



Westpac Banking Corporation

ABN 33007457141

PROFIT ANNOUNCEMENT FOR SIX MONTHS ENDED 31 MARCH 2001

	Six months to/as at			% Mov't	% Mov't
	31 March 2001	30 Sept 2000	31 March 2000	Sept 2000- Mar 2001	Mar 2000- Mar 2001
Operating profit after income tax attributable to equity holders (\$m)	924	897	818	3	13
Earnings per ordinary share (basic) ¹	49.9 ¢	46.7¢	42.1 ¢	7	19
Return on average ordinary equity	20.9%	19.3%	17.6%	1.6 <i>percentage points</i>	3.3 <i>percentage points</i>
Expense to income ratio excluding amortisation of intangibles	52.2%	53.5%	55.5%	(1.3) <i>percentage points</i>	(3.3) <i>percentage points</i>
Dividends per ordinary share	30¢	28 ¢	26 ¢	7	15
Economic profit ² (\$m)	584	565	493	3	18

¹ Basic earnings are calculated after charging payments made to holders of other equity instruments. NZ Class shares are treated as ordinary equity.

² Economic profit is defined on page 3.

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TABLE OF CONTENTS**Page**

1	Review of Group Results	3
1.1	Summary	3
1.2	Key Features	3
1.3	Progress on Strategic Initiatives	4
1.4	Outlook	5
1.5	Financial Summary.....	6
2	Profit and Loss	8
2.1	Profit and Loss Statements	8
2.2	Earnings per Share	9
2.3	Dividends	9
2.4	Interest Spread and Margin Analysis	10
2.5	Non-interest Income Analysis	14
2.6	Non-interest Expense Analysis	16
2.7	Income Tax.....	17
2.8	Australian Life Insurance and Funds Management Results	18
3	Balance Sheet.....	19
4	Asset Quality.....	22
4.1	Impaired Assets	22
4.2	Items Past Due 90 Days but Well Secured	22
4.3	Income on Non-accrual and Restructured Assets	22
4.4	Provisions for Bad and Doubtful Debts	23
4.5	Impaired Assets and Ratios	23
4.6	Charge for Bad and Doubtful Debts	24
5	Capital Adequacy.....	25
6	Business Group Results.....	26
6.1	Australian Retail Financial Services	26
6.2	Westpac Institutional Bank.....	28
6.3	New Zealand Retail.....	29
7	Derivatives.....	30
8	Credit Ratings	31
9	Exchange Rates	31
10	Changes in Accounting Policies.....	32
11	Disclosure Regarding Forward-Looking Statements	32
12	Statements of Cash Flows.....	33
13	Group Financial Information for US Investors.....	35
14	Shareholder Calendar	36

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

Half Year Profit Results 2001

REVIEW OF GROUP RESULTS¹

1.1 SUMMARY

Our after tax profit for the six months ended 31 March 2001 was \$924 million, a 13% increase on the prior corresponding period.

Earnings per share grew 19% to 49.9 cents and economic profit² was \$584 million, an 18% improvement. Our improvement in economic profit was stronger than after tax profit due to the reduction in surplus capital primarily through our ordinary share buy-back program.

The Directors intend declaring an interim dividend of 30 cents per ordinary share (fully franked), an increase of 4 cents (15%) over the 2000 interim dividend, which was also fully franked.

Significant features of the results were:

- **Strong business performance**
Solid performances in our Australian business has driven our results:
 - mortgages outstandings have increased by 14% over the period;
 - credit card outstandings increased by 33% since 31 March 2000, with market share growing by 1% to 20%;
 - business lending market share has increased to 16.6% from 16.0% over the period.Financial markets income has improved by 39% over the prior corresponding period.
- **Continued revenue growth**
Operating income increased 7%. Net interest income increased 10% underpinned by strong interest earning asset growth and a 7 basis point improvement in margin. Volume growth continued to drive the increase in core non-interest income.
- **Tight expense management**
In line with our commitment, non-interest expenses have been contained at the same level as the second half 2000 and were 1% higher than the prior corresponding period. Expense management has continued to be a key priority and this focus, together with our revenue growth has driven our expense to income ratio before intangibles down from 55.5% to 52.2%.
- **Sound asset quality**
Our level of impaired assets has risen from historically low levels but remains acceptable in the face of a slowing economy. Although our bad debt charge has increased, total provisions to total loans and acceptances remain stable.

Our strong business performance has allowed us to accommodate a \$117 million increase in the

bad debt charge to \$176 million and still deliver a 13% improvement in after tax profit.

• **Improved return to shareholders**

Our returns reflect a continuation of the acceleration of performance growth achieved since March 1999. Economic profit increased 18% over the prior corresponding period due to our strong business performance enhanced by capital management activities. Return on average ordinary equity increased to 20.9%, a 3.3 percentage point improvement on the prior corresponding period.

1.2 KEY FEATURES

Revenue Growth

We are committed to achieving sustainable revenue growth through deepening and broadening our relationship with our customers. At 31 March 2001, we had increased the number of Australian priority customers (those with whom we have significant, typically multi-product, relationships) to 1,220,500 from 952,515 in the prior corresponding period.

Revenue growth was 7%, which included the unfavourable impact of the tax recoveries³ on policy holders' earnings recorded in our life Company. Adjusted⁴ revenue was 10% higher than the first half of 2000.

Net interest income growth of 10% was predominantly volume related with net loans growing 10% over the prior corresponding period.

Our net interest margin has been maintained at the 30 September 2000 level of 3.18% throughout this half year. This reflects our effective management of lending margins through a challenging economic environment.

Non-interest income grew 3%, or 8% when adjusted⁴.

Key contributors were:

- lending fees up \$48 million or 17%;
- transactions fees and commissions received up \$69 million or 14%;
- trading income, returning to more normal levels, was up \$68 million or 108%; and
- adjusted⁴ insurance and funds management income increased by 21%.

Expense Management

We have made extensive progress in becoming more efficient in the way we service our customers. This has allowed us to reduce the number of full time equivalent employees by 3,605 (or 11%) to 29,241 since 31 March 2000 and by 5,523 (or 16%) since 31 March 1999.

As part of our IT outsourcing agreement, 850 employees joined IBM GSA on 3 December 2000. In February 2001, we announced further measures to streamline senior and middle management positions in our non-customer facing areas.

¹ Comparisons in this document are with the half year ended 31 March 2000 (pcp) unless otherwise stated.

² Economic profit is the excess of adjusted profit over the minimum rate of return (12%) on equity invested. For this purpose adjusted profit is net profit after tax attributable to ordinary equity holders before intangibles plus 70% of the face value of franking credits paid to the shareholders.

³ Tax recoveries relate to the tax on policy holders' investment earnings within our life company. This income is recognised by us to cover the tax payable by policy holders and has no impact on our after tax profit, as there is an offsetting amount in the tax expense.

⁴ Reference to adjusted amounts refers to our results excluding the tax recoveries.

Half Year Profit Results 2001

As a result of our efficiency initiatives, expenses for the six months included \$41 million of restructuring costs, up \$24 million on the prior corresponding period.

We also absorbed goods and services tax costs of \$42 million.

In addition to these costs we have continued to fund a number of initiatives to eEnable our business. These have included:

- preparing the infrastructure to allow straight-through processing in our service centres;
- extended online origination functionality; and
- implementation of an eProcurement system.

Management of Credit Risk

We manage our portfolios actively and monitor credit quality and trends, to avoid undue concentrations of risk.

The slowing world economy is likely to impact the credit quality of bank portfolios. We believe our credit strategies and controls position us strongly for any downturn.

Our strong loan growth together with a slight deterioration in quality across selected consumer portfolios and a small number of corporate exposures have resulted in an increased charge to the general provision for bad and doubtful debts of \$90 million.

The net charge for bad and doubtful debts increased to \$176 million for the six months ending March 2001. This was \$117 million higher than the very low charge of \$59 million for the same period last year and \$33 million (or 23%) higher than the second half of 2000.

Our key credit quality performance indicators remain strong. Total provisions to total loans and acceptances remain stable at 1.2%. The ratio of total provisions to impaired assets continue to be conservative at 182%, as does the ratio of net impaired assets to equity and general provisions at 5.6%.

Shareholder Value Management

We have put in place a shareholder value management program that aligns remuneration of our top layer of management to the value generated for shareholders. The measurement we have chosen to identify shareholder value is economic profit.

Our economic profit increased from \$493 million to \$584 million, an 18% increase on the prior corresponding period. This improvement has been generated through both stronger business performance and prudent management of capital resources.

Capital Management

As at 31 March 2001 our tier 1 ratio was 6.1% and tangible ordinary equity to risk-adjusted assets (TOE/RAA) ratio was 5.7%.

Since 30 September 2000 we have made significant progress towards aligning our actual capital levels with our target capital structure - tier 1 ratio range of 6.0 to 6.5% and TOE/RAA of 5.6%. We have primarily

achieved this by repurchasing 32 million shares at an average price of \$13.30 per share under our latest share buy-back programs. This represents a 2% reduction in shares outstanding from 30 September 2000.

As our TOE/RAA ratio is now materially consistent with our target level, share purchases under our buy-back program have been suspended.

There are a number of factors that have emerged in early 2001 that, although still to be clearly defined, have the potential to impact our capital management objectives:

- certain APRA proposals relating to the regulation of financial conglomerates may increase tier 1 requirements; and
- tax reform proposals dealing with the definition of debt and equity for tax purposes will impact the flexibility available to Australian banks seeking to issue hybrid tier 1 capital.

In the long run the proposed Basel capital adequacy framework, if adopted as drafted, may be positive and could potentially give banks with sophisticated risk management systems, like ourselves, the opportunity to operate at lower capital levels.

1.3 PROGRESS ON STRATEGIC INITIATIVES

Last year we identified our five point strategic plan:

- understanding our strengths;
- being more efficient;
- finding new opportunities;
- getting closer to our customers; and
- backing our people.

We believe that our strong revenue growth, improved profitability and continued growth in economic profit demonstrate our achievement of these strategies.

Understanding our strengths

We are achieving sustainable growth through further developing relationships across our customer base.

The roll-out of our customer relationship platform has continued for our priority customer segment. This has facilitated a 28% increase in the number of priority customers, who now represent 24% of our Australian customer base.

We continue to seek opportunities to grow in our core markets. In January 2001, we announced the increase in our shareholding from 30% to 60% of Bank of Tonga and from 43% to 94% of Pacific Commercial Bank of Samoa. This was another step in our regional growth strategy and demonstrates our commitment to banking in the Pacific.

Being more efficient

We continue to have a relentless focus on being more efficient.

In our year end announcement, we outlined our intention to outsource our core banking technology and telecommunication platforms to IBM Global Services Australia and Telstra. An outsourcing contract commenced

Half Year Profit Results 2001

on 3 December with 97% of affected staff, approximately 850, joining IBM GSA as part of the arrangement. A smooth transition has occurred with no disruption to operational performance and we anticipate cost savings will occur as planned.

In November 2000, we outsourced our property services to Investa Property Group with annualised savings of \$10 million now being delivered as a result of this initiative.

On 26 March 2001, we announced an agreement with Unisys Payment Services Limited to outsource voucher processing, a component of the cheque clearance process. This initiative will reduce staff numbers by approximately 500 and should produce savings of around 30% of current costs.

We are also reducing the number of our non-customer facing management staff by 200 to 300 to help sharpen decision making and optimise senior management resources. The first step in this process was to reduce the size of our executive team. We are now progressively streamlining our management structure throughout the remainder of the organisation, and have achieved a reduction of 170 positions to date. This initiative will increase costs in the current year but is expected to achieve approximately \$35 million of ongoing annual benefits from October 2001.

On 30 April 2001, we announced that we have invited two global providers of technology and business processing solutions to participate in the evaluation of the possible outsourcing of our mortgage processing operations in Adelaide.

Finding new opportunities

To drive strong growth we are dedicated to extending the scope of our existing activities and creating new businesses as well as new products for our customers.

We are one of the leading internet banking providers in Australia and have over 786,000 internet banking customers in Australia and New Zealand representing approximately 10% of our customer base. We had over 70,000 discount broking customers at 31 March 2001 and are now the third largest discount broker in Australia. Online originations have increased with 12% of credit cards, 9% of personal loans, 3% of savings accounts and 2% of transaction accounts now being originated via the internet.

Increasingly, investment decisions are based on environmental and social grounds as well as the usual financial indicators. In February 2001, we launched our International Sustainability Share Fund, which complements other initiatives such as our Australian Eco Share Fund and the Westpac-Monash Eco Index.

Getting closer to our customers

We have reorganised around where and how we create value and increased our investment in sales and distribution activities as a result of this realignment.

We have made a major change to the information we give to customers. In October 2000, in a move to make our fees and charges more transparent, we introduced a leading edge format for customer statements, that clearly details all services used and their cost. This allows customers to make informed decisions about how they bank and give them the opportunity to save fees.

During the period, we opened a new Regional Banking Centre in Ballarat, Victoria. This was part of our commitment to customers to support banking services in regional and rural areas.

Backing our people

We recognise that to differentiate ourselves from our competitors we must have superior execution. In large part this will be achieved through our staff. We are making good ground in better understanding our customers' needs through reorganising and up-skilling our customer facing staff through accreditation programs.

One of our initiatives has been to roll-out a training program to explain our strategy. All of our Australian based staff have had the opportunity to attend training sessions covering:

- understanding the market place and the challenges we face;
- creating shareholder value; and
- understanding our customer needs.

This training provides context for the ongoing changes necessary for us to succeed in an increasingly competitive business environment.

1.4 OUTLOOK

The Australian economy has performed generally well over the past year but more recently has shown signs of slower growth. While we expect credit conditions to deteriorate a little in the near term, the low interest rate environment will be positive for business activity.

We will continue to balance risk and reward throughout the economic cycle and improve our organic growth by focusing on the aspects we do well. Sales growth, expense containment and capital management remain priorities and through these means we plan to deliver improved profitability and continued strong shareholder returns. However, the economic slow down is expected to reduce our rate of growth from that achieved in this half year.

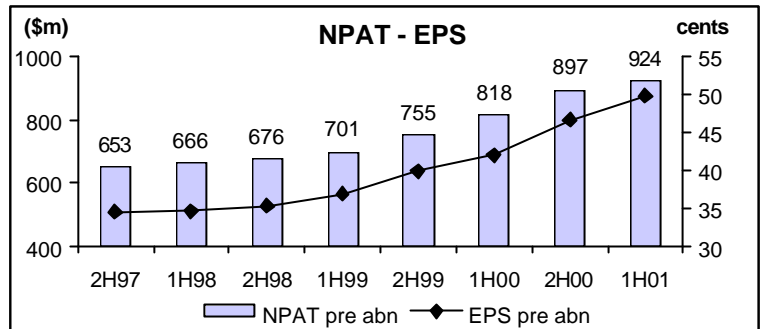
Half Year Profit Results 2001

1.5 FINANCIAL SUMMARY

Earnings

Our after tax profit (NPAT) was up 13% on the prior corresponding period to \$924 million, continuing our accelerated growth rate in the previous three halves.

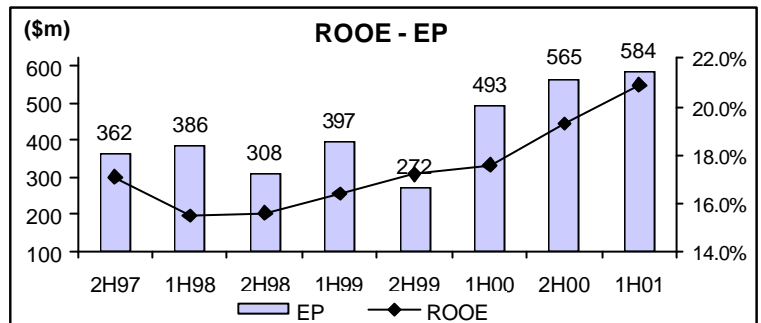
Earnings per share (EPS) has grown 19% over the same period reflecting our strong business performance and the reduction of ordinary shares on issue due to our buy-back program.



Profitability

Return on average ordinary equity (ROOE) has increased to 20.9%, showing strong growth since the first half 2000 return of 17.6% and building on the second half 2000 (19.3%).

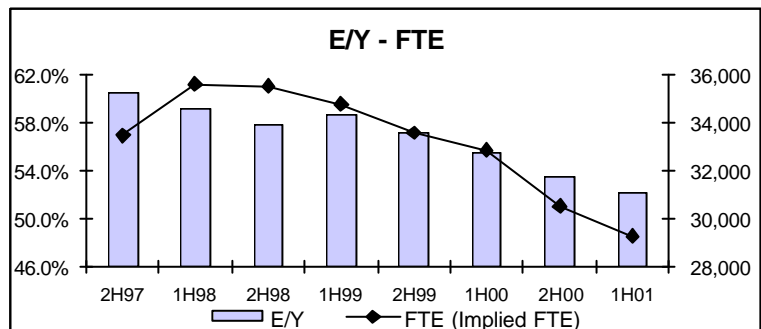
Economic profit (EP) has grown 18% to \$584 million compared to the prior corresponding period. EP growth is greater than NPAT growth for the same period primarily due to our capital containment program.



Efficiency

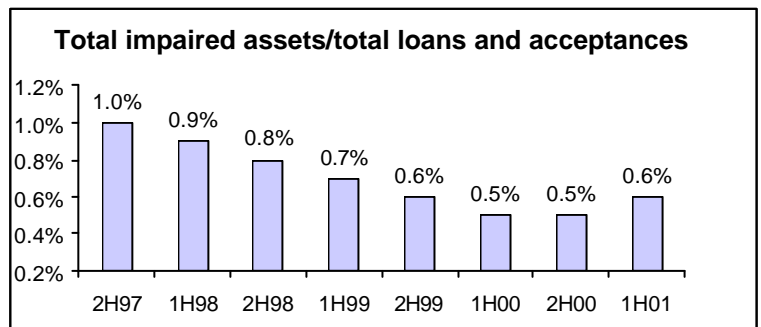
The expense to income ratio before intangibles (E/Y) has continued to improve. At 52.2%, it was 3.3 percentage points less than the prior corresponding period. This result demonstrates both continued strong revenue growth and our commitment to sound expense management.

Full time equivalent staff (FTE) numbers have continued to decline since our acquisition of the Bank of Melbourne in the first half of 1998.



Impaired Assets

Asset quality has remained strong over the half year, with total impaired assets as a percentage of total loans and acceptances increased slightly over September 2000 levels but remain at historically low levels.



Half Year Profit Results 2001

1.5 FINANCIAL SUMMARY (CONT'D)

	Six months to/as at			% Mov't Mar 2000- Mar 2001
	31 March 2001	30 Sept 2000	31 March 2000	
Shareholder value				
Earnings per ordinary share ¹ (cents)	49.9	46.7	42.1	19
Return on average ordinary equity (annualised)	20.9%	19.3%	17.6%	
Fully franked dividends per ordinary share (cents)	30	28	26	15
Dividend payout ratio to ordinary shareholders ²	60.1%	60.0%	61.8%	
Earnings				
Core earnings ^{3,4} (\$m)	1,567	1,488	1,359	15
Operating profit after income tax attributable to equity holders (\$m)	924	897	818	13
Economic profit ⁵ (\$m)	584	565	493	18
Net interest spread	2.70%	2.53%	2.60%	
Net interest margin	3.18%	3.18%	3.11%	
Productivity and efficiency				
Productivity ratio ⁶	3.87	3.72	3.36	15
Expense to income ratio before intangibles	52.2%	53.5%	55.5%	
Implied full time equivalent staff (FTE) ⁷	29,241	30,520	32,846	(11)
Capital adequacy				
Capital adequacy ratios				
Net capital ratio	9.3%	9.9%	9.3%	
Tier 1	6.1%	6.6%	7.2%	
Average ordinary equity (\$m)	8,620	9,087	9,053	(5)
Average total equity (\$m)	9,090	9,556	9,522	(5)
Assets				
Total assets (\$m)	184,912	167,618	157,401	17
Net loans and acceptances (\$m)	133,376	123,198	117,504	14
Securitised loans net of amortisation (\$m)	4,214	4,751	5,469	(23)
Risk-adjusted assets (\$m)	124,395	114,816	106,724	17
Asset quality				
Total impaired assets to total loans and acceptances	0.6%	0.5%	0.5%	
Net impaired assets to equity and general provisions	5.6%	3.1%	2.5%	
Specific provisions to total impaired assets	32.5%	44.8%	54.0%	
Total provisions to total impaired assets	182%	249%	253%	
Total provisions to total loans and acceptances	1.2%	1.2%	1.2%	
Total bad and doubtful debt charge to average loans and acceptances (basis points)	27	24	10	170

1 Basic earnings are calculated after charging payments to holders of other equity instruments. NZ Class shares are treated as ordinary equity.

2 Dividends per ordinary share divided by earnings per ordinary share.

3 Operating profit (including gross up) before charge for bad and doubtful debts, income tax, intangibles and abnormals.

4 See note 2 on page 8 for explanation of gross-up.

5 Net profit after tax attributable to ordinary equity holders before intangibles plus 70% of the face value of franking credits less the minimum rate of return (12%) on equity invested.

6 Operating income/salaries and other staff expenses less restructuring expenses.

7 Implied full time equivalent staff numbers include core full time equivalent, overtime, temporary staff and contractors.

Half Year Profit Results 2001

2 PROFIT AND LOSS

2.1 PROFIT AND LOSS STATEMENTS

\$m	31 March 2001	Six months to 30 Sept 2000	31 March 2000	% Mov't Mar 2000- Mar 2001
Interest income				
Deposits with banks	117	129	132	(11)
Investment and trading securities	381	331	279	37
Statutory deposits	18	18	14	29
Loans and other receivables ¹	4,816	4,619	3,914	23
Interest income	5,332	5,097	4,339	23
Fullv tax equivalent gross up ²	71	91	78	(9)
Interest income (including gross up)	5,403	5,188	4,417	22
Interest expense				
Current and term deposits ¹	(2,033)	(2,034)	(1,677)	21
Public borrowings	(184)	(178)	(160)	15
Deposits from banks	(139)	(127)	(94)	48
Loan capital	(195)	(162)	(108)	81
Other liabilities	(789)	(672)	(509)	55
Interest expense	(3,340)	(3,173)	(2,548)	31
Net interest income (including gross up)	2,063	2,015	1,869	10
Non-interest income				
<i>Fees and commissions received</i>	996	949	878	13
<i>Fees and commissions paid</i>	(247)	(210)	(174)	42
Net fees and commissions	749	739	704	6
<i>Proceeds from sale of assets</i>	272	1,607	359	(24)
<i>Carrying value of assets sold</i>	(269)	(1,597)	(333)	(19)
Net profit from sale of assets	3	10	26	(88)
<i>Life insurance and funds management revenue</i>	369	661	821	(55)
<i>Life insurance claims and change in policy liabilities</i>	(78)	(389)	(526)	(85)
Net life insurance and funds management	291	272	295	(1)
Trading income ³	131	81	63	108
Other income	44	81	97	(55)
Non-interest income	1,218	1,183	1,185	3
Operating income (including gross up)	3,281	3,198	3,054	7
Non-interest expenses				
Salaries and other staff expenses	(888)	(888)	(927)	(4)
Equipment and occupancy expenses	(314)	(320)	(312)	1
Other expenses	(512)	(502)	(456)	12
Non-interest expenses (excluding amortisation of intangibles)	(1,714)	(1,710)	(1,695)	1
Core earnings	1,567	1,488	1,359	15
Amortisation of intangibles	(49)	(49)	(49)	-
Underlying profit	1,518	1,439	1,310	16
Charge for bad and doubtful debts	(176)	(143)	(59)	198
Operating profit before income tax (including gross up)	1,342	1,296	1,251	7
Fully tax equivalent gross up ¹	(71)	(91)	(78)	(9)
Operating profit before income tax (excluding gross up)	1,271	1,205	1,173	8
Income tax expense	(345)	(307)	(353)	(2)
Outside equity interests	(2)	(1)	(2)	-
Operating profit after income tax attributable to equity holders	924	897	818	13

1 In prior periods certain derivative transactions were reported on a gross basis in interest income and interest expense. This half year such transactions are stated on a net basis in interest income. To aid comparability, prior period amounts have been restated. Both interest income and interest expense have been reduced by \$473 million and \$382 million, respectively for the six months ended 30 September 2000 and 31 March 2000. This reclassification has no impact on our net interest income.

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

3 Financial markets income includes both trading income and net interest income. A full summary of both items is included in the non-interest income summary on page 15.

Half Year Profit Results 2001

2.1 PROFIT AND LOSS STATEMENTS (CONT'D)

\$m	Six months to			% Mov't Mar 2000- Mar 2001
	31 March 2001	30 Sept 2000	31 March 2000	
Retained profits at the beginning of the financial period	3,435	3,082	2,788	23
Operating profit after income tax attributable to equity holders	924	897	818	13
Aggregate of amounts transferred (to)/from reserves	15	(14)	2	650
Total available for appropriation	4,374	3,965	3,608	21
Dividends provided for or paid	(534)	(508)	(505)	6
Distributions on other equity instruments	(25)	(22)	(21)	19
Retained profits at the end of the financial period	3,815	3,435	3,082	24

2.2 EARNINGS PER SHARE

	Six months to			% Mov't Mar 2000- Mar 2001
	31 March 2001	30 Sept 2000	31 March 2000	
Earnings (cents) per ordinary share ¹ after deducting distributions on other equity instruments:				
Basic	49.9	46.7	42.1	19
Fully diluted ²	49.3	46.2	41.5	19
Weighted average number of fully paid ordinary shares (millions)	1,804	1,873	1,893	(5)

2.3 DIVIDENDS

Cents per share	Six months to		
	31 March 2001	30 Sept 2000	31 March 2000
Ordinary dividend			
Interim (fully franked) ³	30	-	26
Final (fully franked) ³	-	28	-
	30	28	26
Total dividend provided for or paid	\$m	\$m	\$m
Ordinary dividends provided or paid	541	512	488
Under/(over) provision from previous period	(7)	(4)	17
	534	508	505
Ordinary dividend payout ratio	60.1%	60.0%	61.8%
Distributions on other equity instruments			
TOPrS SM distributions provided for or paid	25	22	21
Total distributions on other equity instruments	25	22	21

¹ Ordinary shares comprise ordinary shares issued in Australia and NZ Class shares.

² Fully diluted earnings per share is after adjusting for partly paid shares and options outstanding.

³ The interim dividend for 2001 and the interim and final dividends for 2000 are fully franked. The interim and final dividends for the NZ Class shares are fully imputed for 2000 and 2001.

Half Year Profit Results 2001

2.4 INTEREST SPREAD AND MARGIN ANALYSIS

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

2.4.1 Spread and Margin Analysis

%	Six months to		
	31 March 2001	30 Sept 2000	31 March 2000
Group			
Interest spread on productive assets ¹	2.72	2.55	2.62
Impact of impaired loans	(0.02)	(0.02)	(0.02)
Interest spread ²	2.70	2.53	2.60
Benefit of net non-interest bearing liabilities and equity ³	0.48	0.65	0.51
Interest margin	3.18	3.18	3.11
Australia			
Interest spread on productive assets ¹	2.78	2.47	2.63
Impact of impaired loans	(0.02)	(0.02)	(0.02)
Interest spread ²	2.76	2.45	2.61
Benefit of net non-interest bearing liabilities and equity ³	0.33	0.59	0.48
Interest margin	3.09	3.04	3.09
New Zealand			
Interest spread on productive assets ¹	3.07	3.28	2.89
Impact of impaired loans	(0.02)	(0.02)	-
Interest spread ²	3.05	3.26	2.89
Benefit of net non-interest bearing liabilities and equity ³	0.46	0.31	0.38
Interest margin	3.51	3.57	3.27
Other Overseas			
Interest spread on productive assets ¹	0.36	0.33	0.44
Impact of impaired loans	-	-	(0.02)
Interest spread ²	0.36	0.33	0.42
Benefit of net non-interest bearing liabilities and equity ³	0.77	0.72	0.56
Interest margin	1.13	1.05	0.98

Group

During the first half of the year, the interest spread increased 17 basis points over 30 September 2000 levels, compared to a 7 basis point reduction between first half of 2000 and second half of 2000.

Our interest margin remained at the same level as the September 2000 half with the strong spread on productive loans partially off-set by the impact of both falling interest rates on and reduced balances of non-interest bearing liability outstandings. We also decreased equity levels through our share buy-back program.

Australia

During the first half of the year, interest spread for Australia increased 31 basis points over 30 September 2000 levels, while the margins increased 5 basis points. The strong growth in spread was attributable to reductions in wholesale funding rates occurring in advance of loan repricing, particularly in the first quarter.

New Zealand

Interest spread decreased 21 basis points while margins declined by only 6 basis points on September 2000 levels.

- ¹ Interest spread on productive assets is determined on the basis of the interest spread formula after excluding non-accrual loans and related interest.
- ² Interest spread is the difference between the average yield on all interest earning assets and the average rate paid on all interest bearing liabilities net of impaired loans.
- ³ The benefit of net non-interest bearing liabilities and equity is determined by applying the average rate of interest paid on all interest bearing liabilities to the average level of net non-interest bearing funds as a percentage of average interest earning assets. The calculations for Australia and New Zealand take into account the interest expense/income of cross border, intragroup borrowing/lending.

Half Year Profit Results 2001

2.4.2 Average Balance Sheets and Interest Rates

	Six months to 31 March 2001			Six months to 30 September 2000			Six months to 31 March 2000		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
Assets									
Interest earning assets									
Due from other financial institutions									
Australia	1,235	26	4.2	1,253	31	4.9	1,809	40	4.4
New Zealand	1,614	38	4.7	1,248	36	5.8	1,348	34	5.0
Other Overseas	1,611	53	6.6	1,653	62	7.5	1,729	58	6.7
Investment and trading securities									
Australia	7,836	234	6.0	6,857	206	6.0	7,201	176	4.9
New Zealand	861	40	9.3	845	36	8.5	537	26	9.7
Other Overseas	2,855	107	7.5	1,479	89	12.0	2,367	77	6.5
Regulatory deposits									
Other Overseas	531	18	6.8	556	18	6.5	478	14	5.9
Loans and other receivables									
Australia	88,758	3,754	8.5	88,928	3,640	8.2	81,890	3,117	7.6
New Zealand	20,468	966	9.5	20,230	936	9.2	19,261	755	7.8
Other Overseas	3,954	155	7.9	3,220	122	7.6	2,863	110	7.7
Impaired loans									
Australia	332	3	1.8	300	4	2.7	326	3	1.8
New Zealand	118	3	5.1	100	2	4.0	104	4	7.7
Other Overseas	172	6	7.0	158	6	7.6	184	3	3.3
Intragroup receivable									
Other Overseas	17,319	543	6.3	18,556	554	6.0	15,364	444	5.8
Interest earning assets and interest income including intragroup									
	147,664	5,946	8.1	145,383	5,742	7.9	135,461	4,861	7.2
Intragroup elimination									
	(17,319)	(543)		(18,556)	(554)		(15,364)	(444)	
Total interest earning assets and interest income									
	130,345	5,403	8.3	126,827	5,188	8.2	120,097	4,417	7.3
Non-interest earning assets									
Cash, bullion, due from other banks and statutory deposits									
	823			519			454		
Life insurance investment assets									
	7,474			8,200			7,384		
Other assets ¹									
	22,589			16,199			15,601		
Provisions for doubtful debts									
Australia	(1,299)			(1,227)			(1,255)		
New Zealand	(88)			(91)			(92)		
Other Overseas	(125)			(146)			(160)		
Total non-interest earning assets									
	29,374			23,454			21,932		
Acceptances									
Australia	16,710			14,030			10,776		
Other Overseas	32			10			6		
Total assets									
	176,461			164,321			152,811		

¹ Includes fixed assets, intangible assets, other financial market assets, future income tax benefit and prepaid superannuation contributions.

Half Year Profit Results 2001

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

	Six months to 31 March 2001			Six months to 30 September 2000			Six months to 31 March 2000		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
Liabilities and shareholders' equity									
Interest bearing liabilities									
Deposits									
Australia	55,368	1,309	4.7	54,444	1,261	4.6	53,040	1,050	3.9
New Zealand	14,590	401	5.5	13,567	383	5.6	14,437	312	4.3
Other Overseas	10,119	323	6.4	12,327	390	6.3	11,095	315	5.7
Public borrowings by subsidiary borrowing corporations									
Australia	6,147	183	6.0	6,017	175	5.8	5,807	156	5.4
New Zealand	12	1	16.7	83	3	7.2	109	4	7.3
Due to other financial institutions									
Australia	1,035	27	5.2	700	21	6.0	478	11	4.6
New Zealand	128	4	6.3	197	8	8.1	57	2	7.0
Other Overseas	3,760	108	5.8	3,459	100	5.8	3,019	81	5.4
Loan capital									
Australia	4,943	194	7.9	3,738	159	8.5	2,746	105	7.6
New Zealand	39	1	5.1	69	3	8.7	79	3	7.6
Other interest bearing liabilities									
Australia	13,524	476	7.1	10,484	435	8.3	9,138	301	6.6
New Zealand	316	11	7.0	310	9	5.8	364	11	6.0
Other Overseas	9,353	302	6.5	6,922	226	6.5	6,622	197	5.9
Intragroup payable									
Australia	11,093	317	5.7	11,580	350	6.0	10,822	304	5.6
New Zealand	6,226	226	7.3	6,976	204	5.8	4,542	140	6.1
Interest bearing liabilities and interest expense including intragroup									
	136,653	3,883	5.7	130,873	3,727	5.7	122,355	2,992	4.9
Intragroup elimination									
	(17,319)	(543)		(18,556)	(554)		(15,364)	(444)	
Total interest bearing liabilities and interest expense									
	119,334	3,340	5.6	112,317	3,173	5.7	106,991	2,548	4.8
Non-interest bearing liabilities									
Deposits and due to other banks									
Australia	3,742			3,577			3,725		
New Zealand	911			947			903		
Other Overseas	245			297			307		
Life insurance policy liabilities									
	6,909			6,889			6,719		
Other liabilities ¹									
	19,488			16,698			13,862		
Total non-interest bearing liabilities									
	31,295			28,408			25,516		
Acceptances of customers									
Australia	16,710			14,030			10,776		
Other Overseas	32			10			6		
Total liabilities									
	167,371			154,765			143,289		
Ordinary shareholders' equity									
	8,620			9,087			9,053		
TOPrS									
	465			465			465		
Outside equity interests									
	5			4			4		
Total equity									
	9,090			9,556			9,522		
Total liabilities and equity									
	176,461			164,321			152,811		

¹ Includes provisions for dividends, income tax and deferred tax, and other financial market liabilities.

Half Year Profit Results 2001

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

	Six months to 31 March 2001			Six months to 30 September 2000			Six months to 31 March 2000		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
Interest earning assets (including impaired loans)									
Australia	98,161	4,017	8.2	97,338	3,881	8.0	91,226	3,336	7.3
New Zealand	23,061	1,047	9.1	22,423	1,010	9.0	21,250	819	7.7
Other Overseas	26,442	882	6.7	25,622	851	6.6	22,985	706	6.1
Intragroup	(17,319)	(543)		(18,556)	(554)		(15,364)	(444)	
Group	130,345	5,403	8.3	126,827	5,188	8.2	120,097	4,417	7.4
Interest bearing liabilities									
Australia	92,110	2,506	5.4	86,963	2,401	5.5	82,031	1,927	4.7
New Zealand	21,311	644	6.0	21,202	610	5.7	19,588	472	4.8
Other Overseas	23,232	733	6.3	22,708	716	6.3	20,736	593	5.7
Intragroup	(17,319)	(543)		(18,556)	(554)		(15,364)	(444)	
Group	119,334	3,340	5.6	112,317	3,173	5.7	106,991	2,548	4.8
Interest spread									
Australia			2.8			2.5			2.6
New Zealand			3.1			3.3			2.9
Other Overseas			0.4			0.3			0.4
Group			2.7			2.5			2.6

Half Year Profit Results 2001

2.5 NON-INTEREST INCOME ANALYSIS

\$m	31 March 2001	Six months to 30 Sept 2000	31 March 2000	% Mov't Mar 2000- Mar 2001
Fees and commissions				
Lending fees	335	297	287	17
Transaction fees and commissions received	556	525	487	14
Other non-risk fee income	105	127	104	1
Fees and commissions paid	(247)	(210)	(174)	42
	749	739	704	6
Trading income				
Foreign exchange	147	105	89	65
Other	(16)	(24)	(26)	(38)
	131	81	63	108
Insurance and funds management income				
Life insurance and funds management operating income	291	272	295	(1)
General insurance commissions and premiums (net of claims paid)	22	22	24	(8)
	313	294	319	(2)
Other income				
Dividends received	27	22	21	29
Lease rentals	5	4	4	25
Cost of hedging overseas operations	(7)	(6)	2	
Service and management fees	2	3	2	-
Net profit on sale of fixed assets and investments	3	10	26	(88)
Other	(5)	36	44	(111)
	25	69	99	(75)
Non-interest income	1,218	1,183	1,185	3
Life insurance and funds management operating income:				
Premium income and management fees ¹	126	144	153	
Funds management income	108	86	76	
Claims expense (net of recoveries)	(42)	(55)	(42)	
Investment revenue	65	378	517	
Life insurance policy liabilities expense	(33)	(331)	(468)	
Amortisation of business in force	(3)	(3)	(16)	
Operating income	221	219	220	
Change in excess of net market value over net assets of life insurance subsidiary before tax ²	70	53	75	
Total life insurance and funds management operating income	291	272	295	
<i>Split as follows:</i>				
Australia	267	257	286	
New Zealand	24	15	9	

¹ Includes \$(16) million, \$22 million and \$46 million respectively in relation to recoveries of income tax on policy holders' earnings.

² At 1 February 2000 we restructured part of the Westpac Financial Services Group and consequently the results of our financial services origination business are brought to account on a market value basis.

Half Year Profit Results 2001

Commentary on Non-interest Income

- Non-interest income increased 3% or \$33 million on the prior corresponding period. In this half non-interest income included a \$16 million net charge for tax recoveries¹, which made a positive contribution last year of \$46 million. Adjusting for this item, non-interest income increased by 8% or \$95 million.
- Net fees and commissions have increased by \$45 million or 6% on the prior corresponding period.
 - Lending fees increased 17% to \$335 million reflecting increased loan volumes and continued improvement in collection rates.
 - Transaction fees and commissions received increased \$69 million or 14%, on increased transaction activity and changed pricing structures.
 - Fees and commissions paid increased by \$73 million to \$247 million due to greater card activity and guarantee fees paid in relation to structured finance deals.
- Financial markets non-interest income increased 63% on the prior corresponding period, representing an improved trading result after the disappointing first half of 2000.

A more complete picture of total financial markets income is included in the table below, which includes the net interest income as well as non-interest income generated in financial markets activity.

\$m	Six months to		% Movt	
	31 March 2001	30 Sept 2000	31 March 2000	Mar 2000-Mar 2001
Trading income	131	81	63	108
Dividend income	26	17	17	53
Other non-interest income	12	26	24	(50)
Total non-interest income	169	124	104	63
Net interest income	82	97	77	6
Total financial markets income	251	221	181	39

- Insurance and funds management income has decreased by 2% since the first half of 2000. The majority of this movement was the turn around in the tax recoveries¹ from a positive to a negative position this period. Adjusting for the tax recoveries, insurance and funds management income has increased by 21%.

A full analysis of our Australian life insurance and funds management results is included in section 2.8.

- In light of recent global market revaluations of business-to-business (B2B) companies we have revalued our investment in Metiom Australasia Pty Ltd to \$37.5 million from \$45.0 million. Metiom Australasia Pty Ltd continues to be well positioned to capture opportunities in B2B eCommerce.

¹ Tax recoveries relate to the tax on policy holders' investment earnings within our life company. This income relates solely to the policy holders and has no impact on our after tax profit, as there is an offsetting amount in the tax expense.

Half Year Profit Results 2001

2.6 NON-INTEREST EXPENSE ANALYSIS

\$m	Six months to			% Mov't Mar 2000- Mar 2001
	31 March 2001	30 Sept 2000	31 March 2000	
Salaries and other staff expenses				
Salaries and wages	697	703	730	(5)
Other staff expenses	191	185	197	(3)
	888	888	927	(4)
Equipment and occupancy expenses				
Operating lease rentals	136	121	129	5
Depreciation and amortisation:				
Premises	6	3	5	20
Leasehold improvements	15	18	12	25
Furniture and equipment	26	20	23	13
Technology	91	98	90	1
Electricity, water, rates and land tax	3	9	11	(73)
Other equipment and occupancy expenses	37	51	42	(12)
	314	320	312	1
Other expenses				
Amortisation of intangibles	49	49	49	-
Amortisation of deferred expenditure	11	4	10	10
Non-lending losses	22	18	18	22
Consultancy fees, computer software maintenance, IT outsourcing costs and other professional services	198	197	158	25
Stationery	47	54	45	4
Postage and telecommunications	119	108	96	24
Insurance	6	5	6	-
Advertising	52	50	54	(4)
Transaction taxes	7	5	6	17
Training	9	12	10	(10)
Travel	27	29	24	13
Other expenses	14	20	29	(52)
	561	551	505	11
Non-interest expenses	1,763	1,759	1,744	1
Productivity ratio ¹	3.87	3.72	3.36	
Expense/income ratio before intangibles	52.2%	53.5%	55.5%	

- Non-interest expenses have been contained at second half 2000 levels but increased by 1% on the prior corresponding period. This is despite absorbing \$42 million in goods and services tax costs, the unfavourable impact of exchange rate movements of \$4 million, as well as transaction volume increases across our operations.
- Expense management has continued to be a key priority as demonstrated by our improvement in our expense to income ratio before intangibles to 52.2% from 55.5%.
- Salaries and other staff expenses for the period include \$41 million (\$17 million in first half last year) in restructuring costs, with the number of full time equivalent employees reducing by 1,279 from 30 September 2000.

Restructuring continues to be an ongoing process as we strive to become as efficient as possible in an ever-changing, competitive environment. In accordance with Australian generally accepted accounting principles, these costs have been included in our normal operating expenses.

- Equipment and occupancy costs have remained flat on both halves of last year.
- Consultancy and other professional services expenses have increased on the prior corresponding period by \$40 million or 25% but have remained flat on the second half of 2000. This increase primarily relates to costs incurred in relation to our information technology outsourcing agreement.

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

Half Year Profit Results 2001

2.7 INCOME TAX

\$m	Six months to			% Mov't
	31 March 2001	30 Sept 2000	31 March 2000	Mar 2000- Mar 2001
INCOME TAX EXPENSE				
Operating profit before income tax (including gross up)	1,342	1,296	1,251	7
Fully tax equivalent gross up	(71)	(91)	(78)	(9)
Operating profit before income tax (excluding gross up)	1,271	1,205	1,173	8
Prima facie income tax on operating profit before income tax (excluding gross up) based on the company tax rate of 34% (2000 @ 36%)	432	434	422	2
Add/(deduct) tax effect of permanent differences				
Change in tax rate	8	1	25	(68)
Rebateable and exempt dividends	(50)	(54)	(34)	47
Tax losses and timing differences now tax effected	(19)	(31)	(14)	36
Life insurance :				
Tax adjustment on policyholder's earnings ¹	(11)	15	29	(138)
Adjustment for life business tax rates	(7)	(20)	(22)	(68)
Change in excess of net market value over net assets of life insurance subsidiaries	(7)	(5)	(11)	(36)
Other non-assessable items	(23)	(42)	(40)	(43)
Other non-deductible items	28	34	31	(10)
Adjustment for overseas tax rates	(7)	(11)	(12)	(42)
Prior period adjustments	4	(16)	(20)	(120)
Other items	(3)	2	(1)	200
Total income tax expense attributable to operating profit	345	307	353	(2)
Total income tax expense (excluding gross up)	345	307	353	(2)
Fully taxable equivalent gross up	71	91	78	(9)
Total income tax expense (including gross up)	416	398	431	(3)
Effective tax rate (%) (including gross up)	31.0	30.7	34.5 ²	(10)

¹ In accordance with the requirements of Australian accounting standard AASB 1038 Life Insurance Business, our tax expense includes \$16 million of tax credit in income tax on policy holders' investment earnings (\$22 million tax charge in second half 2000 and \$46 million tax charge in first half 2000), \$5 million of which is in the prima facie tax expense and the balance of \$11 million shown here.

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

Half Year Profit Results 2001

2.8 AUSTRALIAN LIFE INSURANCE AND FUNDS MANAGEMENT RESULTS

The following table summarises the results of the Australian life insurance and funds management operations. To enable a more detailed analysis, the results have been presented on a management reporting basis. Internal charges and transfer pricing adjustments have been included in the performance of each business area reflecting the management of our business, rather than the legal structure.

Consequently, these results cannot be compared directly to public disclosure of the performance of our individual legal entities.

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

\$m	31 March 2001			Six months to 30 Sept 2000			31 March 2000		
	Life	Funds	Total	Life	Funds	Total	Life	Funds	Total
	Insurance	Mgmt		Insurance	Mgmt		Insurance	Mgmt	
Net interest income	-	7	7	-	7	7	-	6	6
Operating income	97	100	197	127	77	204	139	72	211
Change in net market value of controlled entity (WCN)	46	24	70	35	18	53	56	19	75
Non-interest income	143	124	267	162	95	257	195	91	286
Commissions	(23)	(19)	(42)	(18)	(19)	(37)	(19)	(16)	(35)
Other	(40)	(28)	(68)	(38)	(25)	(63)	(36)	(28)	(64)
Expenses	(63)	(47)	(110)	(56)	(44)	(100)	(55)	(44)	(99)
Operating profit before tax	80	84	164	106	58	164	140	53	193
Income tax expense	(6)	(16)	(22)	(28)	(17)	(45)	(58)	(15)	(73)
Operating profit after income tax	74	68	142	78	41	119	82	38	120
Reconciliation to Margin On Services & accrual profit									
Operating profit before tax	80	84	164	106	58	164	140	53	193
Adjustments:									
Tax recoveries	16	-	16	(22)	-	(22)	(46)	-	(46)
Additional amortisation of value of business inforce (arising on acquisition of our life company - 1997) and acquisition costs now expensed	27	4	31	12	5	17	24	2	26
Embedded value	(46)	(24)	(70)	(35)	(18)	(53)	(56)	(19)	(75)
Margin On Service/accrual profit before tax	77	64	141	61	45	106	62	36	98
Income tax expense	(6)	(16)	(22)	(28)	(17)	(45)	(58)	(15)	(73)
Adjustments:									
Tax recoveries	(16)	-	(16)	22	-	22	46	-	46
Tax on embedded value	11	6	17	8	4	12	14	4	18
Tax on additional amortisation, acquisition costs now expensed & other items	(4)	(1)	(5)	(1)	(2)	(3)	(1)	-	(1)
Income tax expense on Margin On Service/accrual profit	(15)	(11)	(26)	1	(15)	(14)	1	(11)	(10)
Equivalent pre-uplift profit after tax	62	53	115	62	30	92	63	25	88
Income tax reconciliation									
Income tax expense as reported	6	16	22	28	17	45	58	15	73
Eliminate tax recovery gross up	16	-	16	(22)	-	(22)	(46)	-	(46)
Income tax expense, as adjusted for tax recoveries	22	16	38	6	17	23	12	15	27
Operating profit before tax	80	84	164	106	58	164	140	53	193
Eliminate tax recovery gross up	16	-	16	(22)	-	(22)	(46)	-	(46)
Operating profit before tax, excluding tax recoveries	96	84	180	84	58	142	94	53	147
Prima facie income tax expense at 34% (2000 @ 36%)	33	29	62	30	21	51	34	19	53
Life business rates	(7)	-	(7)	(20)	-	(20)	(22)	-	(22)
Change in net market value	(4)	(3)	(7)	(4)	(1)	(5)	(7)	(4)	(11)
Other	-	(10)	(10)	-	(3)	(3)	7	-	7
Income tax expense, as adjusted for tax recoveries	22	16	38	6	17	23	12	15	27

- Life insurance operating income includes the impact of the tax on policy holders' investment earnings within our life company. This income has been recognised by us to cover the tax payable by policy holders and has no impact on our after tax profit as there is an offsetting amount in the tax expense.
- Our funds management operating income during the half year ended 31 March 2001 includes \$28 million profit on the relinquishment of the management rights of the property trust and reflects the loss of the related management fee income of \$6 million. After allowing for these items, our funds management operating income increased by 8% on the prior corresponding period.

Half Year Profit Results 2001

3 BALANCE SHEET

3.1 BALANCE SHEETS

As at \$m	31 March 2001	30 Sept 2000	31 March 2000	% Mov't Mar 2000- Mar 2001
Assets				
Cash and balances with central banks	588	836	470	25
Regulatory deposits	567	620	558	2
Due from other financial institutions	3,554	3,325	2,249	58
<i>Trading securities</i>	8,841	7,174	8,118	9
<i>Investment securities</i>	3,356	2,731	2,458	37
<i>Securities sold not yet delivered</i>	2,476	2,636	3,556	(30)
<i>Securities purchased under agreements to resell</i>	237	289	452	(48)
<i>Other financial markets assets</i>	18,546	13,549	8,506	118
Total securities and financial markets assets	33,456	26,379	23,090	45
<i>Productive loans</i>	117,729	108,435	107,045	10
<i>Acceptances of customers</i>	16,546	15,665	11,367	46
<i>Impaired loans</i>	666	576	561	19
<i>Less: provisions for bad and doubtful debts</i>	(1,565)	(1,478)	(1,469)	7
Net loans and acceptances	133,376	123,198	117,504	14
Life insurance investment assets	7,395	7,547	7,563	(2)
Fixed assets	1,137	1,175	1,351	(16)
Intangible assets	1,548	1,535	1,635	(5)
Other assets	3,291	3,003	2,981	10
Total assets	184,912	167,618	157,401	17
Liabilities and equity				
Deposits	86,488	83,805	83,410	4
Public borrowings	6,044	6,189	6,028	-
Bonds, notes and commercial paper	26,048	19,203	17,187	52
Acceptances	16,546	15,665	11,367	46
Life insurance policy liabilities	7,066	6,991	6,893	3
Securities liabilities	4,020	2,567	4,325	(7)
Due to other financial institutions	5,615	3,972	4,276	31
Other financial markets liabilities	14,038	10,352	7,178	96
Other liabilities	4,603	4,720	3,995	15
Total liabilities excluding loan capital	170,468	153,464	144,659	18
Subordinated bonds, notes and debentures	4,523	4,175	2,466	83
Subordinated perpetual notes	797	717	644	24
Total loan capital	5,320	4,892	3,110	71
Total liabilities	175,788	158,356	147,769	19
Net assets	9,124	9,262	9,632	(5)
Equity				
Share capital (1,735 million ordinary shares)	1,735	1,776	1,837	(6)
NZ Class shares (54 million NZ Class shares)	482	482	482	-
Exchangeable trust originated preferred securities-TOPrS	465	465	465	-
Reserves	2,615	3,099	3,762	(30)
Retained profits	3,815	3,435	3,082	24
Outside equity interests	12	5	4	200
Total equity	9,124	9,262	9,632	(5)

Half Year Profit Results 2001

3.1.1 Loans

As at \$m	31 March 2001	30 Sept 2000	31 March 2000	% Mov't Mar 2000- Mar 2001
Australia				
Overdrafts	3,159	3,138	2,744	15
Credit card outstandings	5,564	4,674	4,189	33
Overnight and call money market loans	258	265	375	(31)
Own acceptances discounted	3,005	2,188	1,360	121
Term loans:				
Housing	50,335	47,471	44,280	14
Non-housing	19,294	18,260	20,303	(5)
Finance leases	2,115	2,237	2,325	(9)
Investments in leveraged lease and equity lease	246	284	281	(12)
Redeemable preference share finance	413	426	1,057	(61)
Other	6,861	7,146	6,740	2
Total - Australia	91,250	86,089	83,654	9
New Zealand				
Overdrafts	1,042	617	759	37
Credit card outstandings	756	572	587	29
Overnight and call money market loans	559	439	508	10
Term loans:				
Housing	10,803	9,404	10,339	4
Non-housing	5,920	5,247	6,557	(10)
Finance leases	28	28	30	(7)
Redeemable preference share finance	2,118	1,546	1,170	81
Other	1,215	1,230	779	56
Total - New Zealand	22,441	19,083	20,729	8
Other Overseas				
Overdrafts	177	175	123	44
Term loans:				
Housing	266	251	250	6
Non-housing	2,101	1,648	1,441	46
Finance leases	24	26	31	(23)
Other	2,136	1,739	1,378	55
Total - Other Overseas	4,704	3,839	3,223	46
Total gross loans	118,395	109,011	107,606	10
Provisions for bad and doubtful debts	(1,565)	(1,478)	(1,469)	7
Total net loans	116,830	107,533	106,137	10
Securitised loans¹	4,214	4,751	5,469	(23)

¹ Net of amortisation in loans securitised.

Half Year Profit Results 2001

3.1.2 Deposits and Public Borrowings

As at \$m	31 March 2001	30 Sept 2000	31 March 2000	% Mov't Mar 2000- Mar 2001
DEPOSITS				
Australia				
Non-interest bearing	3,430	3,423	3,549	(3)
Certificates of deposit	3,946	5,949	6,405	(38)
Other interest bearing:				
At call	38,155	32,949	31,326	22
Term	14,523	15,975	14,496	-
Total deposits in Australia	60,054	58,296	55,776	8
New Zealand				
Non-interest bearing	850	675	753	13
Certificates of deposit	2,120	1,439	2,089	1
Other interest bearing:				
At call	5,979	4,748	5,335	12
Term	7,640	6,817	7,390	3
Total deposits in New Zealand	16,589	13,679	15,567	7
Other Overseas				
Non-interest bearing	253	385	220	15
Certificates of deposit	3,685	3,607	3,754	(2)
Other interest bearing:				
At call	527	392	386	37
Term	5,380	7,446	7,707	(30)
Total deposits Other Overseas	9,845	11,830	12,067	(18)
Total deposits	86,488	83,805	83,410	4
PUBLIC BORROWINGS BY SUBSIDIARY BORROWING CORPORATIONS				
Australia				
Secured	3,695	3,666	3,705	-
Unsecured	2,339	2,509	2,271	3
Total public borrowings in Australia	6,034	6,175	5,976	1
New Zealand				
Secured	10	14	52	(81)
Total public borrowings in New Zealand	10	14	52	(81)
Total public borrowings by subsidiary borrowing corporations	6,044	6,189	6,028	-

Half Year Profit Results 2001

4 ASSET QUALITY

4.1 IMPAIRED ASSETS

As at \$m	31 March 2001			30 Sept 2000			31 March 2000		
	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net
Non-accrual assets									
Australia	512	(115)	397	291	(115)	176	282	(131)	151
New Zealand	114	(32)	82	95	(22)	73	107	(29)	78
Other Overseas	170	(123)	47	146	(118)	28	171	(150)	21
Total	796	(270)	526	532	(255)	277	560	(310)	250
Restructured assets									
Australia	32	(9)	23	34	(9)	25	10	(1)	9
New Zealand	17	-	17	16	-	16	-	-	-
Other Overseas	13	-	13	11	(2)	9	12	(3)	9
Total	62	(9)	53	61	(11)	50	22	(4)	18
Total impaired assets¹	858	(279)	579	593	(266)	327	582	(314)	268

4.2 ITEMS PAST DUE 90 DAYS BUT WELL SECURED²

As at \$m	31 March 2001	30 Sept 2000	31 March 2000
Australia			
Housing products	80	74	71
Other products	114	80	95
Total	194	154	166
New Zealand			
Housing products	57	31	13
Other products	5	9	9
Other Overseas	11	11	3
Total	73	51	25
Total	267	205	191

4.3 INCOME ON NON-ACCRUAL AND RESTRUCTURED ASSETS

\$m	Six months to		
	31 March 2001	30 Sept 2000	31 March 2000
Interest received on non-accrual and restructured assets	12	13	9
Estimated interest forgone on non-accrual and restructured assets	17	4	26
Interest yield on average non-accrual and restructured assets (annualised)	3.9%	4.6%	2.9%

¹ Includes off-balance sheet items of \$192 million (\$17 million as at 30 September 2000, \$21 million as at 31 March 2000).

² Under Australian Prudential Regulation Authority guidelines, loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal, interest amounts due and an additional six months interest. These loans need to be reported as a memorandum item only and are reported separately above. No losses are anticipated from these loans as they are well secured, primarily by residential property, and are spread across a range of customer and product groups, including housing, overdraft and bill acceptance facilities.

Half Year Profit Results 2001

4.4 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

\$m	31 March 2001	Six months to 30 Sept 2000	31 March 2000	% Mov't Mar 2000- Mar 2001
General provision				
Balance at beginning of period	1,212	1,155	1,170	4
Exchange rate and other adjustments	11	(6)	(1)	
Provisions of controlled entities acquired	3	-	-	
Charge to operating profit	159	161	69	130
Recoveries of debts previously written off	35	50	40	(13)
Write-offs	(134)	(148)	(123)	9
Balance at period end	<u>1,286</u>	<u>1,212</u>	<u>1,155</u>	<u>11</u>
Specific provisions				
Balance at beginning of period	266	314	330	(19)
Exchange rate and other adjustments	11	12	13	(15)
Provisions of controlled entities acquired/(disposed)	2	(2)	-	
New specific provisions	42	43	32	31
Specific provisions no longer required	(25)	(61)	(42)	(40)
Write-offs ¹	(17)	(40)	(19)	(11)
Balance at period end	<u>279</u>	<u>266</u>	<u>314</u>	<u>(11)</u>
Total provisions	<u>1,565</u>	<u>1,478</u>	<u>1,469</u>	<u>7</u>
¹ <i>Write-offs from specific provisions comprised:</i>				
<i>Australian Retail Financial Services</i>	14	8	12	17
<i>Westpac Institutional Bank</i>	2	30	1	100
<i>New Zealand and Pacific</i>	1	2	6	(83)
	<u>17</u>	<u>40</u>	<u>19</u>	<u>(11)</u>

4.5 IMPAIRED ASSETS AND RATIOS

As at %	31 March 2001	30 Sept 2000	31 March 2000
Total impaired assets to total loans and acceptances	0.6	0.5	0.5
Specific provisions to total impaired assets	32.5	44.8	54.0
Total provisions to total impaired assets	182	249	253
Total provisions to total loans and acceptances	1.2	1.2	1.2
Total impaired assets to equity and total provisions	8.0	5.5	5.2
Net impaired assets to equity and general provisions	<u>5.6</u>	<u>3.1</u>	<u>2.5</u>

Half Year Profit Results 2001

4.6 CHARGE FOR BAD AND DOUBTFUL DEBTS

\$m	31 March 2001	Six months to 30 Sept 2000	31 March 2000	% Mov't Mar 2000- Mar 2001
SPECIFIC PROVISIONS:				
New provisions				
Australian Retail Financial Services	27	26	17	59
Westpac Institutional Bank	-	1	8	(100)
New Zealand and Pacific	15	16	7	114
	42	43	32	31
No longer required				
Australian Retail Financial Services	(9)	(25)	(22)	(59)
Westpac Institutional Bank	(9)	(25)	(14)	(36)
New Zealand and Pacific	(7)	(11)	(6)	17
	(25)	(61)	(42)	(40)
Specific provisions net charge to operating profit	17	(18)	(10)	
GENERAL PROVISION:				
Write-off direct against profit				
Australian Retail Financial Services	122	123	101	21
Westpac Institutional Bank	-	8	7	(100)
New Zealand and Pacific	12	13	19	(37)
	134	144	127	6
Recoveries of debts previously written off				
Australian Retail Financial Services	(21)	(40)	(35)	(40)
Westpac Institutional Bank	(2)	(5)	(1)	100
New Zealand and Pacific	(12)	(5)	(4)	200
	(35)	(50)	(40)	(13)
Dynamic provisioning debit/(credit)	60	67	(18)	
General provision net charge to operating profit	159	161	69	130
Charge for bad and doubtful debts	176	143	59	198
Bad and doubtful debts charge to average loans and acceptances annualised (basis points)	27	24	10	

Half Year Profit Results 2001

5 CAPITAL ADEQUACY

As at \$m	31 March 2001	30 Sept 2000	31 March 2000
Tier 1 capital			
Total equity	9,124	9,262	9,632
Less: Receivable in respect of New Zealand Class shares	-	(190)	(190)
Premises revaluation reserve	(19)	(36)	(110)
Estimated reinvestment under dividend reinvestment plan ¹	39	33	-
Intangible assets	(1,548)	(1,535)	(1,635)
Total Tier 1 capital	7,596	7,534	7,697
Tier 2 capital			
Premises revaluation reserve	19	36	110
Subordinated undated capital notes	797	717	644
General provision for doubtful debts	1,287	1,212	1,155
Future income tax benefit related to general provision	(404)	(374)	(362)
Eligible subordinated bonds, notes and debentures	3,421	3,310	1,818
Total Tier 2 capital	5,120	4,901	3,365
Tier 1 and Tier 2 capital	12,716	12,435	11,062
Deductions:			
Other banks' capital instruments	-	(9)	(9)
Investments and capital in life insurance, funds management and securitisation activities	(1,096)	(1,091)	(1,079)
Net qualifying capital	11,620	11,335	9,974
Risk adjusted assets			
Tier 1 capital ratio	6.1%	6.6%	7.2%
Tier 2 capital ratio	4.1%	4.3%	3.1%
Deductions	(0.9)%	(1.0)%	(1.0)%
Net capital ratio	9.3%	9.9%	9.3%
Tangible ordinary equity to risk adjusted assets	5.7%	6.3%	7.1%

- During the current reporting period, we have substantially met our target capital ratios as previously articulated:
 - tier 1 capital ratio range of between 6.0% and 6.5%; and
 - tangible ordinary equity to risk adjusted assets (TOE/RAA) of 5.6%.
- Our net capital ratio was reduced from 9.9% in September 2000 to 9.3% as at 31 March 2001.
- We achieved our capital ratios largely as a result of our ordinary share buy-back program. Organic growth of balance sheet assets, combined with the impact of the decline in value of the Australian dollar on our financial market instruments, has also increased risk adjusted asset levels.
- The growth in tier 2 capital can be attributed to the revaluation of our non-Australian dollar subordinated debt and additional subordinated debt issued to fund business initiatives in the second half of 2000.
- As our TOE/RAA ratio is now materially consistent with our target level, share purchases under our current share buy-back program have been suspended.
- This completes a capital management program that commenced in 1998 in terms of our gross ratios. However, we continue to explore opportunities for more effective use of hybrid instruments as part of our capital base.

¹ This amount is derived from reinvestment experience of our dividend reinvestment plan.

Half Year Profit Results 2001

6 BUSINESS GROUP RESULTS

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

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

6.1 AUSTRALIAN RETAIL FINANCIAL SERVICES

Australian Retail Financial Services consists of our Business and Consumer Banking, Banking and Financial Solutions, eBusiness and Information Technology units.

\$m	Six months to/as at		% Mov't	
	31 March 2001	30 Sept 2000	31 March 2000 - Mar 2001	Mar 2000
Net interest income	1,548	1,475	1,411	10
Non-interest income	817	832	841	(3)
Operating income	2,365	2,307	2,252	5
Non-interest expenses (excluding intangibles)	(1,313)	(1,321)	(1,314)	-
Core earnings	1,052	986	938	12
Amortisation - intangibles	(31)	(31)	(31)	-
Underlying performance	1,021	955	907	13
Provision for bad and doubtful debts	(146)	(117)	(71)	106
Operating profit before tax	875	838	836	5
Tax and outside equity interests	(280)	(280)	(320)	(13)
Profit on operations	595	558	516	15
Economic profit ¹	499	356	296	69
Expense/income (excluding intangibles)	55.5%	57.3%	58.3%	
	\$bn	\$bn	\$bn	
Deposits and other public borrowings	55.3	52.4	49.7	11
Net loans and acceptances	91.2	85.6	79.0	15
Total assets	103.0	100.9	94.4	9
Funds under management	21.6	23.0	23.0	(6)

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

Financial Performance

Lending volumes continued to grow strongly with the level of outstandings increasing by \$11 billion or 10% on the prior corresponding period. Australian housing loans levels rose by \$6 billion or 14%.

Net interest income grew by 10%, with the growth in volumes partially offset by reduced margins, consistent with the trend seen in recent years.

Adjusted non-interest income² has increased by \$38 million or 5% on the same period last year. Major contributors to the increase include:

- increased income from credit cards, primarily as a result of higher volumes; and
- higher sales and lower redemptions in the funds management area.

Non-interest expenses were down slightly on the prior corresponding period, despite absorbing \$39 million of goods and services tax expense as well as inflationary increases. This was reflected in the improvement in the expense to income before intangibles ratio from 58.3% to 55.5%.

The provision for bad and doubtful debts has risen in line with increased volumes and a slight deterioration in quality across selected consumer portfolios.

² Reference to adjusted amounts refers to our results excluding tax recoveries in the life company. (Refer page 3, footnote 3).

Half Year Profit Results 2001

Business Developments

Customers

We have established a number of 'business direct' centres to provide improved service to our small business customers and further streamlined our credit approval processes.

The number of relationship-managed business customers grew by 13% on the prior corresponding period, and lending volumes for this segment of customers are growing strongly at 18%.

In the last 12 months we have rolled out our customer relationship management platform for our priority customers. This tool helps us to consolidate all existing customer accounts so as to anticipate their needs and design personalised financial solutions for them.

The number of priority customers has increased by 28% to 1,220,500 over the 12 months from 31 March 2000, which represents 24% of our Australian customer base.

Product Developments

Housing

We increased our mortgage outstandings by 14% during the period and continue to hold an 18% share of the home loan market. Our new 'Rapid RepayPac' product, designed to save customers up to 40% off their home loan, has captured 11% of all new home loan lending.

Funds under Management

Our net retail funds inflows have improved in the period to 31 March 2001 compared to the disappointing first half of 2000. Funds under management for the year decreased by a net \$1.4 billion (6%) to \$21.6 billion. This reduction relates to the relinquishment of \$1.4 billion of funds in the Westpac Property Funds Management Limited to Investa Property Group and a decline in the market value of equity funds.

Credit Cards

On 12 April 2001, the Reserve Bank of Australia invoked its powers to intervene in the regulation of the 'open' credit card system in Australia. We are continuing to work with the regulatory authorities to help determine the appropriate model for this system.

Credit card outstandings grew by 33%, the number of cards on issue increased by 9%, and the value of purchases on our cards by 33%. Market share of outstanding balances of bank issued credit cards has increased from 18.9% as at March 2000 to 20.0% as at March 2001, with our share of cardholder spend increasing from 21.6% to 22.6% over the same period.

We launched a co-branded business charge card in April 2001 with American Express. This product will provide accounting and reward benefits to small and medium-sized business operators.

Business Lending

Business lending outstandings have risen by \$2 billion or 13% since March 2000. Key contributing factors include the introduction of new product solutions including the Business Access Loan. There has also been an increased focus on improving processes and credit solutions. Market share has increased by 60 basis points to 16.6%.

Savings and Transaction Products

In January 2001, we launched a new campaign in relation to the Bonus Saver product which resulted in 13,000 new accounts being opened in the first 3 weeks, around 2½ times the normal sales volume. The Cash Management Account Investor Option product was launched in November 2000, and now has 8,500 accounts and balances totaling \$2 billion.

Differential pricing for transaction accounts was introduced to encourage customers to use cheaper electronic service channels. We have also improved customer statement information to give our customers the opportunity to minimise fees.

eCommerce Initiatives

To further drive cost efficiency, enhance our competitive positioning and evolve our business, we continue to eEnable our business.

Internet banking registrations have increased to over 700,000 as at March 2001 which represents an increase of 231% since March 2000. Our customer satisfaction surveys indicate that 94% of online customers are 'extremely satisfied' or 'satisfied' with our services.

Online broking customers exceed 70,000 with Westpac now placed third in the discount broking market as measured by daily trades placed on the ASX.

The aggregate value of internet transactions exceeds \$1 billion per month with 48% of BPAY bill payments now conducted over the internet. Over 12% of credit card sales and 9% of total personal loan sales are now generated via the internet.

We are firmly committed to extending our eCommerce capabilities and our recent developments include:

- further roll-out of our eProcurement platform to streamline internal procurement processes and reduce transactional costs; and
- the B2Buy marketplace pilot commences in May 2001 with full roll-out to follow in July 2001. This will offer scale procurement benefits to our business banking customers.

Half Year Profit Results 2001

6.2 WESTPAC INSTITUTIONAL BANK

Our Institutional Bank meets the financial needs of corporations and institutions either based in, or with interests in, Australia and New Zealand. We also provide certain services to middle-market business banking customers in Australia and New Zealand.

\$m	Six months to/as at			% Mov't
	31 March 2001	30 Sept 2000	31 March 2000 - Mar 2001	Mar 2000
Net interest income	281	270	214	31
Non-interest income	159	140	115	38
Operating income	440	410	329	34
Non-interest expenses (excluding intangibles)	(161)	(158)	(155)	4
Core earnings	279	252	174	60
Amortisation - intangibles	-	-	-	-
Underlying performance	279	252	174	60
Provision for bad and doubtful debts	(57)	(5)	10	
Operating profit before tax	222	247	184	21
Tax and outside equity interests	(71)	(74)	(58)	22
Profit on operations	151	173	126	20
Economic profit	95	132	78	22
Expense/income (excluding intangibles)	36.6%	38.5%	47.1%	
	\$bn	\$bn	\$bn	
Deposits and other public borrowings	8.8	7.0	6.9	28
Net loans and acceptances	24.2	21.8	21.3	14
Total assets	55.7	48.1	43.0	30

Financial Performance

Operating income increased by 34% over the prior corresponding period, with strong income growth in all core businesses. Our Corporate Finance business increased asset levels and margins, while the Financial Markets business generated higher sales and proprietary income levels.

The increased core earnings more than covered higher bad debt provisions, arising from downgrades of a few corporate customers, with profit on operations being 20% higher than the prior corresponding period.

Corporate customer downgrades also resulted in the business holding increased economic capital. Despite this, economic profit was 22% higher than the prior corresponding period due to the increased profit on operations.

Business Developments

We retain the leading market share in corporate and institutional banking. Our principal corporate banker share has improved from 22.6% to 24.5% over a 13-month period to December 2000¹.

To improve customer service and lower the cost of execution, our institutional bank has engaged in a number of eCommerce initiatives.

These initiatives include participation and investment in the following product portals:

- Yieldbroker.com;
- FXall;
- FXconnect; and
- AusMarkets.com

In addition we have also launched our proprietary Online FX and research products for our corporate and institutional customer base, enabling them to trade foreign exchange and access research via the internet, with the first customer transactions completed in March 2001.

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

- joint lead underwriter term loan and revolving acceptance credit facility – Billiton PLC (US\$1,000 million);
- sole arranger and underwriter, syndicated acquisition finance facility – Visy Packaging Holdings Pty Limited (A\$430 million);
- joint lead arranger, syndicated cash advance facility – David Jones Limited (A\$232 million);
- joint lead manager, 10 year credit wrapped medium term note – Adelaide Airport (A\$240 million); and
- lead manager, 5 year BBB rated medium term note – Utilicorp Asia Pacific Pty Limited (A\$75 million).

¹ For Australia; East and Partners Australian Corporate Banking Program.

Half Year Profit Results 2001

6.3 NEW ZEALAND RETAIL

\$m	Six months to/as at			% Mov't Mar 2000	% Mov't in local currency
	31 March 2001	30 Sept 2000	31 March 2000 - Mar 2001		
Net interest income	293	288	279	5	3
Non-interest income	157	149	146	8	6
Operating income	450	437	425	6	4
Non-interest expenses (excluding intangibles)	(231)	(217)	(224)	3	1
Core earnings	219	220	201	9	6
Amortisation - intangibles	(17)	(17)	(17)	-	-
Underlying performance	202	203	184	10	7
Provision for bad and doubtful debts	(2)	(7)	(14)	(86)	(88)
Operating profit before tax	200	196	170	18	15
Tax and outside equity interests	(68)	(68)	(50)	36	32
Profit on operations	132	128	120	10	8
Economic profit ¹	65	51	61	7	
Expense/income (excluding intangibles)	51.3%	49.7%	52.7%		
	\$bn	\$bn	\$bn		
Deposits and other public borrowings	11.9	10.3	11.4	4	4
Net loans and acceptances	16.5	14.4	15.8	4	4
Total assets	17.5	15.4	16.9	4	3
Funds under management	1.4	1.4	1.2	17	15

1 A portion of the imputation credits generated on the NZ Class shares has been included in the business unit economic profit calculation.

Financial Performance

Net interest income for the first half continues to reflect the impact of a competitive local environment, which has compressed margins and offset the benefit of volume increases. In local currency terms, our total net interest income was 3% above the prior corresponding period.

Non-interest income increased by 6% in local currency terms over the prior corresponding period due to the effect of fee initiatives and growth in managed fund product inflows. Fee income has also been supported by strong volume growth in business banking.

Non-interest expense growth has been contained at 1% in local currency terms.

Bad debts have benefited from the reversal of prior period provisions no longer required and lower current period requirements.

Net loans and acceptances have increased by 4% in local currency terms despite a sluggish period in the domestic economy. Growth has been assisted by several sales initiatives including product packaging, the targeting of broker originated business and a greater focus on private, priority and business customers.

Business Developments

In line with our goal to be recognised as the best in the market for servicing our private and priority customers, we have established a new organisational structure and approach to service these customers and help them to create wealth and manage their money better. Our financial services business captured the highest net funds inflow of any institution for the 2000 calendar year.

Our business bank performed strongly and achieved volume growth of 7% for the 2001 half year.

In October 2000, we teamed with EFTPoS equipment supplier Advantage Group Ltd to offer an integrated range of business solutions to small and medium sized retailer merchants.

Our online banking service continues to strengthen with total registered users reaching over 86,000 in March 2001. Growth exceeds over 1,000 new customers a week.

Several new product initiatives have been launched, including the establishment of a mortgage broker unit to target broker originated housing lending. Product initiatives include a partnership with the Retail Merchants Association and a revamped Government loan and banking package. Our 'Value for Money Project' continues to make gains through illustrating to customers how we can save them money or time.

Half Year Profit Results 2001

7 DERIVATIVES

Derivatives Outstandings

As at 31 March 2001 \$bn	Notional amount ¹	Regulatory credit equivalent ²	Positive mark- to-market (replacement cost) ³	Negative mark-to- market ⁴
Interest rate				
Futures	43.9	-	-	-
Forwards	52.3	-	-	-
Swaps	182.6	4.7	3.3	2.9
Purchased options	13.0	0.1	0.1	-
Sold options	4.4	-	-	0.1
Foreign exchange				
Forwards	251.3	12.5	10.3	7.4
Swaps	43.4	4.5	2.7	1.7
Purchased options	24.1	1.7	1.4	-
Sold options	22.5	-	-	0.9
Commodities				
	1.1	0.2	-	-
Equities				
	7.0	0.9	-	-
Gross derivatives	645.6	24.6	17.8	13.0
Less: netting benefit		(9.1)	(6.3)	(6.3)
Net derivatives		15.5	11.5	6.7
As at 30 September 2000	541.8	13.9	10.6	7.3
As at 31 March 2000	509.3	8.2	5.1	3.7

The table above incorporates the impact of close-out netting. This covers derivative contracts where legally enforceable netting agreements are in place with our counterparties.

Maturity Profile of Derivatives Outstandings in Replacement Cost Terms

As at 31 March 2001 \$bn	Over 6						Over 5 years	Total
	Less than 3 months	Over 3 months to 6 months	months to 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years		
Interest rate								
Swaps	0.1	0.1	0.1	0.5	1.3	1.2	3.3	
Purchased options	-	-	-	-	-	0.1	0.1	
Foreign exchange								
Forwards	5.9	2.0	1.1	0.6	0.5	0.2	10.3	
Swaps	0.2	0.1	0.2	0.6	1.3	0.3	2.7	
Purchased options	0.7	0.2	0.2	0.2	0.1	-	1.4	
Total derivatives	6.9	2.4	1.6	1.9	3.2	1.8	17.8	

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

2 Regulatory credit equivalent is calculated using Australian Prudential Regulation Authority guidelines for capital adequacy requirements.

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

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

Half Year Profit Results 2001

Daily Earnings at Risk

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

\$m	High	Low	Average
Six months ended 31 March 2001	8.1	2.6	4.8
Six months ended 30 September 2000	9.2	3.4	5.2
Six months ended 31 March 2000	9.7	2.8	5.7

Average Earnings at Risk by Risk Type

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

\$M	Average for the	Average for the	Average for the
	6 months ended 31 March 2001	6 months ended 30 Sept 2000	6 months ended 31 March 2000
Interest rate risk	2.8	3.2	5.3
Foreign exchange risk	1.3	0.9	1.6
Volatility risk	0.7	0.6	0.4
Other market risk ¹	1.6	2.0	1.6
Diversification benefit	(1.6)	(1.5)	(3.2)
Aggregate market risk	4.8	5.2	5.7

8 CREDIT RATINGS²

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

9 EXCHANGE RATES

Six months to/as at	31 March 2001		30 September 2000		31 March 2000	
	Average	Spot	Average	Spot	Average	Spot
USD	0.5323	0.4898	0.6103	0.5442	0.6379	0.6057
GBP	0.3662	0.3431	0.3904	0.3717	0.3939	0.3801
NZD	1.2341	1.2139	1.2643	1.3397	1.2621	1.2202

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

² As at April 2001. No changes from prior period.

Half Year Profit Results 2001

10 CHANGES IN ACCOUNTING POLICIES

Accounting Standard AASB 1041: Revaluation of Non-Current Assets became operative for us from 1 October 2000. The standard requires that subsequent to initial recognition as assets, each class of non-current assets must be measured on either the cost or fair value basis. On first applying the standard, an entity may elect to revert to the cost basis for a class of non-current assets that was previously carried at a revalued amount. An entity may elect to deem the existing carrying value of assets to be their cost or to make retrospective adjustments to reflect the assets at their original cost less accumulated depreciation and any accumulated recoverable amount write-downs.

We have elected to adopt a deemed cost basis in respect of premises and sites. Previously premises and sites were carried at cost or Directors' valuation. Since 1995 revaluation increments have not been brought to account, while decrements have been recognised whenever the recoverable value of an individual property was determined to be less than its carrying value. Such property was revalued down to its recoverable value with

the decrement being taken to the premises revaluation reserve. Under this new accounting policy any write down to recoverable value will be recognised as an expense in the profit and loss statement. This change in accounting policy has not had a material impact on net profit for the half year ending 31 March 2001.

The application of this standard has not affected any other classes of non-current assets in the consolidated financial statements.

In addition to the above change in accounting policy we have elected to early adopt two new Australian accounting standards for the half year ending 31 March 2001. AASB1029: Interim Financial Reporting and AASB1005: Segment Reporting. These standards deal with presentation and disclosure requirements in the half year financial statements and in segment reporting. They have not had any impact on our supported financial results.

11 DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

Half Year Profit Results 2001

12 STATEMENTS OF CASH FLOWS

\$m	Six months to		
	31 March 2001	30 Sept 2000	31 March 2000
Cash flows from operating activities			
Interest received	5,201	5,486	4,649
Interest paid	(3,371)	(3,397)	(2,835)
Dividends received	27	22	21
Other non-interest income received	1,569	130	525
Non-interest expenses paid	(1,644)	(1,714)	(1,460)
Decrease/(increase) in trading securities	(92)	(15)	779
Income taxes paid	(413)	(236)	(261)
Life insurance:			
receipts from policyholders and customers	1,112	2,074	1,292
interest and other items of similar nature	45	58	77
dividends received	154	287	143
payments to policyholders, suppliers and employees	(1,013)	(2,204)	(1,224)
income tax paid	(56)	(23)	(4)
Net cash provided by operating activities	1,519	468	1,702
Cash flows from investing activities			
Proceeds from sale of investment securities	196	1,237	204
Proceeds from matured investment securities	131	84	10
Purchase of investment securities	(779)	(1,506)	(401)
Proceeds from securitised loans	33	-	255
Net (increase)/decrease in:			
loans	(7,540)	(3,591)	(7,731)
due from other financial institutions	(81)	(1,041)	1,819
regulatory deposits with central banks overseas	98	(8)	(127)
life business investments	(143)	228	(346)
other assets	696	662	(252)
Purchase of fixed assets	(156)	(208)	(210)
Proceeds from disposal of fixed assets	76	243	282
Controlled entities (acquired)/disposed (net of cash held)	-	-	139
Net cash used in investing activities	(7,469)	(3,900)	(6,358)
Cash flows from financing activities			
Issue of loan capital	-	1,594	330
Redemption of loan capital	-	(42)	(70)
Proceeds from issue of shares	53	46	45
Proceeds from issue of New Zealand Class shares, net of issue costs of nil (31 March 2000 - \$16m)	202	-	279
Buyback of shares	(754)	(929)	(344)
Net increase/(decrease) in:			
due to other financial institutions	1,517	(308)	687
deposits and public borrowings	100	985	2,924
other liabilities	(206)	472	(293)
bonds, notes and commercial paper	5,198	2,381	1,581
Payment of distributions and dividends	(415)	(406)	(355)
Payment of dividends to outside equity interests	(2)	(1)	(2)
Net cash provided by financing activities	5,693	3,792	4,782
Net (decrease)/increase in cash and cash equivalents	(257)	360	126
Effect of exchange rate changes on cash and cash equivalents	9	6	(1)
Cash and cash equivalents at the beginning of the financial period ¹	836	470	345
Cash and cash equivalents at the end of the financial period	588	836	470

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

Half Year Profit Results 2001

12 STATEMENTS OF CASH FLOWS (CONT'D)

\$m	Six months to		
	31 March 2001	30 Sept 2000	31 March 2000
Reconciliation of net cash provided by operating activities to operating profit after income tax			
Operating profit after income tax	924	897	818
Adjustments:			
Outside equity interests	2	1	2
Depreciation and amortisation	184	189	179
Sundry provisions and other non-cash items	2,134	720	1,429
Bad and doubtful debts	141	193	99
(Increase)/decrease in other financial market items	(1,311)	(1,589)	(1,559)
(Increase)/decrease in trading securities	(92)	(15)	779
(Increase)/decrease in accrued interest receivable	(131)	(58)	(98)
Increase/(decrease) in accrued interest payable	(31)	249	95
Increase/(decrease) in provision for income tax	(233)	120	(111)
Increase/(decrease) in provision for deferred income tax	78	87	11
(Increase)/decrease in future income tax benefits	18	(165)	226
(Increase)/decrease in excess of net market value over net assets of a controlled entity	(70)	(53)	(75)
Amounts paid out of sundry provisions	(94)	(108)	(93)
Net cash provided by/(used in) operating activities	1,519	468	1,702
Controlled entities acquired			
Details of assets and liabilities of controlled entities acquired are as follows:			
Due from other financial institutions	16	-	-
Investment securities	16	-	-
Regulatory deposits	10	-	-
Loans	79	-	-
Fixed assets	9	-	-
Other assets	2	-	-
Deposits and public borrowings	(101)	-	-
Due to other financial institutions	(2)	-	-
Other liabilities	(10)	-	-
Fair value of net assets acquired	19	-	-
Goodwill on acquisition	10	-	-
Other investments (existing investment)	(9)	-	-
Minority interest	(6)	-	-
	14	-	-
Cash consideration and costs	19	-	-
Cash acquired	(5)	-	-
Cash payment for acquisition (net of cash acquired)	14	-	-
Controlled entities and businesses disposed			
Details of assets and liabilities of controlled entities and businesses disposed of are as follows:			
Loans	6	-	290
Other assets	6	-	3
Deposits and public borrowings	-	-	(156)
Net assets of entities and businesses disposed	12	-	137
Gain/(loss) on disposal	2	-	2
Cash consideration (net of sale costs)	14	-	139

Half Year Profit Results 2001

13 GROUP FINANCIAL INFORMATION FOR US INVESTORS

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

Six months to \$m	31 March 2001	31 March 2000	31 March 2001	31 March 2000
	US\$ ¹	US\$ ¹	A\$	A\$
Net profit as reported	451	399	924	818
Premises and sites	17	(3)	34	(6)
Amortisation of goodwill not recognised based on 20 year life	(4)	(3)	(8)	(7)
Superannuation (pension) expense adjustment	9	7	19	14
Life insurance adjustment (net of tax)	(18)	(22)	(36)	(45)
Start up costs adjustment ²	1	(10)	2	(21)
Software capitalisation adjustment	(1)	(2)	(2)	(4)
TOPrS distribution	(12)	(10)	(25)	(21)
New Zealand Class shares	-	(6)	-	(13)
Derivative instruments ³	16	-	32	-
Executive options ⁴	(2)	-	(4)	-
Adjusted US GAAP net profit	457	350	936	715
Other comprehensive income				
Foreign currency translation reserve	39	23	79	47
Unrealised net gain/(loss) on available for sale securities	(18)	(11)	(37)	(22)
Reclassification adjustment for (gains)/losses included in net income	-	-	1	-
Total other comprehensive income	21	12	43	25
Total comprehensive income according to US GAAP	478	362	979	740
Equity as reported	4,448	4,699	9,112	9,628
Premises and sites	(54)	(56)	(110)	(115)
Goodwill not recognised on acquisitions and restoration of previously deducted goodwill less amortisation and amounts written off	(2)	4	(5)	9
Superannuation (pension) expense adjustment	(33)	(40)	(68)	(81)
Life insurance adjustment (net of tax)	(17)	(25)	(34)	(51)
Start up cost adjustment ²	(9)	(10)	(19)	(21)
Software capitalisation adjustment	(4)	(2)	(8)	(4)
TOPrS	(227)	(227)	(465)	(465)
New Zealand Class shares	-	(99)	-	(203)
Derivative instruments ³	16	-	32	-
Unrealised net gain/(loss) on available for sale securities	(47)	(23)	(97)	(47)
Interim dividend provided	264	238	541	488
Adjusted US GAAP equity	4,335	4,459	8,879	9,138

There is no material difference between the level of assets at 31 March 2001 as reported and the level of assets determined in accordance US GAAP.

1 Australian dollars amounts have been translated into United States dollars solely for the convenience of the reader at the rate of A\$1.00 = US\$0.4881, the noon buying rate for cable transfers on 30 March 2001, as published by the Federal Reserve Bank of New York.

2 Effective 1 October 1999, we applied the requirement of Statement of Position (SOP98-5) 'start-up costs'. The initial application of SOP98-5 on 1 October 1999 resulted in the recognition of an expense of \$35 million before tax (\$24 million after tax), was in respect of start-up costs, which had been capitalised during previous financial years. These costs have continued to be capitalised under Australian GAAP and are being amortised over a period of up to 10 years.

3 The requirements of Statement of Financial Accounting Standards (SFAS) No. 133 'Accounting for Derivative Instruments and Hedging Activities' was applicable from 1 October 2000. SFAS 133 requires all derivative instruments to be recognised as either assets or liabilities on the balance sheet, measured at their fair values. The statement permits special hedge accounting for fair value, cash flow and foreign currency hedges providing specific criteria are met. Certain aspects of the required hedge criteria do not allow portfolio hedging. The estimated costs of changing our risk management systems and practices to meet the specific hedge criteria was judged to be prohibitive.

For US GAAP purposes most of our hedging transactions would not qualify for hedge accounting and the hedging derivatives are accounted for at fair value in accordance with SFAS 133. The adjustment for US GAAP reporting for the six months to 31 March 2001 includes an opening cumulative charge of \$57m after tax, to net income.

4 We have recognised a compensation expense for variations in the terms of options issued under either the General Management Share Option Plan (GMSOP) and the Senior Officers' Share Purchase Scheme (SOSPS) in accordance with FIN 44 'Accounting for Certain Transactions Involving Stock Compensation' which was applicable from 1 July 2000.

Half Year Profit Results 2001

14 SHAREHOLDER CALENDAR

Westpac ordinary 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:

Record date:

Australian and New Zealand Registers

At 5.00pm, 14 June 2001 (Sydney time) at:

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

Dividends payable to shareholders on the New Zealand register will be converted to local currency at the ruling buying rate for telegraphic transfers at 11.00am on 14 June 2001.

New York

For American Depository Receipts, at 5.00pm, 13 June 2001 (New York time) at:

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

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

Tokyo

At 3.00pm, 14 June 2001 (Tokyo time) for shares registered in the books of Tokyo Stock Exchange Members' securities companies.

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

Ex-dividend date: 7 June 2001

Dividend payment date: 6 July 2001

Group Secretary and General Counsel

4 May 2001

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