**Financial Markets**

[ ]

Financial Markets Income <sup>4</sup>	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year 2005	Full Year 2004	% Mov't Sept 04- Sept 05
\$m						
<b>Product</b>						
Foreign exchange		94			119	
Capital Markets		65			93	
Other <sup>5</sup>		40			123	
<b>Total financial markets product income</b>		199			335	
<b>Income classification</b>						
Net interest income		21			26	
Non-interest income		178			309	
<i>Trading income</i>		186			328	
<i>Dividend income</i>		20			34	
<i>Other non-interest income</i> <sup>6</sup>		(28)			(53)	
<b>Total financial markets product income</b>		199			335	

<sup>1</sup> The impacts of the consolidation of Epic and the TPS 2004 hedge revaluation are accounted for in other income.

<sup>2</sup> Notes explained on page 6.

<sup>3</sup> Policy holder tax recoveries and the consolidation of Life company MIS are accounted for in Wealth Management income.

<sup>4</sup> Excludes corporate client income.

<sup>5</sup> Other comprises structured equities, energy and other international income.

<sup>6</sup> Includes payments made to Corporate Banking.

**Operating expenses**

[ ]

\$m	30 Sept 2005	30 Sept 2004	% Mov't Sept 04- Sept 05
<b>Reported expenses</b>		3,940	
Less adjustments:			
Consolidation of Epic (2 June 2004 to 14 December 2004)	(8)	(22)	
Consolidation of the Life Company MIS <sup>2</sup>	(4)	(3)	
Movement in translation of NZ\$ expenses to A\$		-	
<b>Core expenses</b>		3,915	

[ ]

**Compliance**

[ ]

**Capitalised Software**

[ ]

**Full Time Equivalent Staff (FTE)**

	Full Year 2005	Full Year 2004	<i>Mov't</i> Sept 04- Sept 05
<b>Analysis of movement in FTE</b>			
Permanent staff		25,683	
Temporary staff		1,330	
<b>Total FTE staff</b>		<b>27,013</b>	

[ ]

**Bad debts**

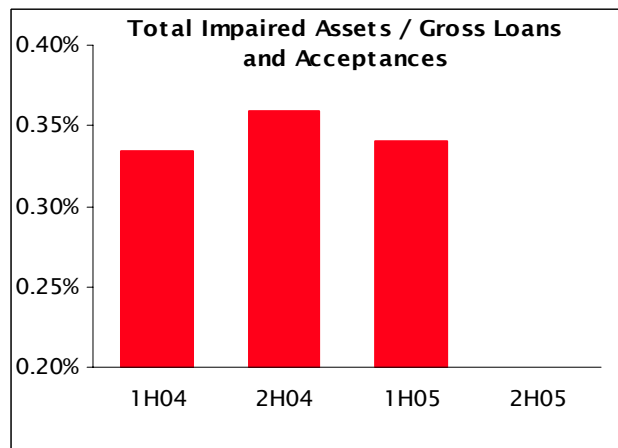
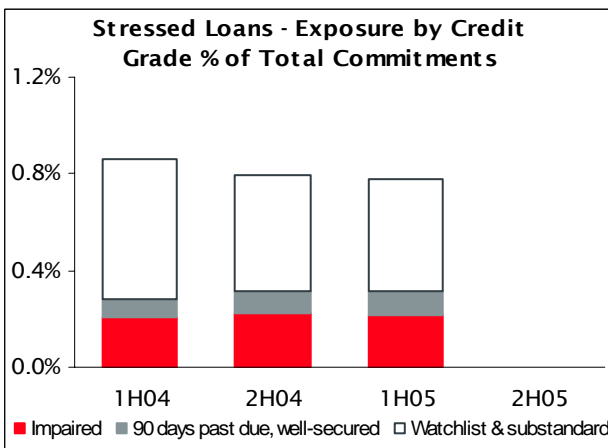
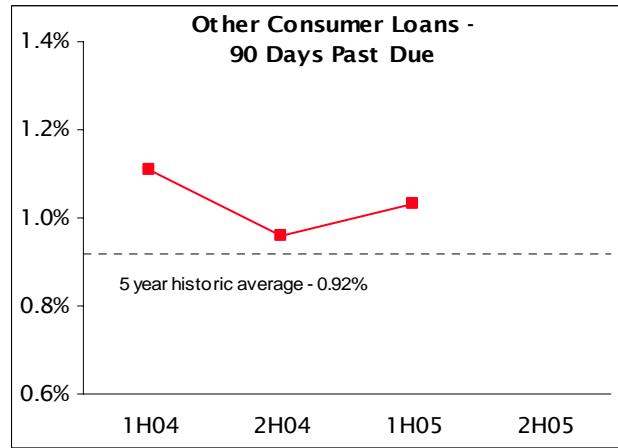
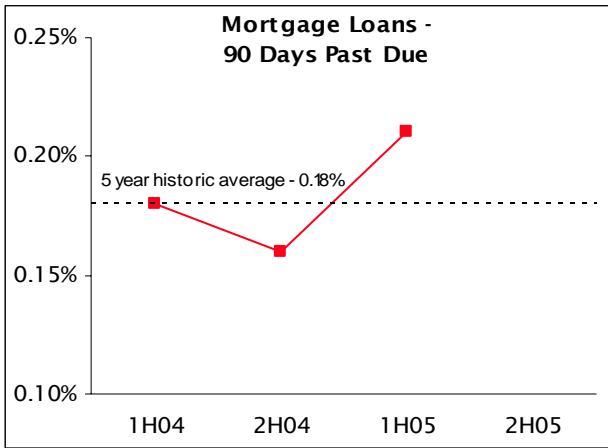
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**Tax expense**

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**3.3 CREDIT QUALITY**

[ ]



### 3.4 CAPITAL AND DIVIDENDS

#### Capital

[ ]

#### ACE Movement

Chart here

*Full Year*



**Dividends**

### 3.5 REGULATORY DEVELOPMENTS

### 3.6 CORPORATE SUSTAINABILITY

### 3.7 OUTLOOK

## 4. BUSINESS UNIT PERFORMANCE

Year End Profit Announcement 2005

Business unit results are presented on a management reporting basis. Internal charges and transfer pricing adjustments are included in the performance of each business reflecting the management, rather than the legal structure. (These results cannot be compared to results for individual legal entities). Where management reporting structures or accounting classifications have changed, comparatives have been restated and may differ from results previously reported.

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

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

Cash earnings	Half Year Sept 05	Half Year March 05	% Mov't		Full Year Sept 04	% Mov't Sept 04- Sept 05
			Mar 05- Sept 05	Full Year Sept 05		
<b>\$m</b>						
Business and Consumer Banking		757			1,337	
Westpac Institutional Bank		264			493	
New Zealand <sup>1</sup>		203			406	
BT Financial Group (Australia) <sup>2</sup>		124			187	
Pacific Banking		28			56	
Group Business Unit		4			80	
<b>Total Group cash earnings</b>		<b>1,380</b>			<b>2,559</b>	
<b>Wealth Management</b>						
Australia		124			187	
New Zealand		7			28	
<b>Total Wealth Management</b>		<b>131</b>			<b>215</b>	
<b>Total banking cash earnings</b>		<b>1,249</b>			<b>2,344</b>	
<b>Expense to income ratio</b>			<b>Mov't</b>			<b>Mov't</b>
<b>%</b>	<b>Half Year Sept 05</b>	<b>Half Year March 05</b>	<b>Mar 05- Sept 05</b>	<b>Full Year Sept 05</b>	<b>Full Year Sept 04</b>	<b>Sept 04- Sept 05</b>
Business and Consumer Banking		50.6%			52.4%	
Westpac Institutional Bank		42.0%			44.5%	
New Zealand <sup>1</sup>		47.6%			48.2%	
BT Financial Group (Australia) <sup>2</sup>		54.2%			61.4%	
Pacific Banking		39.1%			36.7%	
<b>Total Group ratio</b>		<b>48.4%</b>			<b>49.2%</b>	
<b>Wealth Management<sup>3</sup></b>						
Funds Management		61.9%			67.4%	
Life Insurance		34.3%			35.6%	
<b>Total Wealth Management ratio</b>		<b>54.3%</b>			<b>59.8%</b>	
<b>Total banking ratio</b>		<b>47.8%</b>			<b>48.2%</b>	

<sup>1</sup> New Zealand comprises our New Zealand retail banking operations and wealth management businesses including Westpac Investment Management, our New Zealand Life business and BT New Zealand. New Zealand results are converted to Australian dollars at the average hedge exchange rate for the year (2005: 1.1424; 2004: 1.1115). Refer section 4.3 for New Zealand segment results in New Zealand dollars.

<sup>2</sup> BTFG (Australia) represents our entire Australian wealth management business.

<sup>3</sup> Includes our New Zealand and Australian wealth management businesses.

#### 4.1 BUSINESS AND CONSUMER BANKING

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

##### 4.1.1 TOTAL BCB

	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
<b>\$m</b>						
Net interest income		1,831			3,415	
Non-interest income		661			1,290	
Operating income		2,492			4,705	
Operating expenses		(1,260)			(2,465)	
Core earnings		1,232			2,240	
Bad and doubtful debts		(150)			(340)	
Operating profit before tax		1,082			1,900	
Tax and outside equity interests		(325)			(563)	
<b>Cash earnings</b>		757			1,337	
Goodwill amortisation		(29)			(58)	
<b>Profit on operations</b>		728			1,279	
Economic profit		602			1,051	
Expense to income ratio		50.6%			52.4%	
	<b>\$bn</b>	<b>\$bn</b>		<b>\$bn</b>	<b>\$bn</b>	
Deposits		77.5			74.7	
Net loans and acceptances		138.8			135.2	
Total assets		141.5			138.1	

#### Financial Performance

##### Full Year

[ ]

##### Second Half

[ ]

Following changes in the organisational structure of Business and Consumer Banking the current financial segment information no longer reflects the way in which the business is managed. Accordingly, it is more instructive to focus on the overall financials and commentary for BCB rather than the segment information and we have balanced our commentary to reflect this emphasis.

For consistency, we have continued to provide the breakdown of BCB's results into business distribution, business products, consumer distribution and consumer products. Looking forward, the current breakdown will not be replicated and we are currently assessing how best to disaggregate BCB's earnings. A new reporting template is expected to be provided in time for the reporting of Westpac's first half 2006 earnings.

#### 4.1.2 CONSUMER SEGMENTS

The **Consumer Distribution** segment comprises sales and service for customers that have a personal relationship with BCB income is primarily earned from sales and service commissions received from the product businesses. Bad debt charges for consumer customers are recognised in the consumer product division.

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
Net interest income		(6)			(59)	
Non-interest income		687			1,327	
Operating income		681			1,268	
Operating expenses		(425)			(807)	
Core earnings		256			461	
Bad and doubtful debts		-			-	
Operating profit before tax		256			461	
Tax and outside equity interests		(77)			(137)	
<b>Cash earnings</b>		179			324	
Goodwill amortisation		(8)			(16)	
<b>Profit on operations</b>		171			308	
Expense to income ratio		62.4%			63.6%	
	<b>\$bn</b>	<b>\$bn</b>		<b>\$bn</b>	<b>\$bn</b>	
Total assets		0.5			0.5	

The **Consumer Products** segment comprises home lending, credit cards, transaction and deposit accounts, personal loans, and general insurance. Sales and service commissions passed to the distribution businesses are recorded as a charge against non-interest income, causing Consumer Products non-interest income to show a loss. The bad debts charge for these products is recognised in this division.

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
Net interest income		1,222			2,327	
Non-interest income		(540)			(1,074)	
Operating income		682			1,253	
Operating expenses		(227)			(453)	
Core earnings		455			800	
Bad and doubtful debts		(118)			(272)	
Operating profit before tax		337			528	
Tax and outside equity interests		(101)			(159)	
<b>Cash earnings</b>		236			369	
Goodwill amortisation		(9)			(18)	
<b>Profit on operations</b>		227			351	
Expense to income ratio		33.3%			36.2%	
	<b>\$bn</b>	<b>\$bn</b>		<b>\$bn</b>	<b>\$bn</b>	
Deposits		50.8			50.4	
Net loans and acceptances		101.7			98.9	
Total assets		102.3			99.5	

**Financial Performance**

*Full Year*

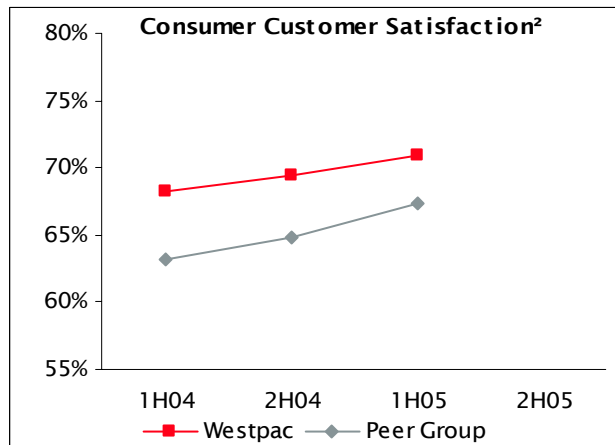
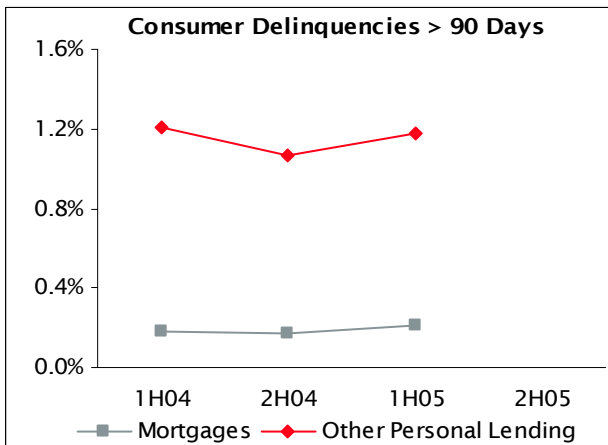
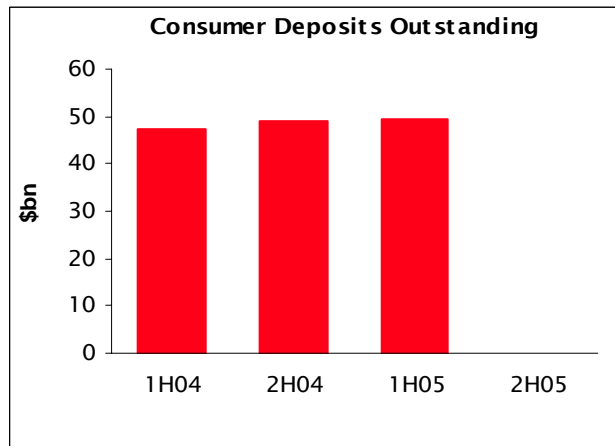
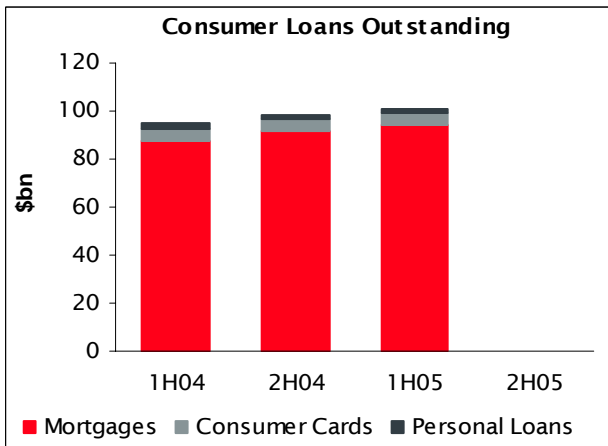
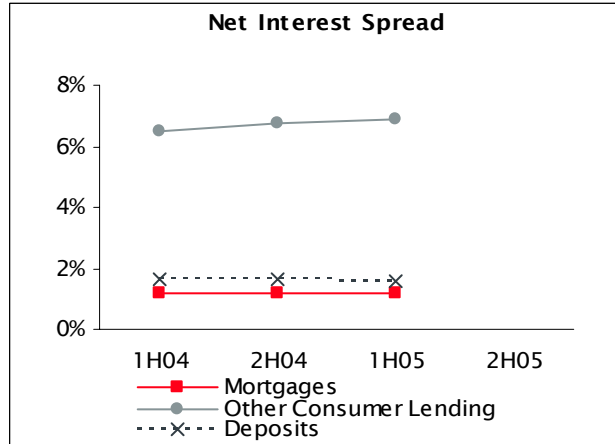
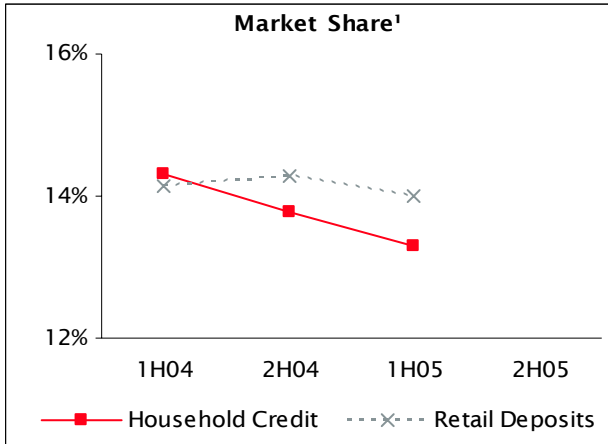
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*Second Half*

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**4.1.3 CONSUMER KEY BUSINESS DRIVERS**



<sup>1</sup> Source: Australian Prudential Regulation Authority/Reserve Bank of Australia.

Household credit includes mortgages, other personal lending and margin lending.

Retail deposits at 30 September 2005 comprise [ ]% consumer deposits and [ ]% business deposits.

<sup>2</sup> Source: Roy Morgan Research (July-2005). Twelve month rolling average. Peer Group average includes CBA, NAB and ANZ. Satisfaction defined as "very" or "fairly" satisfied among those that regard each Bank as their main financial institution.

#### 4.1.4 BUSINESS SEGMENTS

The **Business Distribution** segment comprises small to medium sized business customers and our rural consumer and business customers. Sales & servicing of these customers occurs through our middle market and small business sales force and service centres and our regional branch network. Products include business lending, deposit and transaction accounts and working capital activities. Income is primarily earned from sales and service commissions received from the product businesses. The bad debts charge for business customers is recognised in this division.

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
Net interest income		59			104	
Non-interest income		821			1,583	
Operating income		880			1,687	
Operating expenses		(474)			(910)	
Core earnings		406			777	
Bad and doubtful debts		(32)			(68)	
Operating profit before tax		374			709	
Tax and outside equity interests		(112)			(207)	
<b>Cash earnings</b>		262			502	
Goodwill amortisation		(11)			(22)	
<b>Profit on operations</b>		251			480	
Expense to income ratio		53.9%			53.9%	
	<b>\$bn</b>	<b>\$bn</b>		<b>\$bn</b>	<b>\$bn</b>	
Assets		0.8			0.8	

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

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
Net interest income		556			1,043	
Non-interest income		(307)			(546)	
Operating income		249			497	
Operating expenses		(134)			(295)	
Core earnings		115			202	
Bad and doubtful debts		-			-	
Operating profit before tax		115			202	
Tax and outside equity interests		(35)			(60)	
<b>Cash earnings</b>		80			142	
Goodwill amortisation		(1)			(2)	
<b>Profit on operations</b>		79			140	
Expense to income ratio		53.8%			59.4%	
	<b>\$bn</b>	<b>\$bn</b>		<b>\$bn</b>	<b>\$bn</b>	
Deposits		26.7			24.3	
Net loans and acceptances		37.1			36.3	
Total assets		37.9			37.2	

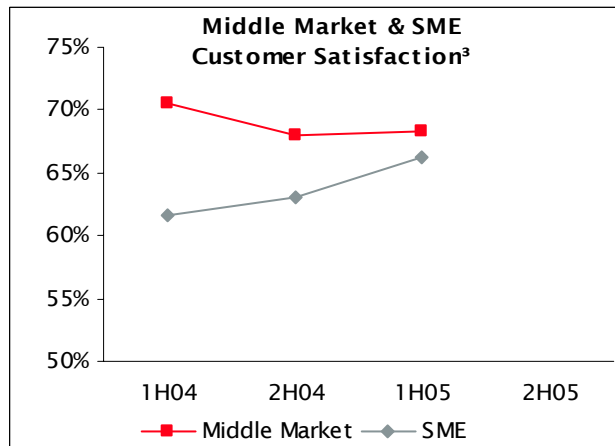
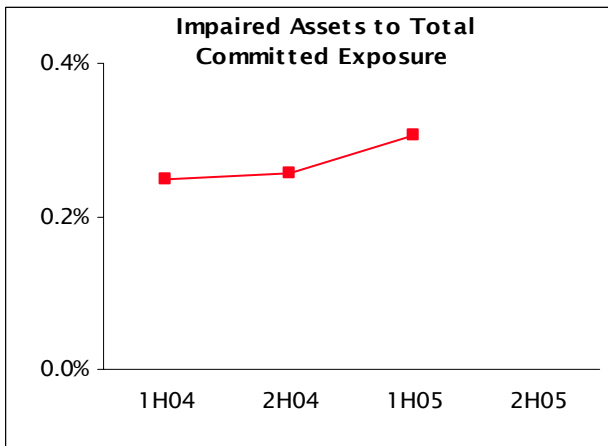
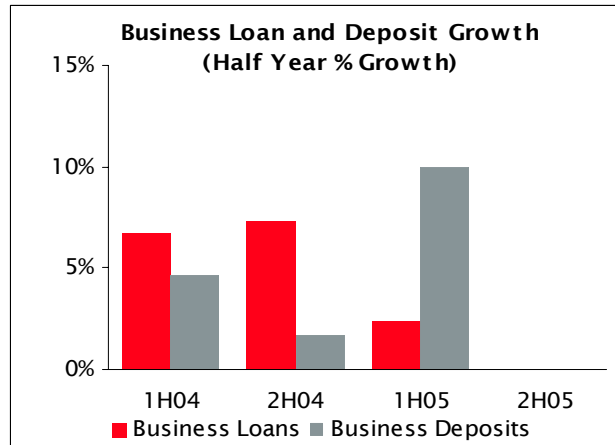
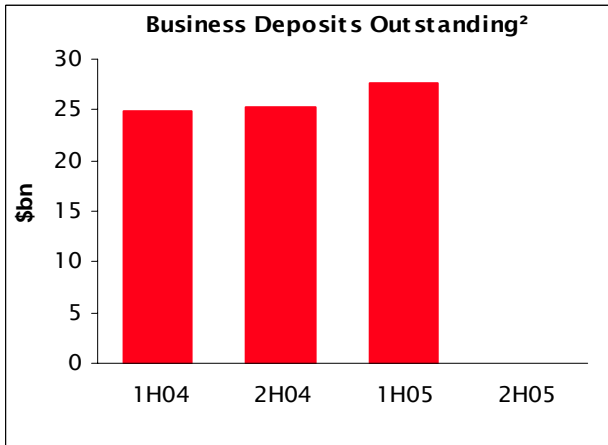
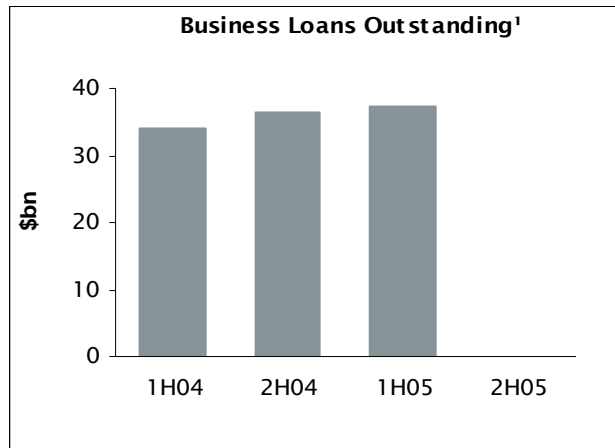
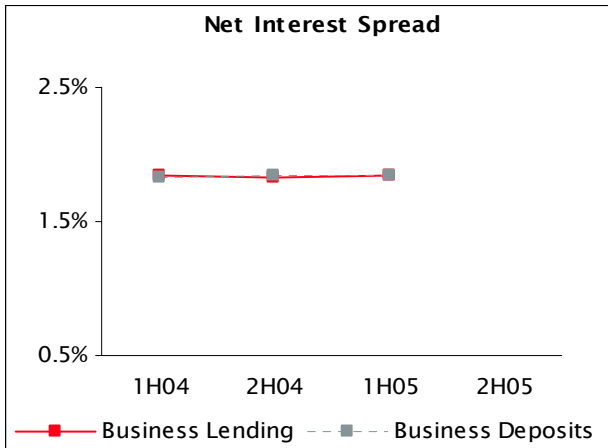
#### Financial Performance

##### Full Year

[ ]

##### Second Half

**4.1.5 BUSINESS KEY BUSINESS DRIVERS**



<sup>1</sup> Comprises term lending, bills and business overdrafts and equipment finance.

<sup>2</sup> Business deposits include both working capital and business transaction and savings accounts.

<sup>3</sup> Source: TNS Business Finance Monitor (August 2005). 12 month rolling average. Satisfaction with main bank.

## 4.2 WESTPAC INSTITUTIONAL BANK

Westpac Institutional Bank (WIB) meets the financial needs of corporations and institutions either based in, or with interests in Australia and New Zealand. It also provides certain services including the manufacture and origination of structured products to middle market business banking customers in those markets.

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
Net interest income <sup>1</sup>		264			461	
Non-interest income		433			803	
Operating income		697			1,264	
Operating expenses		(293)			(562)	
Core earnings		404			702	
Bad and doubtful debts		(31)			5	
Operating profit before tax		373			707	
Tax and outside equity interests <sup>1</sup>		(109)			(214)	
<b>Cash earnings</b>		264			493	
Goodwill amortisation		(1)			(2)	
<b>Profit on operations</b>		263			491	
Economic profit		165			293	
Expense to income ratio		42.0%			44.5%	
	<b>\$bn</b>	<b>\$bn</b>		<b>\$bn</b>	<b>\$bn</b>	
Deposits		15.7			13.9	
Net loans and acceptances		27.9			25.5	
Total assets		52.4			48.8	

### Financial Performance

#### Full Year

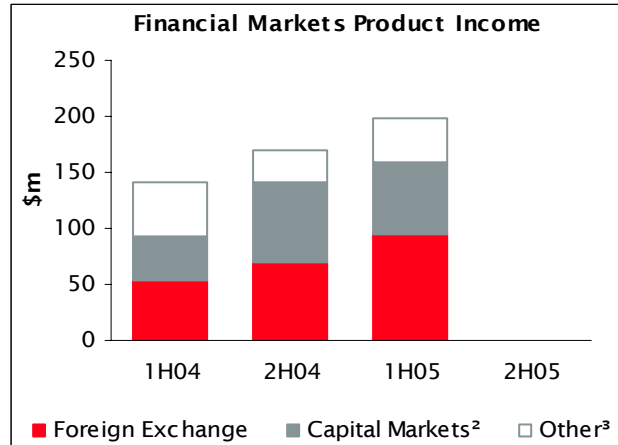
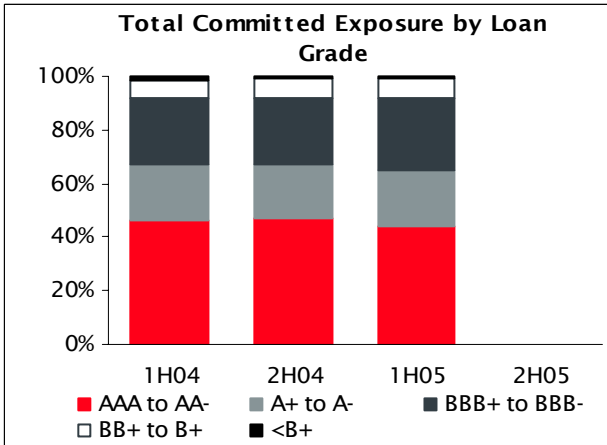
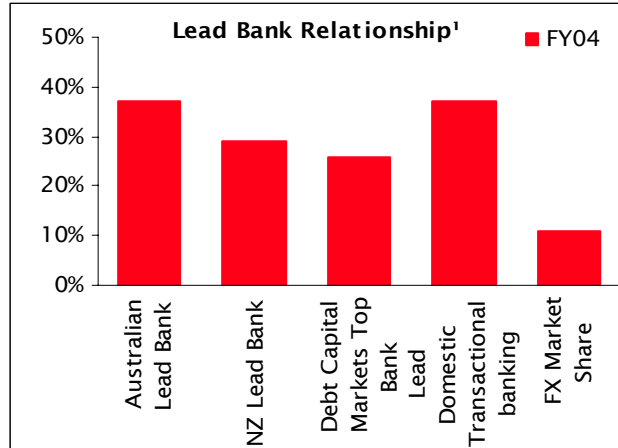
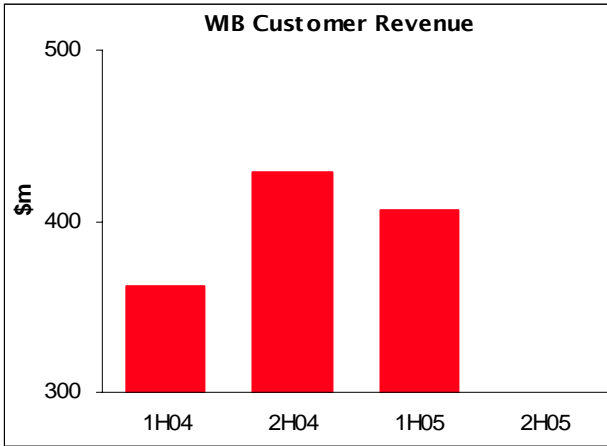
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#### Second Half

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<sup>1</sup> We have entered into various tax effective structured finance transactions that derive income subject to a reduced rate of income tax. To provide comparability, this income is presented on a tax equivalent basis. Net interest income includes a tax equivalent gross up relating to tax benefits on structured finance transactions of \$[ ] million in the twelve months to 30 September 2005 (\$[ ] million in the first half and \$[ ] million in the second half) and \$222 million in the twelve months to 30 September 2004. In the presentation of the Group's average balance sheet, net interest spread and net interest margin are also presented on a tax equivalent basis. Refer section 5, Note 3 Average Balance Sheet and Interest Rates for a reconciliation of net interest income used in the calculation of net interest spread and net interest margin.

**Key Business Drivers**



<sup>1</sup> Peter Lee Associates 2004-2005 Corporate and Institutional Banking Survey.

<sup>2</sup> Capital markets products include interest rate derivatives, secondary markets activity in debt securities and equities, but exclude primary markets activity.

<sup>3</sup> Other comprises energy, other international and commodities income.

### 4.3 NEW ZEALAND

New Zealand operations provide banking and wealth management products and services to New Zealand consumer and business customers. The New Zealand wealth business includes Westpac Life New Zealand and BT New Zealand. The results do not include the earnings of our New Zealand Institutional Bank.

All figures are in New Zealand dollars (NZ\$). (Australian dollars (A\$) equivalents are included in section 8.2).

NZ\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
Net interest income		463			893	
Non-interest income		234			462	
Operating income		697			1,355	
Operating expenses		(332)			(653)	
Core earnings		365			702	
Bad and doubtful debts		(20)			(41)	
Operating profit before tax		345			661	
Tax and outside equity interests		(113)			(210)	
<b>Cash earnings</b>		232			451	
Goodwill amortisation		(24)			(48)	
<b>Profit on operations</b>		208			403	
Economic profit		110			234	
Cash earnings A\$		203			406	
Expense to income ratio		47.6%			48.2%	
	<b>\$bn</b>	<b>\$bn</b>		<b>\$bn</b>	<b>\$bn</b>	
Deposits		19.3			18.6	
Net loans		30.2			28.2	
Total assets		31.3			29.8	
Funds under management		2.3			2.4	

#### Financial Performance (NZ\$)

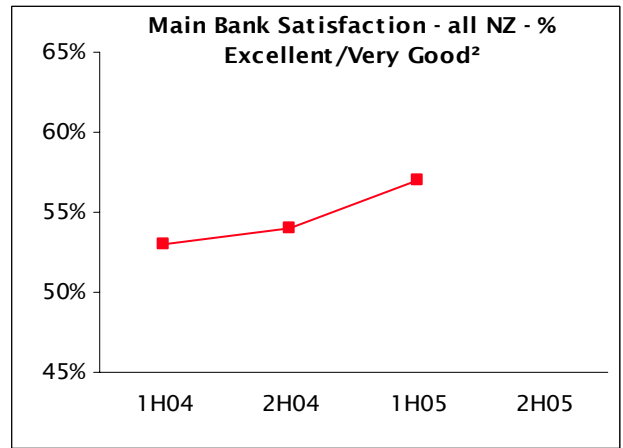
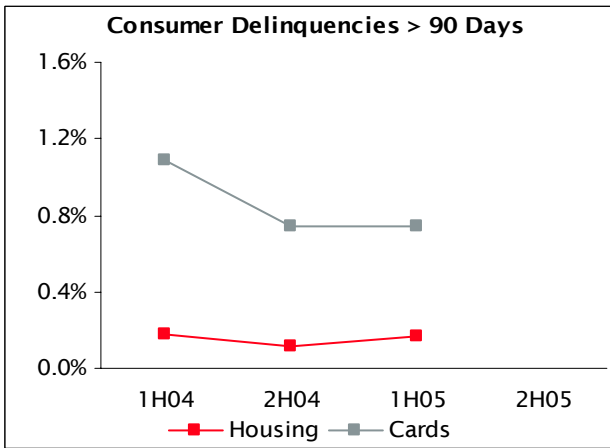
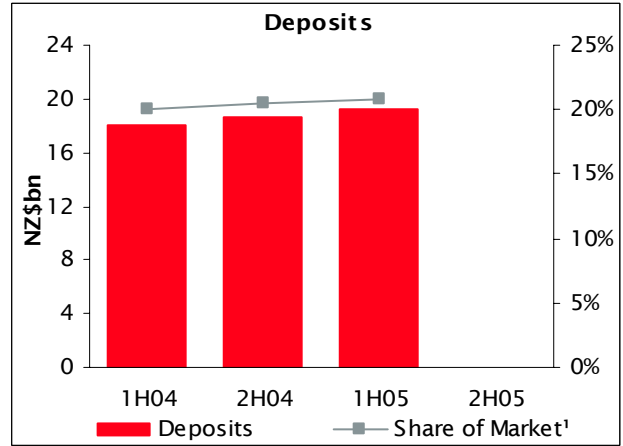
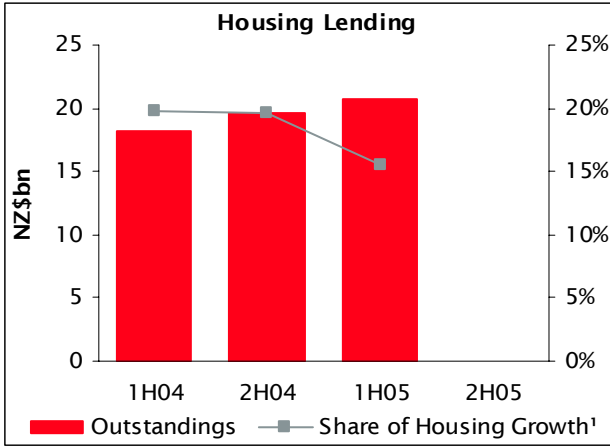
##### Full Year

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##### Second Half

[ ]

**Key Business Drivers**



<sup>1</sup> Source: RBNZ. Second half at August 2005.

<sup>2</sup> Source: ACNielsen. Four quarter rolling average.

#### 4.4 BT FINANCIAL GROUP (AUSTRALIA)

BT Financial Group Australia (BTFG) is Westpac's wealth management business. BTFG designs, manufactures and services financial products that enable our customers to achieve their financial goals by accumulating, managing and protecting their personal wealth. These products include managed investments (mutual funds), personal and business superannuation (pensions), life insurance, income protection, discount securities broking, margin lending, client portfolio administration (Wrap) platforms and portfolio management and administration of Corporate Superannuation. Distribution of BTFG products is conducted through our Australian and New Zealand banking distribution businesses and an extensive range of independent financial advisers.

			<i>% Mov't</i>			<i>% Mov't</i>
	Half Year	Half Year	Mar 05-	Full Year	Full Year	Sept 04-
<b>\$m</b>	Sept 05	March 05	Sept 05	Sept 05	Sept 04	Sept 05
Net interest income		18			25	
Non-interest income		336			589	
Operating income		354			614	
Operating expenses		(192)			(377)	
Core earnings		162			237	
Bad and doubtful debts		-			-	
Operating profit before tax		162			237	
Tax and outside equity interests		(38)			(50)	
<b>Cash earnings</b>		124			187	
Goodwill amortisation		(31)			(61)	
<b>Profit on operations</b>		93			126	
Economic profit		31			(18)	
Expense to income ratio		54.2%			61.4%	
	<b>\$bn</b>	<b>\$bn</b>		<b>\$bn</b>	<b>\$bn</b>	
Total assets		15.8			15.0	
Funds under management		35.8			35.4	
Funds under administration		30.6			24.9	

#### Financial Performance

##### *Full Year*

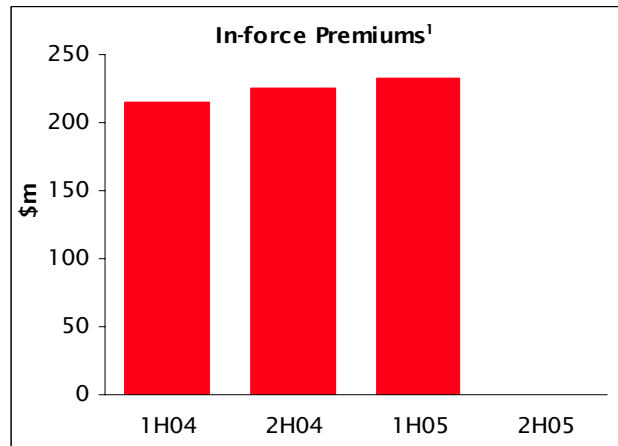
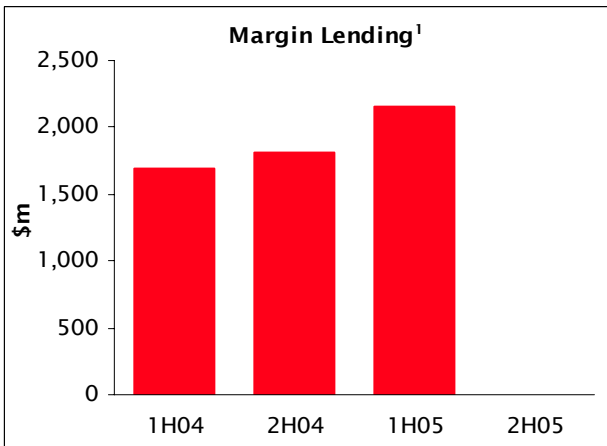
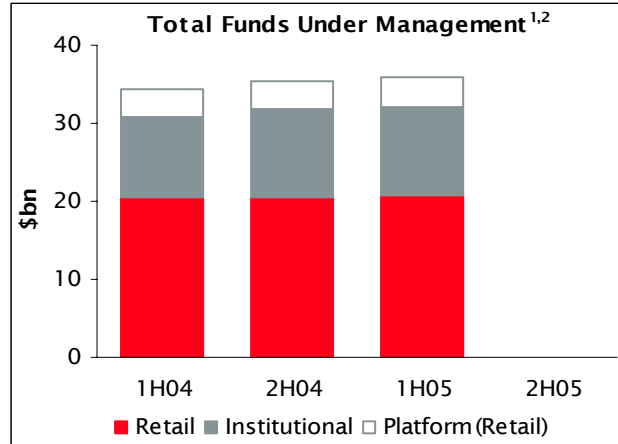
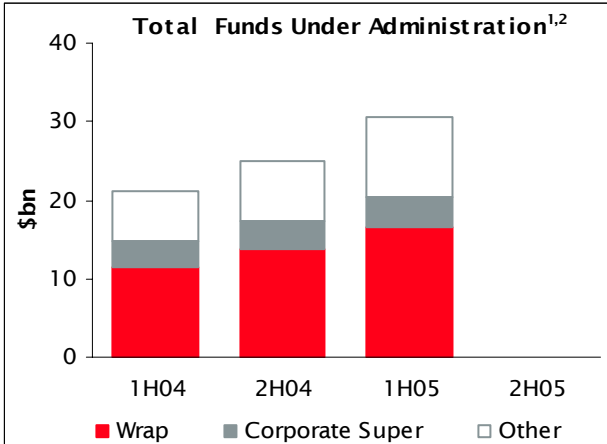
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##### *Second Half*

[ ]



**Key Business Drivers**



<sup>1</sup> Internal data supplied by BTFG (Australia).

<sup>2</sup> Corporate superannuation balances were previously recognised in Funds Under Management.

#### 4.5 PACIFIC BANKING

Pacific Banking (PB) provides banking services for retail and business customers throughout the South Pacific Island Nations. Branches, ATM's and Internet banking channels are used to deliver our core business activities in Fiji, PNG, Vanuatu, Cook Islands, Tonga, Solomon Islands and Samoa. PB's financial products include home, personal and business lending and savings and investment accounts.

\$m	Half Year Sept 05	Half Year March 05	% Mov't		Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
			Mar 05- Sept 05				
Net interest income		33				72	
Non-interest income		36				67	
Operating income		69				139	
Operating expenses		(27)				(51)	
Core earnings		42				88	
Bad and doubtful debts		(1)				(2)	
Operating profit before tax		41				86	
Tax and outside equity interests		(13)				(30)	
<b>Cash earnings</b>		28				56	
Goodwill amortisation		-				-	
<b>Profit on operations</b>		28				56	
Economic profit		23				44	
Expense to income ratio		39.1%				36.7%	
	<b>\$bn</b>	<b>\$bn</b>			<b>\$bn</b>	<b>\$bn</b>	
Deposits		1.1				1.1	
Total assets		1.2				1.2	

#### Financial Performance

##### Full Year 2005

[ ]

##### Second Half

[ ]

#### 4.6 GROUP BUSINESS UNIT

This segment comprises:

- Group items including earnings on surplus capital, accounting entries for certain intragroup transactions that facilitate the presentation of the performance of our operating segments, (notably adjustments for life policyholder income, consolidation of life company Managed Investment Schemes, exchange rate adjustments and hedge results associated with hedging our New Zealand earnings), earnings from property sales and certain other head office items such as centrally raised provisions, reversals of tax equivalent gross ups on tax effective transactions within the Institutional Bank and contra charges for equity based remuneration charged to business units; and
- Group Treasury, which is primarily, focused on the management of the Group's interest rate risk and funding requirements by managing the mismatch between Group assets and liabilities. Treasury's earnings are primarily impacted by the hedging decisions taken on behalf of the Group to minimise net interest income volatility and assist net interest income growth.

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
Net interest income		(6)			(22)	
Non-interest income		(12)			91	
Operating income		(18)			69	
Operating expenses		29			103	
Core earnings		11			172	
Bad and doubtful debts		(4)			(40)	
Operating profit before tax		7			132	
Tax and outside equity interests		25			92	
Distributions on other equity instruments		(68)			(154)	
TPS 2004 revaluation		40			10	
<b>Cash earnings</b>		4			80	
Goodwill amortisation		(1)			-	
Distributions on other equity instruments		68			154	
TPS 2004 revaluation		(40)			(10)	
<b>Profit on operations</b>		31			224	

#### Full Year

[ ]

#### Second Half

[ ]

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

**5.1 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**

\$m	Note	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
Interest income			7,358			12,939	
Interest expense			(4,813)			(8,184)	
Net interest income	5		2,545			4,755	
Non-interest income	6,7		1,659			3,255	
Net operating income			4,204			8,010	
Operating expenses	8		(2,034)			(3,940)	
Goodwill amortisation			(83)			(164)	
Bad and doubtful debts	21		(203)			(414)	
<b>Profit from ordinary activities before income tax expense</b>			1,884			3,492	
Income tax expense	10		(541)			(913)	
<b>Net profit</b>			1,343			2,579	
Net profit attributable to outside equity interests:							
Managed investment schemes			(14)			(30)	
Other			(4)			(10)	
<b>Net profit attributable to equity holders of Westpac Banking Corporation (WBC)</b>			1,325			2,539	
Foreign currency translation reserve adjustment			(96)			(11)	
<b>Total revenues, expenses and valuation adjustments attributable to equity holders of WBC recognised directly in equity</b>			(96)			(11)	
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>			1,229			2,528	

## 5.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at \$m	Note	30 Sept 2005	31 March 2005	30 Sept 2004	% Mov't Mar 05- Sept 05	% Mov't Sept 04- Sept 05
<b>Assets</b>						
Cash and balances with central banks			2,039	1,800		
Due from other financial institutions			10,095	9,538		
Trading securities			10,323	9,698		
Investment securities			2,898	3,714		
Loans	13		188,969	182,471		
Acceptances of customers			5,127	5,534		
Life insurance assets			12,711	12,957		
Regulatory deposits with central banks overseas			562	523		
Goodwill			2,302	2,394		
Fixed assets <sup>1</sup>			801	1,445		
Deferred tax assets			1,027	838		
Other assets			16,817	14,167		
<b>Total assets</b>			<b>253,671</b>	<b>245,079</b>		
<b>Liabilities</b>						
Due to other financial institutions			8,137	7,071		
Deposits	22		145,814	146,533		
Debt issues			42,096	36,188		
Acceptances			5,127	5,534		
Current tax liabilities			79	1		
Deferred tax liabilities			291	110		
Life insurance policy liabilities			11,252	10,782		
Provisions			396	427		
Other liabilities			19,464	17,685		
<b>Total liabilities excluding loan capital</b>			<b>232,656</b>	<b>224,331</b>		
<b>Loan capital</b>						
Subordinated bonds, notes and debentures			4,257	3,885		
Subordinated perpetual notes			505	546		
<b>Total loan capital</b>			<b>4,762</b>	<b>4,431</b>		
<b>Total liabilities</b>			<b>237,418</b>	<b>228,762</b>		
<b>Net assets</b>			<b>16,253</b>	<b>16,317</b>		
<b>Equity</b>						
Ordinary shares			4,523	4,234		
Reserves			(178)	(83)		
Retained profits			8,261	7,812		
NZ Class shares			451	453		
Trust Originated Preferred Securities (TOPRS <sup>sm</sup> )			-	-		
Fixed Interest Resettable Trust Securities (FIRTS)			655	655		
Trust Preferred Securities 2003 (TPS 2003)			1,132	1,132		
Trust Preferred Securities 2004 (TPS 2004)			685	685		
<b>Equity attributable to equity holders of WBC</b>			<b>15,529</b>	<b>14,888</b>		
Outside equity interests:						
Managed investment schemes			706	1,408		
Other			18	21		
<b>Total equity</b>			<b>16,253</b>	<b>16,317</b>		

<sup>1</sup> Fixed assets include \$[ ] million in capitalised software costs with an average amortisation period of three years (\$409 million at 31 March 2005 and \$377 million at 30 September 2004).

## 5.3 CONSOLIDATED STATEMENT OF CASH FLOWS

\$ m	Note	Half Year Sept 05	Half Year March 05	Full Year Sept 05	% Mov't	
					Full Year Sept 04	Mar 05- Sept 05
<b>Cash flows from operating activities</b>						
Interest received			7,255		12,835	
Interest paid			(4,693)		(7,929)	
Dividends received			21		34	
Other non-interest income received			3,205		4,648	
Operating expenses paid			(2,039)		(3,593)	
Net (increase) / decrease in trading securities			(695)		(135)	
Income tax paid excluding life business			(353)		(1,106)	
Life business:						
receipts from policyholders and customers			1,451		2,895	
interest and other items of similar nature			27		95	
dividends received			156		320	
payments to policyholders and suppliers			(1,357)		(2,390)	
income tax paid			(23)		(180)	
<b>Net cash provided by operating activities</b>	25		2,955		5,494	
<b>Cash flows from investing activities</b>						
Proceeds from sale of investment securities			62		73	
Proceeds from matured investment securities			542		639	
Purchase of investment securities			(185)		(655)	
Proceeds from securitised loans			2,000		241	
Net (increase) / decrease in:						
due from other financial institutions			586		(3,486)	
loans			(7,890)		(24,505)	
life business investment assets			60		(61)	
regulatory deposits with central banks overseas			10		(74)	
other assets			(541)		(1,994)	
Purchase of fixed assets			(142)		(284)	
Proceeds from disposal of fixed assets			12		90	
Proceeds from sale of investments (other)			20		22	
Controlled entities acquired, net of cash acquired	25		-		(547)	
Controlled entities and businesses disposed, net of cash held	25		520		165	
<b>Net cash used in investing activities</b>			(4,946)		(30,376)	
<b>Cash flows from financing activities</b>						
Issue of loan capital			818		500	
Redemption of loan capital			(255)		(485)	
Proceeds from issue of ordinary shares			90		110	
Proceeds from TPS 2004 (net of issue costs \$8 m)			-		685	
Buyback of ordinary shares			-		(559)	
Buyback of NZ Class shares			(1)		(18)	
Redemption of TOPRS			-		(446)	
Net increase/(decrease) in:						
due to other financial institutions			638		3,182	
deposits and public borrowings			(2,125)		18,451	
debt issues			3,627		5,178	
other liabilities			111		(330)	
Payment of distributions and dividends			(676)		(1,362)	
Payment of dividends to outside equity interests			(5)		(6)	
<b>Net cash provided by financing activities</b>			2,222		24,900	
Net increase/(decrease) in cash and cash equivalents			231		18	
Effect of exchange rate changes on cash and cash equivalents			8		(4)	
Cash and cash equivalents at the beginning of financial period			1,800		1,786	
<b>Cash and cash equivalents at the end of the period</b>			2,039		1,800	

## 5.4 MOVEMENT IN RETAINED PROFITS

\$m	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
Retained profits at the beginning of the financial period		7,812			7,343	
Net profit attributable to equity holders of WBC		1,325			2,539	
Aggregate of amounts transferred from reserves		(1)			(1)	
Realised gain on redemption of TOPrS		-			7	
<b>Total available for appropriation</b>		9,136			9,888	
Ordinary dividends provided for or paid		(807)			(1,518)	
Distributions on other equity instruments		(68)			(154)	
Deemed dividend - shares bought back		-			(404)	
<b>Retained profits at the end of the financial period</b>		8,261			7,812	



**5.5 NOTES TO 2005 FINANCIAL INFORMATION**

**Note 1. Basis of Preparation of Financial Information**

**Note 2. Interest Spread and Margin Analysis**

%	Half Year Sept 05	Half Year March 05	Full Year Sept 05	Full Year Sept 04
<b>Group</b>				
Interest spread on productive assets		2.05		2.12
Impact of impaired loans		(0.01)		(0.02)
Interest spread		2.04		2.10
Benefit of net non-interest bearing liabilities and equity		0.44		0.43
Interest margin		2.48		2.53
<b>Australia</b>				
Interest spread on productive assets		1.93		2.02
Impact of impaired loans		(0.01)		(0.01)
Interest spread		1.92		2.01
Benefit of net non-interest bearing liabilities and equity		0.38		0.38
Interest margin		2.30		2.39
<b>New Zealand</b>				
Interest spread on productive assets		2.38		2.54
Impact of impaired loans		0.00		0.00
Interest spread		2.38		2.54
Benefit of net non-interest bearing liabilities and equity		0.52		0.39
Interest margin		2.90		2.93
<b>Other Overseas</b>				
Interest spread on productive assets		0.78		0.77
Impact of impaired loans		(0.01)		0.00
Interest spread		0.77		0.77
Benefit of net non-interest bearing liabilities and equity		0.25		0.20
Interest margin		1.02		0.97

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

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

**Note 3. Average Balance Sheet and Interest Rates**

	Full Year 30 Sept 05			Full Year 30 Sept 04		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	\$m	\$m	%	\$m	\$m	%
<b>Assets</b>						
<b>Interest earning assets</b>						
Due from other financial institutions						
Australia				4,324	255	5.9
New Zealand				1,404	74	5.3
Other Overseas				3,488	101	2.9
Investment & trading securities						
Australia				7,802	379	4.9
New Zealand				1,184	63	5.3
Other Overseas				2,396	191	8.0
Regulatory deposits						
Other Overseas				468	6	1.3
Loans & other receivables						
Australia				142,339	9,796	6.9
New Zealand				30,577	2,172	7.1
Other Overseas				1,883	103	5.5
Impaired loans						
Australia				291	3	1.0
New Zealand				57	3	5.3
Other Overseas				246	7	2.8
Intragroup receivable						
Other Overseas				23,001	452	2.0
Interest earning assets & interest income including intragroup				219,460	13,605	6.2
Intragroup elimination				(23,001)	(452)	
<b>Total interest earning assets and interest income<sup>1</sup></b>				<b>196,459</b>	<b>13,153</b>	<b>6.7</b>
<b>Non-interest earning assets</b>						
Cash, due from other financial institutions and regulatory deposits				1,574		
Life insurance assets				12,423		
Other assets <sup>2</sup>				23,708		
Debt provisions						
Australia				(1,310)		
New Zealand				(235)		
Other Overseas				(85)		
<b>Total non-interest earning assets</b>				<b>36,075</b>		
Acceptances of customers				4,502		
<b>Total assets</b>				<b>237,036</b>		
<b>Tax equivalent gross-up in interest income<sup>1</sup></b>						
Total reported interest income					12,939	
Tax equivalent benefit of financing transactions					214	
<b>Total interest income including tax equivalent gross-up</b>					<b>13,153</b>	

<sup>1</sup> Total net interest income presented in the average balance sheet includes a tax equivalent gross up of \$[ ] million for the 2005 financial year (\$[ ] million benefit in interest income and \$[ ] million benefit in interest expense.) Comparatives include tax equivalent gross up of: \$222 million for the financial year 2004 (\$214 million benefit in interest income and \$8 million benefit in interest expense).

<sup>2</sup> Includes fixed assets, goodwill, other financial markets assets, future income tax benefit and prepaid superannuation contributions.

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

	Full Year 30 Sept 05			Full Year 30 Sept 04		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
<b>Liabilities and shareholders' equity</b>						
<b>Interest bearing liabilities</b>						
Deposits						
Australia				99,573	4,246	4.3
New Zealand				20,165	920	4.6
Other Overseas				11,854	303	2.6
Due to other financial institutions						
Australia				2,053	66	3.2
New Zealand				518	31	6.0
Other Overseas				2,335	14	0.6
Loan capital						
Australia				4,505	171	3.8
New Zealand				35	3	8.6
Overseas				50	4	8.0
Other interest bearing liabilities <sup>1</sup>						
Australia				22,486	1,943	n/a
New Zealand				434	243	n/a
Other Overseas				13,925	232	n/a
Intragroup payable						
Australia				13,843	309	2.2
New Zealand				9,158	143	1.6
Interest bearing liabilities & interest expense including intragroup				200,934	8,628	4.3
Intragroup elimination				(23,001)	(452)	
<b>Total interest bearing liabilities and interest expense<sup>2</sup></b>				177,933	8,176	4.6
<b>Non-interest bearing liabilities</b>						
Deposits and due to other financial institutions						
Australia				4,002		
New Zealand				1,587		
Other Overseas				255		
Life insurance policy liabilities				10,381		
Other liabilities <sup>3</sup>				22,549		
<b>Total non-interest bearing liabilities</b>				38,774		
Acceptances of customers				4,502		
<b>Total liabilities</b>				221,209		
Shareholders' equity				11,979		
TOPrS				320		
FIRsTS				655		
TPS 2003				1,132		
TPS 2004				335		
Outside equity interests				1,406		
<b>Total equity</b>				15,827		
<b>Total liabilities and equity</b>				237,036		
<b>Tax equivalent gross-up in interest expense<sup>2</sup></b>						
Total reported interest expense					8,184	
Tax equivalent benefit of financing transactions					(8)	
<b>Total interest expense including tax equivalent gross-up</b>					8,176	

<sup>1</sup> Includes the net result of derivatives used for hedging.

<sup>2</sup> Total net interest income presented in the average balance sheet includes a tax equivalent gross up of \$[ ] million for the 2005 financial year (\$[ ] million benefit in interest income and \$[ ] million benefit in interest expense.) Comparatives include tax equivalent gross up of: \$222 million for the financial year 2004 (\$214 million benefit in interest income and \$8 million benefit in interest expense).

<sup>3</sup> Includes provisions for current and deferred income tax and other financial market liabilities.

**Note 4. Revenue**

\$m	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
<b>Revenue from operating activities</b>						
Interest income		7,358			12,939	
Fees and commissions received		897			1,742	
Proceeds from sale of investment securities		62			73	
Wealth management revenue		1,272			1,823	
Other non-interest income		247			610	
<b>Revenue from operating activities</b>		9,836			17,187	
<b>Revenue from outside operating activities</b>						
Proceeds from sale of fixed assets		12			90	
Proceeds from sale of controlled entities and businesses		574			165	
Proceeds from sale of other investments		20			22	
<b>Revenue from outside operating activities</b>		606			277	
<b>Total revenue</b>		10,442			17,464	

**Note 5. Net Interest Income<sup>1</sup>**

\$m	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
<b>Interest income</b>						
Loans and other receivables <sup>1</sup>		6,737			11,931	
Deposits with other financial institutions		221			402	
Investment and trading securities <sup>1</sup>		395			600	
Regulatory deposits		5			6	
<b>Interest income</b>		7,358			12,939	
<b>Interest expense</b>						
Current and term deposits		(3,196)			(5,469)	
Deposits from other financial institutions		(137)			(120)	
Loan capital		(102)			(177)	
Debt issues		(614)			(931)	
Other <sup>2</sup>		(764)			(1,487)	
<b>Interest expense</b>		(4,813)			(8,184)	
<b>Net interest income</b>		2,545			4,755	

<sup>1</sup> During the year improvements were made to the way interest earned on repurchase agreements is recognised and comparatives have been restated to provide consistent presentation. As a result, \$79 million for 2004 and \$73 million for the first half of 2005 presented as interest from Trading securities has been moved to interest from Other. There has been no impact on reported net interest income. The average balance sheet (Note 3) has also been updated to reflect this change.

<sup>2</sup> Includes income from hedging derivatives.

**Note 6. Non-Interest Income**

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
<b>Non-interest income</b>						
Fees and commissions received		897			1,742	
Proceeds from sale of assets		668			350	
Carrying value of assets sold		(633)			(316)	
Net life insurance and funds management income		470			869	
Trading income		181			399	
Other non-interest income		76			211	
<b>Total non-interest income</b>		<b>1,659</b>			<b>3,255</b>	

**Note 7. Non-Interest Income Analysis**

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
<b>Fees and commissions</b>						
Lending fees		375			731	
Transaction fees and commissions received		468			879	
Other non-risk fee income		43			91	
Service and management fees		11			41	
		<b>897</b>			<b>1,742</b>	
<b>Trading income<sup>1</sup></b>						
Foreign exchange		122			183	
Trading securities		(56)			(18)	
Other financial instruments		115			234	
		<b>181</b>			<b>399</b>	
<b>Wealth management income</b>						
Life insurance and funds management operating income		470			869	
<b>Other income</b>						
General insurance commissions and premiums (net of claims paid)		47			92	
Dividends received		21			34	
Lease rentals		3			3	
Hedging of overseas operations <sup>2</sup>		(61)			7	
Net profit on sale of fixed assets, controlled entities and other investments		35			34	
Other		66			75	
		<b>111</b>			<b>245</b>	
<b>Non-interest income</b>		<b>1,659</b>			<b>3,255</b>	

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

<sup>2</sup> Includes the unrealised revaluation loss on TPS 2004.

**Note 8. Expense Analysis**

\$m	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
<b>Salaries and other staff expenses</b>						
Salaries and wages		801			1,565	
Other staff expenses		259			400	
Restructuring expenses		5			23	
		1,065			1,988	
<b>Equipment and occupancy expenses</b>						
Operating lease rentals		118			242	
Depreciation and amortisation:						
Premises		1			3	
Leasehold improvements		17			34	
Furniture and equipment		28			52	
Technology		29			65	
Computer software		68			104	
Electricity, water, rates and land tax		4			7	
Other equipment and occupancy expenses		34			100	
		299			607	
<b>Other expenses</b>						
Amortisation of deferred expenditure		2			10	
Non-lending losses		37			69	
Consultancy fees, computer software maintenance and other professional services <sup>1</sup>		201			361	
Stationery		32			72	
Postage and freight		47			109	
Telecommunications costs		9			22	
Insurance		6			17	
Advertising		36			68	
Transaction taxes		3			5	
Training		9			23	
Travel		25			55	
Outsourcing		238			503	
Other expenses		25			31	
		670			1,345	
<b>Operating expenses</b>		2,034			3,940	
Expense/income ratio before amortisation of goodwill		48.4%			49.2%	

**Note 9. Deferred Expenses**

\$m	30 Sept 2005	31 March 2005	30 Sept 2004	% Mov't Mar 05- Sept 05	% Mov't Sept 04- Sept 05
Capitalised software		409	377		
Other deferred expenditure		322	266		
Deferred acquisition costs		99	92		

**Note 10. Income Tax**

\$m			% Mov't		% Mov't	
	Half Year Sept 05	Half Year March 05	Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	Sept 04- Sept 05
<b>Profit from ordinary activities before income tax</b>		1,884			3,492	
Prima facie income tax at Australian company tax rate of 30%		565			1,048	
<b>Add/(deduct) tax effect of permanent differences</b>						
Rebateable and exempt dividends		(34)			(86)	
Goodwill amortisation		25			49	
Tax losses and timing differences now tax effected		(22)			3	
Life insurance:						
Tax adjustment on policyholders' earnings <sup>1</sup>		20			23	
Adjustment for life business tax rates		(13)			(22)	
Other non-assessable items		(83)			(254)	
Other non-deductible items		83			105	
Adjustment for overseas tax rates		11			21	
Prior period adjustments		38			(25)	
Other items		(49)			51	
<b>Total income tax expense attributable to profit from ordinary activities</b>		541			913	
Effective tax rate (%)		28.7			26.1	
Tax equivalent gross up <sup>2</sup>		119			222	
Effective tax rate (%) (excluding life company)		27.9			25.8	
Effective tax rate (%) (including gross up)		33.0			30.6	
Effective tax rate (%) (including gross up and excluding life company accounting)		32.2			30.3	

<sup>1</sup> In accordance with the requirements of Australian Accounting Standard AASB 1038 Life Insurance Business, our tax expense for the year includes an \$[ ] million tax charge on policyholders' investment earnings (\$[ ] million first half and \$[ ] million second half) of which \$[ ] million is in the prima facie tax expense (\$[ ] million first half and \$[ ] million second half) and the balance shown here.

<sup>2</sup> The tax equivalent gross up represents the benefit in respect of certain financing transactions entered into by the Institutional Bank.



**Note 11. Dividends**

	Half Year Sept 05	Half Year March 05	Full Year Sept 05	Full Year Sept 04
<b>Ordinary dividend (cents per share)</b>				
Interim (fully franked) <sup>1</sup> - proposed dividend		49		42
Final (fully franked) <sup>1</sup>		-		44
		49		86
<b>Total dividends paid</b>				
Ordinary dividends paid (\$m)		807		1,518
		807		1,518
<b>Ordinary dividend payout ratio<sup>2</sup></b>		71.8%		66.6%
<b>Ordinary dividend payout ratio - cash earnings</b>		65.4%		62.0%
<b>Distributions on other equity instruments</b>				
TOPrS, FIRsTS and TPS distributions (\$m)		68		154
<b>Total distributions on other equity instruments</b>		68		154

The Group operates a Dividend Reinvestment Plan that is available to the holders of fully paid ordinary shares who are resident in, or whose address on the register of shareholders is in, Australia or New Zealand (excluding NZ Class shares). The last date for receipt of election notices for the dividend reinvestment plan is [ ] November 2005.

**Note 12. Earnings per Ordinary Share**

	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
<b>Earnings per ordinary share (cents)<sup>3</sup></b>						
Basic		68.2			129.2	
Fully diluted <sup>4</sup>		67.6			127.7	
Cash earnings per ordinary share (cents)		74.9			138.6	
Weighted average number of fully paid ordinary shares (millions) - Basic		1,842			1,846	
Weighted average number of fully paid ordinary shares (millions) - Fully diluted		1,918			1,917	

**Reconciliation of ordinary shares on issue (millions)<sup>3</sup>**

<b>Number of ordinary shares and NZ Class shares on issue at 1 October 2004</b>	<b>1,831</b>
Number of shares issued on exercise of options and performance share rights	
Number of shares issued under the Dividend Reinvestment Plan (DRP)	
Number of shares issued under the Employee Share Plan (ESP)	
Number of shares exchanged for NZ Class shares	
Number of NZ Class shares exchanged for ordinary shares	
<b>Number of ordinary shares on issue as at 30 September 2005</b>	

<sup>1</sup> The interim dividends for the NZ Class shares is fully imputed.

<sup>2</sup> Ordinary dividend per share divided by basic earnings per ordinary share.

<sup>3</sup> Ordinary shares comprise Westpac ordinary shares and NZ Class shares.

<sup>4</sup> Fully diluted earnings per share are calculated after adjusting for options, performance share rights, FIRsTS and TPS 2004 in accordance with Australian Accounting Standard AASB 1027 Earnings Per Share.

**Note 13. Loans**

As at \$m	30 Sept 2005	31 March 2005	30 Sept 2004	% Mov't Mar 05- Sept 05	% Mov't Sept 04- Sept 05
<b>Australia</b>					
Overdrafts		3,296	3,279		
Credit card outstandings		5,330	5,190		
Overnight and call money market loans		188	78		
Own acceptances discounted		10,537	10,172		
Term loans:					
Housing - Owner occupied and Investment		77,783	77,176		
Housing - Line of credit		12,912	12,273		
<b>Total housing</b>		<b>90,695</b>	<b>89,449</b>		
Non-housing		33,275	32,515		
Finance leases		4,267	4,133		
Margin lending		2,141	1,785		
Other		3,232	2,118		
<b>Total - Australia</b>		<b>152,961</b>	<b>148,719</b>		
<b>New Zealand</b>					
Overdrafts		1,091	979		
Credit card outstandings		872	846		
Overnight and call money market loans		1,243	1,111		
Term loans:					
Housing		18,433	17,586		
Non-housing		9,768	8,953		
Redeemable preference share finance		3,219	3,276		
Other		780	630		
<b>Total - New Zealand</b>		<b>35,406</b>	<b>33,381</b>		
<b>Other Overseas</b>					
Overdrafts		142	138		
Term loans:					
Housing		528	494		
Non-housing		1,663	1,450		
Finance leases		7	10		
Other		6	3		
<b>Total - Other Overseas</b>		<b>2,346</b>	<b>2,095</b>		
<b>Total loans</b>		<b>190,713</b>	<b>184,195</b>		
Provisions for bad and doubtful debts		(1,744)	(1,724)		
<b>Total net loans</b>		<b>188,969</b>	<b>182,471</b>		
<b>Securitised loans</b>		<b>3,761</b>	<b>2,244</b>		

**Note 14. Provisions for Bad and Doubtful Debts**

\$m	Half Year Sept 05	Half Year March 05	Full Year Sept 05	Full Year Sept 04
<b>General provision</b>				
Balance at beginning of period		1,487		1,393
Charge to net profit		203		414
Transfer to specific provisions		(78)		(131)
Recoveries of debts previously written off		38		73
Write-offs		(149)		(274)
Exchange rate and other adjustments		(42)		12
Balance at period end		1,459		1,487
<b>Specific provisions</b>				
Balance at beginning of period		237		161
Transfer from/(to) general provision comprising:				
New specific provisions		124		174
Specific provisions no longer required		(46)		(43)
		78		131
Write-offs <sup>1</sup>		(26)		(50)
Exchange rate and other adjustments		(4)		(5)
Balance at period end		285		237
<b>Total provisions for bad and doubtful debts</b>		<b>1,744</b>		<b>1,724</b>
<i><sup>1</sup> Write-offs from specific provisions comprised:</i>				
Business and Consumer Banking		(15)		(19)
Westpac Institutional Bank		(8)		(28)
New Zealand Banking and Pacific Banking		(3)		(3)
		(26)		(50)

**Note 15. Impaired Assets**

As at \$m	30 Sept 2005			31 March 2005			30 Sept 2004		
	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net
<b>Non-accrual assets</b>									
Australia				411	(230)	181	314	(150)	164
New Zealand				46	(6)	40	55	(7)	48
Other Overseas				62	(21)	41	141	(37)	104
				519	(257)	262	510	(194)	316
<b>Restructured assets</b>									
Australia				58	(10)	48	62	(33)	29
Other Overseas				94	(18)	76	109	(10)	99
				152	(28)	124	171	(43)	128
<b>Total impaired assets</b>									
				671	(285)	386	681	(237)	444
<b>Non-accrual loans with provisions and:</b>									
<b>No performance</b>									
Australia				248	(183)	65	128	(124)	4
New Zealand				4	(1)	3	7	(1)	6
Other Overseas				50	(21)	29	118	(37)	81
				302	(205)	97	253	(162)	91
<b>Partial performance</b>									
Australia				-	-	-	120	(11)	109
New Zealand				4	(1)	3	5	(2)	3
Other Overseas				-	-	-	1	-	1
				4	(1)	3	126	(13)	113
<b>Full performance</b>									
Australia				106	(47)	59	29	(14)	15
New Zealand				22	(4)	18	25	(5)	20
Other Overseas				-	-	-	-	-	-
				128	(51)	77	54	(19)	35
<b>Non-accrual loans without provisions and:</b>									
<b>No performance</b>									
Australia				56	-	56	36	-	36
New Zealand				4	-	4	5	-	5
Other Overseas				12	-	12	16	-	16
				72	-	72	57	-	57
<b>Partial performance</b>									
Australia				-	-	-	-	-	-
New Zealand				8	-	8	9	-	9
Other Overseas				-	-	-	-	-	-
				8	-	8	9	-	9
<b>Full performance</b>									
Australia				1	-	1	1	-	1
New Zealand				4	-	4	4	-	4
Other Overseas				-	-	-	6	-	6
				5	-	5	11	-	11
<b>Total non-accrual loans</b>									
				519	(257)	262	510	(194)	316

**Note 16. Movement in Gross Impaired Assets**

\$m	30 Sept 2005	31 March 2005	30 Sept 2004	% Mov't	
				Mar 05- Sept 05	Sept 04- Sept 05
Balance at beginning of period		681	589		
New and increased		322	267		
Written off		(26)	(39)		
Returned to performing or repaid		(288)	(137)		
Exchange rate and other adjustments		(18)	1		
Balance at period end		671	681		

**Note 17. Items Past 90 Days but well Secured**

As at \$m	30 Sept 2005	31 March 2005	30 Sept 2004	% Mov't	
				Mar 05- Sept 05	Sept 04- Sept 05
Australia					
Housing products		82	68		
Other products		162	145		
Total Australia		244	213		
New Zealand					
Housing products		31	20		
Other products		3	9		
Other Overseas		14	30		
Total Overseas		48	59		
<b>Total</b>		292	272		

**Note 18. Income on Non-Accrual and Restructured Assets**

\$m	Half Year Sept 05	Half Year March 05	Full Year Sept 05	Full Year Sept 04
Interest received on non-accrual and restructured assets		4		13
Estimated interest forgone on non-accrual and restructured assets		11		26
Interest yield on average non-accrual and restructured assets (annualised)		2.3%		2.2%

**Note 19. Impaired Assets and Provisioning Ratios**

As at %	30 Sept 2005	31 March 2005	30 Sept 2004
Total impaired assets to gross loans and acceptances		0.3	0.4
Net impaired assets to equity and general provisions		2.2	2.5
Specific provisions to total impaired assets		42.5	34.8
General provisions to non-housing loans and acceptances <sup>1</sup>		1.5	1.6
Total provisions to gross loans and acceptances		0.9	0.9
Total impaired assets to equity and total provisions		3.7	3.8

**Note 20. Delinquencies (90 Days Past Due Loans)**

	30 Sept 2005	31 March 2005	30 Sept 2004	% Mov't	
				Mar 05- Sept 05	Sept 04- Sept 05
Mortgages		0.21%	0.16%		
Other Personal Lending		1.03%	0.96%		
Total Personal Lending		0.27%	0.22%		
Australian Business Banking Portfolio <sup>2</sup>		0.73%	0.75%		

<sup>1</sup> Non-housing loans have been determined on a product basis rather than on a loan purpose basis.

<sup>2</sup> Three month moving average.

**Note 21. Charge for Bad and Doubtful Debts**

\$m	Half Year Sept 05	% Mov't		Full Year Sept 05	% Mov't	
		Half Year March 05	Mar 05- Sept 05		Full Year Sept 04	Sept 04- Sept 05
<b>General provision:</b>						
<b>Recoveries of debts previously written off</b>						
Business and Consumer Banking		(29)			(54)	
Westpac Institutional Bank		-			(4)	
New Zealand Banking and Pacific Banking		(9)			(15)	
		(38)			(73)	
<b>Write-offs</b>						
Business and Consumer Banking		128			236	
Westpac Institutional Bank		5			3	
New Zealand Banking and Pacific Banking		16			35	
		149			274	
Dynamic provisioning charge		14			82	
Transfer to specific provisions		78			131	
<b>Charge for bad and doubtful debts</b>		<b>203</b>			<b>414</b>	
<b>Specific provisions:</b>						
<b>New provisions</b>						
Business and Consumer Banking		23			82	
Westpac Institutional Bank		96			79	
New Zealand Banking and Pacific Banking		5			13	
		124			174	
<b>No longer required</b>						
Business and Consumer Banking		(9)			(14)	
Westpac Institutional Bank		(32)			(18)	
New Zealand Banking and Pacific Banking		(5)			(11)	
		(46)			(43)	
<b>Transfer from general provisions</b>		<b>78</b>			<b>131</b>	
Bad and doubtful debts charge to average loans and acceptances annualised (basis points)		21			23	

**Note 22. Deposits**

As at \$m	30 Sept 2005	31 March 2005	30 Sept 2004	% Mov't Mar 05- Sept 05	% Mov't Sept 04- Sept 05
<b>Deposits</b>					
<b>Australia</b>					
Non-interest bearing		3,584	3,632		
Certificates of deposit		24,480	28,747		
Other interest bearing:					
At call		58,005	53,932		
Term		23,827	24,209		
<b>Total deposits in Australia</b>		<b>109,896</b>	<b>110,520</b>		
<b>New Zealand</b>					
Non-interest bearing		1,930	1,795		
Certificates of deposit		3,077	3,099		
Other interest bearing:					
At call		7,903	7,697		
Term		11,661	11,106		
<b>Total deposits in New Zealand</b>		<b>24,571</b>	<b>23,697</b>		
<b>Other Overseas</b>					
Non-interest bearing		323	306		
Certificates of deposit		1,923	2,372		
Other interest bearing:					
At call		652	619		
Term		8,449	9,019		
<b>Total deposits Other Overseas</b>		<b>11,347</b>	<b>12,316</b>		
<b>Total deposits</b>		<b>145,814</b>	<b>146,533</b>		

**Note 23. Capital Adequacy**

As at \$m	30 Sept 2005	31 March 2005	30 Sept 2004
<b>Tier 1 capital</b>			
Total equity		16,253	16,317
Outside equity interests in managed investment schemes		(706)	(1,408)
Hybrid capital in excess of Tier 1 limit		-	(95)
Dividends provided for capital adequacy purposes		(909)	(805)
Goodwill (excluding funds management entities)		(1,198)	(1,259)
Net future income tax benefit		(291)	(280)
Estimated reinvestment under dividend reinvestment plan <sup>1</sup>		163	145
Retained earnings, reserves and goodwill in life and general insurance, funds management and securitisation entities		(1,509)	(1,405)
Equity in captive lenders mortgage insurance entities		(69)	(62)
Capitalised expenditure <sup>2</sup>		(287)	(269)
<b>Total Tier 1 capital</b>		<b>11,447</b>	<b>10,879</b>
<b>Tier 2 capital</b>			
Hybrid capital in excess of Tier 1 limit		-	95
Subordinated undated capital notes		505	546
General provision for bad and doubtful debts		1,459	1,487
Future income tax benefit related to general provision		(445)	(447)
Eligible subordinated bonds, notes and debentures		4,027	3,865
<b>Total Tier 2 capital</b>		<b>5,546</b>	<b>5,546</b>
<b>Tier 1 and Tier 2 capital</b>		<b>16,993</b>	<b>16,425</b>
Deductions			
Capital in life and general insurance, funds management and securitisation activities		(860)	(829)
Capital in controlled commercial operations <sup>3</sup>		-	(297)
<b>Net qualifying capital</b>		<b>16,133</b>	<b>15,299</b>
<b>Risk weighted assets</b>		<b>162,038</b>	<b>158,489</b>
Tier 1 capital ratio		7.1%	6.9%
Tier 2 capital ratio		3.4%	3.5%
Deductions		(0.5)%	(0.7)%
<b>Total capital ratio</b>		<b>10.0%</b>	<b>9.7%</b>
<b>Adjusted common equity<sup>4</sup></b>			
Total Tier 1 capital		11,447	10,879
Less: Hybrid capital (net of excess of 25% of Tier 1 capital)		(2,472)	(2,377)
Less: Other deductions in relation to non-consolidated subsidiaries <sup>5</sup>		(860)	(1,126)
Add: Capitalised expenditure		287	269
<b>Adjusted common equity</b>		<b>8,402</b>	<b>7,645</b>
<b>Risk weighted assets</b>		<b>162,038</b>	<b>158,489</b>
<b>Adjusted common equity to risk weighted assets</b>		<b>5.2%</b>	<b>4.8%</b>

<sup>1</sup> This amount is derived from reinvestment experience of our dividend reinvestment plan.

<sup>2</sup> Capitalised expenses are deducted in accordance with APRA guidelines that designate certain capitalised expenses as intangible assets from 1 July 2004.

<sup>3</sup> Represented our interest in Epic which was acquired in June 2004 and sold in December 2004.

<sup>4</sup> Westpac does not currently deduct capitalised expenses from its ACE capital as this newly introduced Tier 1 capital deduction does not impact the substance of its capital strength. The alternative would be to apply the deduction while at the same time reducing our target ACE range by the equivalent amount. Given the uncertain impact from both Basel II and IFRS on the determination of capital ratios, Westpac has elected to leave both the calculation of ACE and the target range unchanged until we have a more complete understanding of all the changes likely to impact capital over the next few years.

<sup>5</sup> Capital relating to non-banking subsidiaries.



**Note 24. Derivative Financial Instruments**

As at 30 September 2005	Notional amount <sup>1</sup>	Regulatory credit equivalent <sup>2</sup>	Positive mark-to-market (replacement cost) <sup>3</sup>	Negative mark-to-market <sup>4</sup>
\$ bn				
<b>Derivatives outstanding</b>				
<b>Interest rate</b>				
Futures				
Forwards				
Swaps				
Purchased options				
Sold options				
<b>Foreign exchange</b>				
Forwards				
Swaps				
Purchased options				
Sold options				
<b>Commodities</b>				
<b>Equities and credit</b>				
<b>Total derivatives</b>				
<b>Total derivatives include the following derivatives used for hedging</b>				
<b>Interest Rate</b>				
Futures				
Swaps				
Purchased options				
Sold options				
<b>Foreign exchange</b>				
Forwards				
Swaps				
<b>Total hedging derivatives outstanding</b>				
<b>Total gross derivatives</b>				
<b>Less: netting benefit</b>				
<b>Net derivatives</b>				
As at 30 September 2004	949.1	118	3.3	4.2
As at 31 March 2005	1,165.5	14.2	4.1	4.5

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

As at 30 September 2005	Less than 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total
<b>Interest rate</b>							
Swaps							
<b>Foreign exchange</b>							
Forwards							
Swaps							
Purchased options							
Commodities							
Equities and credit							
<b>Total derivatives</b>							

<sup>1</sup> Notional amount refers to the face value or the amount upon which cash flows are calculated.

<sup>2</sup> Regulatory credit equivalent using Australian Prudential Regulation Authority guidelines for capital adequacy requirements.

<sup>3</sup> Positive mark-to-market or replacement cost is the cost payable of replacing all transactions in a gain position. This measure is the industry standard for the calculation of current credit risk.

<sup>4</sup> Negative mark-to-market represents the cost payable to our counterparties of replacing all transactions in a loss position.

**Note 24. Derivative Financial Instruments (Continued)**

**Daily Value at Risk**

We use value at risk as the primary method for measuring and monitoring market risk exposure against Board approved limits. Value at risk is an estimate of the worst case loss in value of trading positions, to a 99% confidence level, assuming positions were held unchanged for one day. The main types of market risk arising from our trading activities are interest rate and foreign exchange risks. Other market risks include liquidity, commodity, equity, prepayment, specific issuer and capital markets underwriting risks. The table below depicts the aggregate financial markets (including capital markets underwriting) value at risk for the last three half years.

<b>\$m</b>	<b>High</b>	<b>Low</b>	<b>Average</b>
Six months ended 30 September 2005			
Six months ended 31 March 2005	13.2	3.8	7.0
Six months ended 30 September 2004	9.1	2.8	5.5

<b>\$m</b>	<b>Average for the Half year ended 30 Sept 2005</b>	<b>Average for the Half year ended 31 March 2005</b>	<b>Average for the Half year ended 30 Sept 2004</b>
Interest rate risk		3.5	3.2
Foreign exchange risk		1.1	1.1
Volatility risk		0.5	0.6
Other market risks <sup>1</sup>		4.1	2.4
Diversification benefit		(2.2)	(1.8)
<b>Net market risk</b>		<b>7.0</b>	<b>5.5</b>

<sup>1</sup> Commodity, equity, prepayment, specific issuer and capital markets underwriting.

**Note 25. Statement of Cash Flows**

\$m	Half Year Sept 05	% Mov't		Full Year Sept 05	% Mov't	
		Half Year March 05	Mar 05- Sept 05		Full Year Sept 04	Sept 04- Sept 05
<b>Reconciliation of net cash provided by operating activities to net profit attributable to equity holders of WBC</b>						
Net profit attributable to equity holders of WBC		1,325			2,539	
Adjustments:						
Outside equity interests		18			40	
Depreciation and goodwill amortisation		226			427	
Increase in sundry provisions and other non-cash items		2,974			3,153	
Bad and doubtful debts		165			341	
Increase in other financial market assets and liabilities		(1,110)			(767)	
(Increase)/decrease in trading securities		(695)			(135)	
(Increase)/decrease in accrued interest receivable		(138)			(95)	
Increase in accrued interest payable		120			255	
Increase/(decrease) in provision for income tax		78			(309)	
Increase/(decrease) in deferred tax liabilities		181			(136)	
(Increase)/decrease in deferred tax assets		(189)			181	
<b>Net cash provided by operating activities</b>		<b>2,955</b>			<b>5,494</b>	
<b>Details of assets and liabilities of controlled entities and businesses acquired follow:</b>						
Fixed assets		-			645	
Other assets		-			15	
Other liabilities		-			(108)	
Provisions		-			(5)	
Fair value of entities and businesses acquired		-			547	
Cash paid and acquisition costs		-			(576)	
Cash acquired		-			29	
<b>Cash consideration (net of cash acquired)</b>		<b>-</b>			<b>(547)</b>	
<b>Details of assets and liabilities of controlled entities and businesses deconsolidated follow:</b>						
Cash at bank		54			-	
Other investments		-			158	
Fixed assets		641			-	
Other assets		19			47	
Provisions and other liabilities		(129)			-	
Borrowings		(21)			-	
Outside equity interests		-			(46)	
Net assets of entities and businesses disposed		564			159	
Gain on disposal		10			6	
<b>Cash consideration (net of sale costs)</b>		<b>574</b>			<b>165</b>	
Less: Cash deconsolidated		(54)			-	
<b>Cash consideration (net of sale costs and cash held)</b>		<b>520</b>			<b>165</b>	

**Note 26. Group Investments and Changes in Controlled Entities**

Country where Business is Carried on	Beneficial Interest %	Carrying Amount \$m	Nature of Business

**Note 27. Reconciliation to US GAAP**

*Please see note on page 62.*

*1. Note to come here.*

**Note 28. Contingent Liabilities**

[ ]

**Note 29. Events Subsequent to Balance Date**

[ ]

## 5.6 STATEMENT IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

This report based on financial statements that have been audited. The audit report, which was unqualified, will be made available with Westpac's Annual Financial Report.

Dated at Sydney this 3<sup>rd</sup> day of November 2005 for and on behalf of the Board.

Richard Willcock  
Group Secretary and General Counsel



6.1 CREDIT RATINGS<sup>1</sup> AND EXCHANGE RATES

Rating agency	Long term	Short term
Fitch Ratings		
Moody's Investor Services		
Standard & Poor's		

Twelve months to/as at Currency	30 Sept 2005		30 Sept 2004	
	Average	Spot	Average	Spot
USD	0.7656	0.7616	0.7261	0.7147
GBP	0.4141	0.4326	0.4053	0.3971
NZD	1.0846	1.0998	1.1257	1.0685

Six months to/as at Currency	30 Sept 2005		31 March 2005		30 Sept 2004	
	Average	Spot	Average	Spot	Average	Spot
USD	0.7642	0.7616	0.7670	0.7726	0.7123	0.7147
GBP	0.4198	0.4326	0.4084	0.4115	0.3926	0.3971
NZD	1.0861	1.0998	1.0831	1.0873	1.1111	1.0685

<sup>1</sup> As at September 2005. Unchanged during the reporting period.

## 6.2 DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements appear in a number of places in this Report and include statements regarding our intent, belief or current expectations with respect to our results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. We use words such as 'may', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', or other similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Report as anticipated, believed, estimated, expected or intended.

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

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

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made by us in this report refer to the section on 'Risk factors' in our 2005 Annual Financial Report. Our forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. When relying on forward-looking statements to make decisions with respect to Westpac, investors and others should carefully consider the foregoing factors and other uncertainties and events.

We are under no obligation, and do not intend, to update any forward-looking statements contained in this Report, whether as a result of new information, future events or otherwise after the date of this Report.

### 6.3 SHAREHOLDER CALENDAR

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

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

Ex-dividend date	
Record date for final dividend (Sydney) <sup>1</sup>	5.00pm (Sydney time)
Record date for final dividend (New York) <sup>2</sup>	5.00pm (New York time)
Dividend payment date	

#### Share Registries

Australia  
Ordinary shares on the main register  
Link Market Services Limited  
Level 8, 580 George Street  
Sydney NSW 2000 Australia

New Zealand  
Ordinary shares on the New Zealand branch register  
Link Market Services Limited  
Level 12, 120 Albert Street  
Auckland 1030 New Zealand

New York  
Depository in USA for American Depository Shares  
JP Morgan Chase Bank, NA  
4 New York Plaza  
13th Floor  
New York NY 10004 USA

Tokyo  
Paying and share handling agent in Japan for shares  
listed on the Tokyo Stock Exchange  
Mitsubishi UFJ Trust & Banking Corporation  
1-7-7, Nishi-Ikebukuro  
Toshima-ku  
Tokyo 171-8508 Japan

#### For further information contact:

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##### **Analysts and Investors:**

Andrew Bowden, Head of Investor Relations, +61 (0) 2 9226 4008

Richard Willcock  
Group Secretary and General Counsel

3 November 2005

<sup>1</sup> New Zealand residents holding Westpac ordinary shares should note Australian dates.

<sup>2</sup> Dividends will be converted to local currency at the rate ruling on the date of payment of dividend.

Westpac's total wealth management business comprises our Australian wealth management business, BTFC (Australia) (details included in section 4.4) and our New Zealand wealth management business (details included in section 4.3). This combined view has been provided to help understand the contribution of our wealth management business to the overall Group result and does not reflect the way in which we manage our wealth operations.

The following results are presented on a management reporting basis. Internal charges and transfer pricing adjustments are included in the performance of each business area reflecting the management of our business, rather than its legal structure. Consequently, these results cannot be compared directly to public disclosure of the performance of individual legal entities.

### 7.1 TOTAL FUNDS MANAGEMENT AND LIFE INSURANCE BUSINESS

The performance of our wealth management business is summarised below by its three main segments: Funds Management, Life Insurance and Other, and on a geographical basis where significant.

	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
<b>Profit on Operations \$m</b>						
Funds Management		83			136	
Life Insurance						
<i>Australia</i>		27			47	
<i>New Zealand</i>		9			19	
		36			66	
Total Funds Management and Life Insurance		119			202	
Other <sup>1</sup>		(21)			(52)	
<b>Total profit on operations</b>		98			150	

The following table shows the consolidated results for our Australian and New Zealand Funds Management, Life Insurance and Other businesses.

	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
<b>\$m</b>						
Net interest income		17			31	
Non-interest income		353			633	
Operating income		370			664	
Operating expenses		(201)			(397)	
Core earnings		169			267	
Bad debts		-			-	
Operating profit before tax		169			267	
Tax and outside equity interests		(38)			(52)	
<b>Cash earnings</b>		131			215	
Goodwill amortisation		(33)			(65)	
<b>Profit on operations</b>		98			150	
Economic profit		33			(3)	
Expense to income ratio		54.3%			59.8%	

<sup>1</sup> Other business includes earnings on capital and other investments and amortisation of goodwill on acquired businesses.

Operating income can be reconciled to the net life insurance and funds management income as disclosed in section 5.5 Note 6, Non-Interest Income, and Note 7, Non-Interest Income Analysis, as follows:

\$m	Half Year	Half Year	% Mov't	Full Year	Full Year	% Mov't
	Sept 05	March 05	Mar 05- Sept 05	Sept 05	Sept 04	Sept 04- Sept 05
<b>Operating income (from previous page)</b>			370			664
Net interest income			(17)			(31)
Commission expense			12			23
Policy holders tax recoveries			29			33
Transfer pricing - cost of distribution			22			70
Intercompany consolidation eliminations			55			112
New Zealand commission expense			(1)			(2)
<b>Total non-interest wealth management income</b>			<b>470</b>			<b>869</b>

## 7.2 FUNDS MANAGEMENT BUSINESS

Funds management includes product management, product administration, product and platform intermediary distribution, investment management, margin lending and discount broking. This section covers the Australian (detailed included in section 4.4) and New Zealand (details included in section 4.3) businesses.

\$m	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
Net interest income		27			42	
Non-interest income		319			610	
Gross operating income		346			652	
Commission expense		(60)			(134)	
Operating income		286			518	
Operating expenses		(177)			(349)	
Operating profit before tax		109			169	
Tax and outside equity interests		(24)			(30)	
<b>Cash earnings</b>		85			139	
Goodwill amortisation		(2)			(3)	
<b>Profit on operations</b>		83			136	
Expense to income ratio		61.9%			67.4%	

### Movement of funds under management (FUM)

Retail FUM in the table below includes all general investment products, Personal Portfolio Services (now closed to new business), Business Superannuation and Mezzanine funds. It excludes the Westpac Guaranteed Income Plan. Personal Portfolio Services has been replaced by the platform product Portfolio Wrap which is included in funds under administration (FUA) in the table below.

\$bn	FUM Sept 2004	Sales	Redns	Net Flows	Other mov't <sup>3</sup>	FUM Sept 2005	FUM March 2005	% Mov't Mar 05- Sept 05	% Mov't Sept 04- Sept 05
Retail	24.2						24.4		
Institutional	11.2						11.4		
Australia	35.4						35.8		
New Zealand <sup>1</sup>	2.3						2.1		
FUM	37.7						37.9		
FUM and FUA <sup>2</sup>	62.6						68.7		

<sup>1</sup> Westpac New Zealand and BT New Zealand.

<sup>2</sup> Includes Wrap and Governance Advisory Services. Previously Corporate Superannuation was included in Retail Funds Under Management (30 September 2004 \$3.5 billion and 31 March 2005 \$3.9 billion). Comparatives have been restated for the change.

<sup>3</sup> Other movement<sup>3</sup> primarily reflects the impact of market movements on underlying FUM and FUA.

### 7.3 LIFE INSURANCE BUSINESS (EXCLUDES GENERAL INSURANCE)

The Life Insurance business result has been determined on a Margin on Service basis. This section covers the Australian business (details included at section 4.4) and New Zealand business (earnings included in the New Zealand segment at section 4.3).

\$m	Half Year Sept 05	Half Year March 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
Net interest income		-			-	
Non-interest Income		95			194	
Gross operating income		95			194	
Commission expense		(25)			(59)	
Operating Income		70			135	
Operating expenses		(24)			(48)	
Operating profit before tax		46			87	
Tax and outside equity interests		(10)			(21)	
<b>Cash earnings</b>		36			66	
Goodwill amortisation		-			-	
<b>Profit on operations</b>		36			66	
Expense to income ratio		34.3%			35.6%	

#### Movement in in-force premium for risk business

\$m	In-force Sept 2004	Sales	Lapses	Net Inflows	Other mov't <sup>1</sup>	In-force Sept 2005	In-force March 2005	% Mov't Mar 05- Sept 05	% Mov't Sept 04- Sept 05
Australia	225.5						232.0		
New Zealand	40.3						42.0		
Total in-force premiums	265.8						274.0		

<sup>1</sup> Includes movement in in-force premiums due to CPI increases and customer re-rating.

#### 7.4 OTHER BUSINESS

Other includes earnings on capital and other instruments and amortisation of goodwill on acquired businesses.

<b>\$m</b>	<b>Half Year Sept 05</b>	<b>Half Year March 05</b>	<b>% Mov't Mar 05- Sept 05</b>	<b>Full Year Sept 05</b>	<b>Full Year Sept 04</b>	<b>% Mov't Sept 04- Sept 05</b>
Net interest income		(10)			(11)	
Non-interest Income		24			22	
Gross operating income		14			11	
Commission expense		-			-	
Operating income		14			11	
Operating expenses		-			-	
Operating profit before tax		14			11	
Tax and outside equity interests		(4)			(1)	
<b>Cash earnings</b>		10			10	
Goodwill amortisation		(31)			(62)	
<b>Profit on operations</b>		(21)			(52)	



**7.5 EMBEDDED VALUE AND VALUE OF NEW BUSINESS**

[ ]

## 8. SEGMENT RESULT

Year End Profit Announcement 2005

### 8.1 FULL YEAR SEGMENT RESULT

12 months to 30 September 2005	Business and Consumer Banking	New Zealand <sup>1</sup>	BT Financial Group (Australia)	Westpac Institutional Bank	Pacific Banking	Group Business Unit <sup>2</sup>	Group
<b>\$m</b>							
Net interest income							
Non-interest income							
Net operating income							
Operating expenses							
Goodwill amortisation							
Bad debts							
Profit from ordinary activities before income tax expense							
Tax expense							
Net profit							
Net profit attributable to outside equity interests							
<b>Net profit attributable to equity holders of WBC</b>							
Goodwill amortisation							
Distributions on other equity instruments							
TPS 2004 revaluation							
<b>Cash earnings</b>							
<b>Cash earnings (cents) per ordinary share</b>							

<sup>1</sup> New Zealand earnings are presented in Australian dollars (A\$), converted at the average A\$/NZ\$ hedge exchange rate for the year (1.1424). This rate is not the same as the average rate which prevailed for the period (1.0846).

<sup>2</sup> "Group Business Unit" includes the following amounts associated with the requirements of AASB 1038 Life Insurance business (AASB 1038) and the consolidation of certain Managed Investment Schemes (MIS) by Westpac Life Insurance Services Limited and BT Life Limited:

- i) Non-interest income \$182 million credit (\$94 million MIS and \$88 million AASB 1038)
- ii) Operating expenses \$4 million debit (MIS)
- iii) Tax expense \$88 million debit (AASB 1038)
- iv) Net profit attributable to outside equity interests \$90 million debit (MIS)

## 8. SEGMENT RESULT

Year End Profit Announcement 2005

### 8.1 FULL YEAR SEGMENT RESULT (CONTINUED)

12 months to 30 September 2004	Business and Consumer Banking	New Zealand <sup>1</sup>	BT Financial Group (Australia)	Westpac Institutional Bank	Pacific Banking	Group Business Unit <sup>2</sup>	Group
<b>\$m</b>							
Net interest income	3,415	804	25	461	72	(22)	4,755
Non-interest income	1,290	415	589	803	67	91	3,255
Net operating income	4,705	1,219	614	1,264	139	69	8,010
Operating expenses	(2,465)	(588)	(377)	(562)	(51)	103	(3,940)
Goodwill amortisation	(58)	(43)	(61)	(2)	-	-	(164)
Bad debts	(340)	(37)	-	5	(2)	(40)	(414)
Profit from ordinary activities before income tax expense	1,842	551	176	705	86	132	3,492
Tax expense	(563)	(185)	(50)	(211)	(26)	122	(913)
Net profit	1,279	366	126	494	60	254	2,579
Net profit attributable to outside equity interests	-	(3)	-	(3)	(4)	(30)	(40)
<b>Net profit attributable to equity holders of WBC</b>	<b>1,279</b>	<b>363</b>	<b>126</b>	<b>491</b>	<b>56</b>	<b>224</b>	<b>2,539</b>
Goodwill amortisation	58	43	61	2	-	-	164
Distributions on other equity instruments	-	-	-	-	-	(154)	(154)
TPS 2004 revaluation	-	-	-	-	-	10	10
<b>Cash earnings</b>	<b>1,337</b>	<b>406</b>	<b>187</b>	<b>493</b>	<b>56</b>	<b>80</b>	<b>2,559</b>
<b>Cash earnings (cents) per ordinary share</b>							<b>138.6</b>

<sup>1</sup> New Zealand earnings are presented in Australian dollars (A\$), converted at the average A\$/NZ\$ hedge exchange rate for the year (1.1115). This rate is not the same as the average rate which prevailed for the period (1.1257).

<sup>2</sup> "Group Business Unit" includes the following amounts associated with the requirements of AASB 1038 Life Insurance business (AASB 1038) and the consolidation of certain Managed Investment Schemes (MIS) by Westpac Life Insurance Services Limited and BT Life Limited:

v) Non-interest income \$66 million credit (\$33 million MIS and \$33 million AASB 1038)

vi) Operating expenses \$3 million debit (MIS)

vii) Tax expense \$33 million debit (AASB 1038)

viii) Net profit attributable to outside equity interests \$30 million debit (MIS)

**8.2 HALF YEAR SEGMENT RESULT**

6 months to 30 September 2005	Business and Consumer Banking	New Zealand <sup>1</sup>	BT Financial Group (Australia)	Westpac Institutional Bank	Pacific Banking	Group Business Unit <sup>2</sup>	Group
<b>\$m</b>							
Net interest income							
Non-interest income							
Net operating income							
Operating expenses							
Goodwill amortisation							
Bad and doubtful debts							
Profit from ordinary activities before income tax expense							
Income tax expense							
Net profit							
Net profit attributable to outside equity interests							
<b>Net profit attributable to equity holders of WBC</b>							
Goodwill amortisation							
Distributions on other equity instruments							
TPS 2004 revaluation							
<b>Cash earnings</b>							
<b>Cash earnings (cents) per ordinary share</b>							

1. New Zealand earnings are presented in Australian dollars (A\$), converted at the average A\$/NZ\$ hedge exchange rate for the half (1.1424). This rate is not the same as the average rate which prevailed for the period (1.0861).
2. "Group Business Unit" includes the following amounts associated with the requirements of AASB 1038 Life Insurance business (AASB 1038) and the consolidation of certain Managed Investment Schemes (MIS) by Westpac Life Insurance Services Limited and BT Life Limited:
  - i) Non-interest income \$137 million credit (\$78 million MIS and \$59 million AASB 1038)
  - ii) Operating expenses \$2 million debit (MIS)
  - iii) Tax expense \$59 million debit (AASB 1038)
  - iv) Net profit attributable to outside equity interests \$76 million debit (MIS)

**8.2 HALF YEAR SEGMENT RESULT (CONTINUED)**

6 months to 31 March 2005	Business and Consumer Banking	New Zealand <sup>1</sup>	BT Financial Group (Australia)	Westpac Institutional Bank	Pacific Banking	Group Business Unit <sup>2</sup>	Group
<b>\$m</b>							
Net interest income	1,831	405	18	264	33	(6)	2,545
Non-interest income	661	205	336	433	36	(12)	1,659
Net operating income	2,492	610	354	697	69	(18)	4,204
Operating expenses	(1,260)	(291)	(192)	(293)	(27)	29	(2,034)
Goodwill amortisation	(29)	(21)	(31)	(1)	-	(1)	(83)
Bad and doubtful debts	(150)	(17)	-	(31)	(1)	(4)	(203)
Profit from ordinary activities before income tax expense	1,053	281	131	372	41	6	1,884
Income tax expense	(325)	(97)	(38)	(108)	(11)	38	(541)
Net profit	728	184	93	264	30	44	1,343
Net profit attributable to outside equity interests	-	(2)	-	(1)	(2)	(13)	(18)
<b>Net profit attributable to equity holders of WBC</b>	<b>728</b>	<b>182</b>	<b>93</b>	<b>263</b>	<b>28</b>	<b>31</b>	<b>1,325</b>
Goodwill amortisation	29	21	31	1	-	1	83
Distributions on other equity instruments	-	-	-	-	-	(68)	(68)
TPS 2004 revaluation	-	-	-	-	-	40	40
<b>Cash earnings</b>	<b>757</b>	<b>203</b>	<b>124</b>	<b>264</b>	<b>28</b>	<b>4</b>	<b>1,380</b>
<b>Cash earnings (cents) per ordinary share</b>							<b>74.9</b>

3. New Zealand earnings are presented in Australian dollars (A\$), converted at the average A\$/NZ\$ hedge exchange rate for the half (1.1424). This rate is not the same as the average rate which prevailed for the period (1.0831).
4. "Group Business Unit" includes the following amounts associated with the requirements of AASB 1038 Life Insurance business (AASB 1038) and the consolidation of certain Managed Investment Schemes (MIS) by Westpac Life Insurance Services Limited and BT Life Limited:
- Non-interest income \$45 million credit (\$16 million MIS and \$29 million AASB 1038)
  - Operating expenses \$2 million debit (MIS)
  - Tax expense \$29 million debit (AASB 1038)
  - Net profit attributable to outside equity interests \$14 million debit (MIS)

### 8.3 NEW ZEALAND BUSINESS UNIT PERFORMANCE (A\$ EQUIVALENTS TO 4.3)

New Zealand operations provide banking and wealth management products and services to New Zealand consumer and business customers. The New Zealand wealth business includes; New Zealand Life Company and BTFG New Zealand. The results do not include the earnings of our New Zealand Institutional Bank. All figures are in Australian dollars (A\$), converted at the average A\$/NZ\$ hedge exchange rate for the year (1.1424 for 2005 and 1.1115 for 2004). This rate is not the same as the average rate which is provided for the period (1.0846 for the twelve months to September 2005, 1.1257 for the twelve months to September 2004).

A\$m	Half Year Sept 05	Half Year Mar 05	% Mov't Mar 05- Sept 05	Full Year Sept 05	Full Year Sept 04	% Mov't Sept 04- Sept 05
Net interest income		405			804	
Non-interest income		205			415	
Operating income		610			1,219	
Operating expenses		(291)			(588)	
Core earnings		319			631	
Bad and doubtful debts		(17)			(37)	
Operating profit before tax		302			594	
Tax and outside equity interests		(99)			(188)	
<b>Cash earnings</b>		203			406	
Goodwill amortisation		(21)			(43)	
<b>Profit on operations</b>		182			363	
Economic profit		97			210	
Expense to income ratio		47.6%			48.2%	
	<b>\$bn</b>	<b>\$bn</b>		<b>\$bn</b>	<b>\$bn</b>	
Deposits		17.7			17.4	
Net loans		27.7			26.4	
Total assets		28.8			27.9	
Funds under management		2.1			2.3	

9.1 FULL YEAR EARNINGS RECONCILIATION

12 months to 30 September 2005

\$m	Reported Results	Epic <sup>1</sup>	Policyholder Tax Recoveries	Managed Investment Schemes	TPS 2004 Revaluation	Adjusted Results
Net interest income <sup>2</sup>		-	-	-	-	
Non-interest income		(11)	(88)	(94)	25	
Net operating income		(11)	(88)	(94)	25	
Operating expenses		8	-	4	-	
Goodwill amortisation		-	-	-	-	
Underlying performance		(3)	(88)	(90)	25	
Bad debts		-	-	-	-	
Profit from ordinary activities before income tax		(3)	(88)	(90)	25	
Tax expense		-	88	-	-	
Net profit		(3)	-	(90)	25	
Net profit attributable to outside equity interests		-	-	90	-	
<b>Net profit attributable to equity holders of WBC</b>		(3)	-	-	25	
Goodwill amortisation		-	-	-	-	
Distribution on other equity interests		-	-	-	-	
TPS 2004 revaluation		-	-	-	(25)	
<b>Cash earnings</b>		(3)	-	-	-	
<b>Expense to income ratio (%)</b>						

<sup>1</sup> Represents the reversal of the financial performance of Epic for the period 1 October 2004 to 14 December 2004.

<sup>2</sup> Does not include the adjustment for hybrid capital benefit (refer section 3.2).

**9.1 FULL YEAR EARNINGS RECONCILIATION (CONTINUED)**

12 months to 30 September 2004

\$m	Reported Results	Epic <sup>1</sup>	Policyholder Tax Recoveries	Managed Investment Schemes	TPS 2004 Revaluation	Adjusted Results
Net interest income <sup>2</sup>	4,755	-	-	-	-	4,755
Non-interest income	3,255	(27)	(33)	(33)	14	3,176
Net operating income	8,010	(27)	(33)	(33)	14	7,931
Operating expenses	(3,940)	22	-	3	-	(3,915)
Goodwill amortisation	(164)	-	-	-	-	(164)
Underlying performance	3,906	(5)	(33)	(30)	14	3,852
Bad debts	(414)	-	-	-	-	(414)
Profit from ordinary activities before income tax	3,492	(5)	(33)	(30)	14	3,438
Tax expense	(913)	-	33	-	(4)	(884)
Net profit	2,579	(5)	-	(30)	10	2,554
Net profit attributable to outside equity interests	(40)	-	-	30	-	(10)
<b>Net profit attributable to equity holders of WBC</b>	<b>2,539</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>2,544</b>
Goodwill amortisation	164	-	-	-	-	164
Distribution on other equity interests	(154)	-	-	-	-	(154)
TPS 2004 revaluation	10	-	-	-	(10)	-
<b>Cash earnings</b>	<b>2,559</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,554</b>
<b>Expense to income ratio (%)</b>	<b>49.2%</b>					<b>49.4%</b>

<sup>1</sup> Represents the reversal of the financial performance of Epic for the period 2 June 2004 to 30 September 2004].

<sup>2</sup> Does not include the adjustment for hybrid capital benefit (refer to section 3.2).



**9.2 HALF YEAR EARNINGS RECONCILIATION**

6 months to 30 September 2005

<b>\$m</b>	<b>Reported Results</b>	<b>Epic</b>	<b>Policyholder Tax Recoveries</b>	<b>Managed Investment Schemes</b>	<b>TPS 2004 Revaluation</b>	<b>Adjusted Results</b>
Net interest income <sup>1</sup>	-	-	-	-	-	-
Non-interest income	-	-	(59)	(78)	(15)	-
Net operating income	-	-	(59)	(78)	(15)	-
Operating expenses	-	-	-	2	-	-
Goodwill amortisation	-	-	-	-	-	-
Underlying performance	-	-	(59)	(76)	(15)	-
Bad debts	-	-	-	-	-	-
Profit from ordinary activities before income tax	-	-	(59)	(76)	(15)	-
Tax expense	-	-	59	-	-	-
Net profit	-	-	-	(76)	(15)	-
Net profit attributable to outside equity interests	-	-	-	76	-	-
<b>Net profit attributable to equity holders of WBC</b>	-	-	-	-	(15)	-
Goodwill amortisation	-	-	-	-	-	-
Distribution on other equity interests	-	-	-	-	-	-
TPS 2004 revaluation	-	-	-	-	15	-
<b>Cash earnings</b>	-	-	-	-	-	-
<b>Expense to income ratio (%)</b>	-	-	-	-	-	-

<sup>1</sup> Does not include the adjustment for hybrid capital benefit (refer to section 3.2.)

**9.2 HALF YEAR EARNINGS RECONCILIATION (CONTINUED)**

6 months to 31 March 2005

<b>\$m</b>	<b>Reported Results</b>	<b>Epic<sup>1</sup></b>	<b>Policyholder Tax Recoveries</b>	<b>Managed Investment Schemes</b>	<b>TPS 2004 Revaluation</b>	<b>Adjusted Results</b>
Net interest income <sup>2</sup>	2,545	-	-	-	-	2,545
Non-interest income	1,659	(11)	(29)	(16)	40	1,643
Net operating income	4,204	(11)	(29)	(16)	40	4,188
Operating expenses	(2,034)	8	-	2	-	(2,024)
Goodwill amortisation	(83)	-	-	-	-	(83)
Underlying performance	2,087	(3)	(29)	(14)	40	2,081
Bad debts	(203)	-	-	-	-	(203)
Profit from ordinary activities before income tax	1,884	(3)	(29)	(14)	40	1,878
Tax expense	(541)	-	29	-	-	(512)
Net profit	1,343	(3)	-	(14)	40	1,366
Net profit attributable to outside equity interests	(18)	-	-	14	-	(4)
<b>Net profit attributable to equity holders of WBC</b>	<b>1,325</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>1,362</b>
Goodwill amortisation	83	-	-	-	-	83
Distribution on other equity interests	(68)	-	-	-	-	(68)
TPS 2004 revaluation	40	-	-	-	(40)	-
<b>Cash earnings</b>	<b>1,380</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,377</b>
<b>Expense to income ratio (%)</b>	<b>48.4%</b>					<b>48.3%</b>

<sup>1</sup> Represents the reversal of the financial performance of Epic for the period 1 October 2004 to 14 December 2004.

<sup>2</sup> Does not include the adjustment for hybrid capital benefit (refer to section 3.2.)

Economic profit is defined as cash earning less a capital charge calculated at 11.6% of average adjusted ordinary equity plus the estimated value of franking credits paid to shareholders. Business unit economic profit is defined as cash earnings less a capital charge calculated at 12% of allocated capital plus 70% of the value of Australian tax paid. The measures of capital, the cost of capital and franking benefits differ between the Group and business units. As a result the sum of business units' economic profit will not equal the Group's economic profit.

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

**Reconciliation of economic profit to net profit attributable to equity holders for the twelve months ended 30 September 2005<sup>1</sup>**

\$m	Group	Business and Consumer Banking	Westpac Institutional Bank	New Zealand <sup>1</sup>	BT Financial Group (Australia)	Pacific Banking
<b>Net profit attributable to equity holders</b>						
Goodwill amortisation						
Distributions on hybrid securities						
TPS 2004 revaluation						
<b>Cash earnings</b>						
Franking benefit						
Adjusted cash earnings						
Average adjusted ordinary equity						
Equity charge						
<b>Economic profit</b>						

**Reconciliation of economic profit to net profit attributable to equity holders for the twelve months ended 30 September 2004**

\$m	Group	Business and Consumer Banking	Westpac Institutional Bank	New Zealand	BT Financial Group (Australia)	Pacific Banking
<b>Net profit attributable to equity holders</b>	2,539	1,279	491	363	126	56
Goodwill amortisation	164	58	2	43	61	-
Distributions on hybrid securities	(154)	-	-	-	-	-
TPS 2004 revaluation	10	-	-	-	-	-
<b>Cash earnings</b>	2,559	1,337	493	406	187	56
Franking benefit	477	394	91	16	36	-
Adjusted cash earnings	3,036	1,731	584	422	223	56
Average adjusted ordinary equity	12,340	5,665	2,417	1,761	2,009	99
Equity charge	(1,433)	(680)	(291)	(212)	(241)	(12)
<b>Economic profit</b>	<b>1,603</b>	<b>1,051</b>	<b>293</b>	<b>210</b>	<b>(18)</b>	<b>44</b>

<sup>1</sup> On 11 July 2005, NZ Class shares were converted to Westpac ordinary shares. As there is no final 2005 dividend payable in respect to NZ Class shares, the franking benefit previously distributed to NZ Class shareholders is nil for the six months ended 30 September 2005.

**Reconciliation of economic profit to net profit attributable to equity holders for the six months ended 30 September 2005**

\$m	Group	Business and Consumer Banking	Westpac Institutional Bank	New Zealand <sup>1</sup>	BT Financial Group (Australia)	Pacific Banking
<b>Net profit attributable to equity holders</b>						
Goodwill amortisation						
Distributions on hybrid securities						
TPS 2004 revaluation						
<b>Cash earnings</b>						
Franking benefit						
Adjusted cash earnings						
Average adjusted ordinary equity						
Equity charge						
<b>Economic profit</b>						

**Reconciliation of economic profit to net profit attributable to equity holders for the six months ended 31 March 2005**

\$m	Group	Business and Consumer Banking	Westpac Institutional Bank	New Zealand	BT Financial Group (Australia)	Pacific Banking
<b>Net profit attributable to equity holders</b>	1,325	728	263	182	93	28
Goodwill amortisation	83	29	1	21	31	-
Distributions on hybrid securities	(68)	-	-	-	-	-
TPS 2004 revaluation	40	-	-	-	-	-
<b>Cash earnings</b>	1,380	757	264	203	124	28
Franking benefit	272	228	56	9	27	-
Adjusted cash earnings	1,652	985	320	212	151	28
Average adjusted ordinary equity	12,999	6,393	2,587	1,925	2,002	93
Equity charge	(752)	(383)	(155)	(115)	(120)	(5)
<b>Economic profit</b>	<b>900</b>	<b>602</b>	<b>165</b>	<b>97</b>	<b>31</b>	<b>23</b>

## EARNINGS

<b>Cash earnings</b>	Net profit attributable to equity holders plus amortisation of goodwill minus distributions paid on hybrid equity. In addition, the revaluation impact of the hedge related to TPS 2004 is added back in the calculation of cash earnings.
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## SHAREHOLDER VALUE

<b>Earnings per ordinary share</b>	Net profit attributable to equity holders less distributions paid on hybrid equity divided by the weighted average ordinary shares.
<b>Cash earnings per ordinary share</b>	Cash earnings divided by the weighted average ordinary shares.
<b>Weighted average ordinary shares</b>	Weighted average number of fully paid ordinary shares listed on the ASX as at 30 September 2005.
<b>Fully franked dividends per ordinary share (cents)</b>	Dividends paid out of retained profits which carry a credit for Australian company income tax paid by Westpac.
<b>Dividend payout ratio - net profit</b>	Total fully franked ordinary dividend divided by net profit attributable to the equity holders of WBC.
<b>Dividend payout ratio - cash earnings</b>	Total fully franked ordinary dividend divided by cash earnings.
<b>Return on equity (ROE)</b>	Net profit attributable to equity holders less distributions paid on hybrids divided by the average adjusted ordinary equity.
<b>Cash ROE</b>	Cash earnings divided by the average adjusted ordinary equity.
<b>Economic profit</b>	Cash earning less a capital charge calculated at 11.6% of average adjusted ordinary equity plus the estimated value of franking credits paid to shareholders.
<b>Average ordinary equity</b>	Average total equity less average outside equity interests and average hybrid equity.
<b>Average adjusted ordinary equity</b>	Average ordinary equity plus average accumulated goodwill amortisation less the average estimated final dividend net of the estimated dividend reinvestment.

**PRODUCTIVITY AND EFFICIENCY**

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

**BUSINESS PERFORMANCE**

<b>Net interest spread</b>	The difference between the average yield on all interest bearing assets and the average rate paid on interest bearing liabilities net of impaired loans.
<b>Net interest margin</b>	The net interest spread plus the benefit of net non-interest bearing liabilities & equity.
<b>Average interest earning assets</b>	The average balance of assets held by the Group that generate interest income. Where possible, daily balances are used to calculate the average balance for the period.
<b>Average interest bearing liabilities</b>	The average balance of liabilities owed by the Group that incur an interest expense. Where possible, daily balances are used to calculate the average balance for the period.

**CAPITAL ADEQUACY**

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

<sup>1</sup> Australian banks are required to maintain a minimum ratio of capital to risk weighted assets of 8%. In determining risk weighted assets, assets (including off-balance sheet exposures) are weighted according to notional credit risk as specified by the local regulator. Classes of asset are assigned a risk weighting according to the amount of capital required to support that asset. An additional risk weighting is determined for market risk.

**ASSET QUALITY**

**Impaired assets**

Impaired assets, as defined by APRA can be classified into the following two categories:

Non-accrual assets: assets where income may no longer be accrued because reasonable doubt exists as to the collectability of principal and interest.

Restructured assets: assets where the original contractual terms have been formally modified to provide concessions of interest or principal for reasons related to the financial difficulties of the customer.

**90 days past due**

A loan facility where payments of interest or principal are 90 or more days past due and the value of the security is sufficient to cover the repayment of all principal and interest amounts due, and an additional six months interest.

**OTHER**

**Customer satisfaction**

Refers to the proportion of people for whom Westpac is their main financial institution who rate their overall relationship with Westpac as Very or Fairly Satisfied.

**Employee morale**

Refers to an index (between 0 and 10) rating employee satisfaction across Westpac. The closer the number is to ten, the greater the number of positive responses from surveyed participants.