

Profit Announcement

for six months ended
31 March 2002

 www.westpac.com.au

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

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1 PRESS RELEASE

Westpac delivers solid earnings momentum

Westpac Banking Corporation today announced its results for the 6 months ended 31 March 2002, declaring an operating profit after income tax of \$1,018 million. This is an increase of 10% on the corresponding period last year.

Significant features include:

- Core earnings \$1,783 million up 14%
- Earnings per share 54.8 cents up 10%
- Interim dividend 34 cents fully franked up 13%
- Expense to income ratio down from 52.2% to 49.4%
- Return on equity maintained at 20.8%

Success in driving revenue growth while maintaining tight expense control over the last three years has seen Westpac achieve a 13% compound annual growth in net profit since March 1999. In the same period earnings per share have increased 14% per annum.

Westpac continues to enjoy significant success in its cross-sell strategy. Specifically the number of customers with a valuable multi-product relationship grew 17% to over 1.4 million in the half. The average number of products provided to these customers has increased to around three per customer.

Westpac's strong focus on costs has resulted in expense growth being held to 1% on the prior corresponding period. As a result Westpac's cost to income ratio is sharply down from around 60% three years ago to below 50% today.

The solid earnings result was achieved despite a sharp increase in bad and doubtful debt provisions to \$271 million. This was largely due to a small number of well publicised problem corporate exposures. The exposures have been robustly provisioned with overall provisioning levels reflecting Westpac's policy of conservatively providing against problem exposures.

Despite this, impaired assets have declined in the past six months and relative to loans and provisions remain near historic lows. With credit quality remaining in the top tier of banks world-wide, Westpac is in a strong financial position to move forward.

Westpac's Chief Executive Officer, David Morgan, said Westpac now has a solid track record of earnings growth and strong returns on equity.

"Revenue growth underpins this result, supported by our continued ability to deliver productivity improvements".

"Investment in key initiatives, including the rolling out of our customer relationship platform to all our branches and call centres, and the acquisition of Rothschild Australia Asset Management will assist in maintaining this growth momentum".

"As a result, we are well positioned to meet our aspirations of continued double digit earnings growth," Dr Morgan said.

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Key business group highlights include:

- Australian mortgage outstandings increased 12% and Westpac's average market share of new bank home lending was above 22%;
- Bank issued credit card transactions are 15% higher than in the first half of last year and Westpac's overall market share was maintained above 20%;
- Business lending volumes increased 4% over the corresponding period with Westpac's business banking market share over 18%;
- Deposit balances increased by 22% on the first half of 2001, giving Westpac a 16% market share;
- Australian wealth management contributed \$114 million in operating profit, an increase of 13% over the prior corresponding period.

Dr Morgan said Westpac's customer focused strategy also involves delivering to the broader community. Our 184 community in-store branches provide a strong and viable platform for face-to-face banking in rural Australia. This is consistent with Westpac's 1998 commitment to maintain face-to-face banking services across rural Australia.

"In addition, we will trial Saturday branch openings in Sydney, as soon as the NSW Parliament passes the appropriate legislation. The customer feedback from the Bank of Melbourne and the recent Queensland trial show that Saturday trading is convenient for customers, particularly home buyers."

Outlook

The Australian economy has continued to perform well over the last 6 months. This strength has been led by continuing buoyancy of consumer confidence and resultant retail demand and residential construction activity.

From this base, the economy is well positioned to benefit from the emerging global recovery and should see Australia and New Zealand continue to enjoy solid growth for the remainder of the financial year.

However, the expectation of rising inflation, particularly given the continuing decline in unemployment, is likely to see official rates rise over the second half of the year. This is likely to return monetary policy to a more neutral position from its current accommodating stance.

In this environment we expect to see a continuation of sound lending growth but some moderation from the current cyclical high in home lending. Business lending growth is likely to improve consistent with business investment expectations.

Initiatives we have undertaken over the prior half combined with our strong staff commitment and customer focus are expected to assist us to maintain our earnings momentum into the second half of the financial year.

Further information: David Lording, Head of Media Relations
(02) 9226 3510

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2 RESULTS AT A GLANCE

	Six months to/as at			Mov't
	31 March 2002	30 Sept 2001	31 March 2001	Mar 2001- Mar 2002
Earnings				
Operating income ¹ (\$m)	3,522	3,456	3,281	7 %
Operating expenses (excluding amortisation of goodwill) \$m	1,739	1,758	1,714	1 %
Core earnings ^{2,3} (\$m)	1,783	1,698	1,567	14 %
Net profit attributable to equity holders (\$m)	1,018	979	924	10 %
Economic profit ⁴ (\$m)	652	614	584	12 %
Net interest spread	2.60	2.63	2.66	(6) bps
Net interest margin	2.90	3.10	3.14	(24) bps
Shareholder value				
Earnings per ordinary share ⁵ (cents)	54.8	52.9	49.9	10 %
Return on average ordinary equity ⁶ (%)	20.8	21.2	20.9	(10) bps
Fully franked dividends per ordinary share (cents)	34	32	30	13 %
Dividend payout ratio to ordinary shareholders ⁷ (%)	62.0	60.5	60.1	
Productivity and efficiency				
Productivity ratio ⁸	4.49	4.19	3.87	16 %
Expense to income ratio before amortisation of goodwill (%)	49.4	50.9	52.2	(280) bps
Implied full time equivalent staff (FTE) ⁹	26,704	28,534	29,241	(9) %
Capital adequacy				
Capital adequacy ratios				
Net capital ratio	10.2%	9.9%	9.4%	
Tier 1	6.8%	6.3%	5.7%	
Average ordinary equity (\$m)	9,511	8,970	8,620	10 %
Average total equity (\$m)	9,991	9,450	9,090	10 %
Assets				
Total assets (\$m)	186,192	189,845	184,912	1 %
Net loans and acceptances (\$m)	138,075	137,950	133,376	4 %
Securitised loans net of amortisation (\$m)	5,317	3,606	4,214	26 %
Risk adjusted assets (\$m)	124,056	127,242	124,395	-
Asset quality				
Total impaired assets to total loans and acceptances	0.6%	0.6%	0.6%	
Net impaired assets to equity and general provisions	4.4%	5.4%	5.6%	
Specific provisions to total impaired assets	41.3%	34.0%	32.5%	
Total provisions to total impaired assets	192%	177%	182%	
Total provisions to total loans and acceptances	1.2%	1.1%	1.2%	
Total bad and doubtful debt charge ⁶ to average loans and acceptances (basis points)	39	37	27	

1 Operating income includes net interest income, non interest income, and tax equivalent gross up.

2 Operating profit (including gross up) before charge for bad and doubtful debts, income tax and goodwill.

3 See note 2 on page 10 for explanation of gross-up.

4 Net profit attributable to ordinary equity holders before goodwill plus 70% of the face value of franked dividends less the minimum rate of return (12%) on equity invested.

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

6 Calculated on an annualised basis.

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

8 Net operating income/salaries and other staff expenses less restructuring expenses.

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

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3 REVIEW OF GROUP OPERATIONS¹

3.2 KEY FEATURES

3.1 SUMMARY

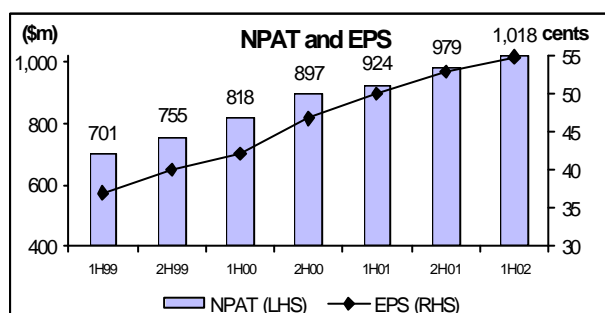
After tax profit for the six months ended 31 March 2002 was \$1,018 million, a 10% increase on the prior corresponding period.

Earnings per share grew 10% to 54.8 cents and economic profit was \$652 million, a 12% improvement on the first half of 2001.

The Directors intend declaring an interim dividend of 34 cents per ordinary share (fully franked), an increase of 4 cents (13%) over the 2001 interim dividend, which was also fully franked.

The result demonstrates the strength of our core earnings momentum. Over the past three years revenue has grown at a compound annual growth rate (CAGR) of 7% against a 1% CAGR in expenses. This has resulted in core earnings growth of 14% for the three years and 14% in this half from the prior corresponding period.

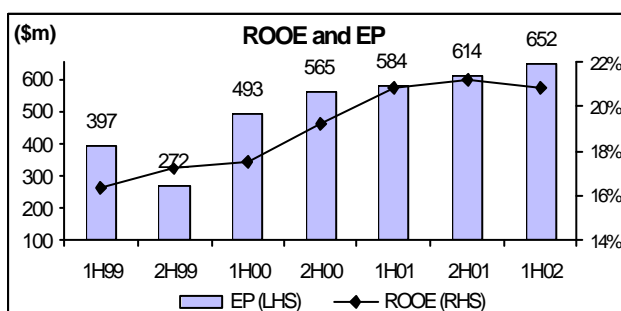
Despite the adverse impact of the current stage of the credit cycle, we have achieved net profit after tax (NPAT) and earnings per share (EPS) compound average growth of 13% and 14% respectively over the past three years.



Steadily improving earnings has continued to translate into economic profit (EP) growth. Over the three years to March 2002 economic profit has increased at an average annual rate of 17%.

The rise in economic profit occurred despite an accumulation of capital in the current half year due to strong organic capital generation.

Return on ordinary equity (ROOE) was broadly consistent with the prior corresponding period at 20.8%.



¹ Comparisons in this document are with the period ended 31 March 2001 unless otherwise stated.

Revenue Growth

Net operating income increased 7% on the prior corresponding period. This growth included the impact of tax recoveries² on policyholders' earnings recorded in our life company. Adjusted³ revenue was 6% higher than the first half of 2001.

Net interest income increased 6% with 15% growth in interest earning assets offset by softer margins. Interest margins contracted 24 basis points (8%) over the prior corresponding period largely as a result of lower official interest rates squeezing deposit margins and an increase in the differential between wholesale funding costs and the cash rate.

Adjusted³ non-interest income improved 7% driven by higher business transaction volumes in the core Australian retail businesses. Consistent with volume growth, lending fees increased 9% while transaction fees were 12% higher than the prior corresponding period.

Underpinning the sound revenue performance has been a further deepening in customer relationships. This is highlighted by a 17% increase in priority customers (typically those with whom we have a significant, multi-product relationship) to over 1.4 million customers. Other business highlights include:

- Australian mortgage outstandings increased 12% (adjusted for securitisation) and our average market share of new home lending was 22%⁴;
- outstanding balances on our bank issued credit cards are 15% higher than in the first half of last year and our overall market share was maintained above 20%;
- business lending volumes increased 4% from the previous corresponding period; and
- deposit balances increased 22% since March 2001.

Expense Management

We delivered a modest 1% cost growth over the prior corresponding period. This performance is a combination of our firm cost culture and the implementation of previous initiatives that are continuing to deliver efficiency benefits. Our outsourcing program and organisational simplification initiatives have been the primary drivers of this improvement.

Over the prior six months further programs have been implemented to contain cost growth including:

- in October 2001 we outsourced our mortgage processing and servicing to Electronic Data Systems resulting in the transfer of over 1,200 staff;
- in December 2001 we transferred our broking processing to Hartleys Limited; and
- in February we completed a further review of our non-customer facing areas to simplify our operations and remove bureaucracy. This review has led to ongoing savings of around \$66 million per annum.

² Tax recoveries relate to the tax on policyholders' investment earnings within our life company. This income is recognised by us to cover the tax payable by policyholders and has no impact on our after tax profit, as there is an offsetting amount in the tax expense.

³ References to adjusted amounts refer to our results excluding tax recoveries.

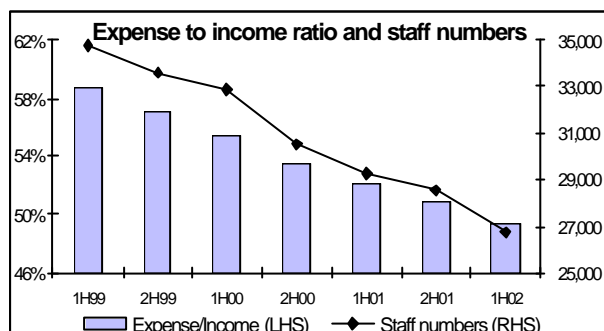
⁴ ABS – average over the five months to 28 February 2002.

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Restructuring charges of \$39 million have been included in our normal operating expenses.

These cost containment initiatives have continued our recent efficiency improvements and have allowed our expense to income ratio before amortisation of goodwill to fall to 49.4%.

Staff numbers¹ declined 9% to 26,704 on the prior corresponding period continuing the trend of recent years. This reduction includes the impact of both productivity improvements and outsourcing initiatives.



Capital Management

Our Tier 1 capital ratio stood at 6.8% at 31 March 2002 and the ratio of Tangible Ordinary Equity to Risk Adjusted Assets (TOE/RAA) at 6.7%. These are well in excess of our stated capital targets of 6.0-6.5% for Tier 1 and 5.6-5.8% for TOE/RAA.

The acquisition of Rothschild Australia Asset Management will reduce these ratios to: Tier 1 of 6.5% and TOE/RAA of 6.3%, still at or above the top end of our target ranges.

As foreshadowed in November 2001, we have conducted a comprehensive review of our capital strategy. Under this review we have determined that our current target capital ratios remain appropriate given our risk profile, growth aspirations and desire to maintain our strong credit rating.

While current capital ratios exceed our stated targets, we feel this is prudent in the short to medium term given the current stage of the credit cycle.

Any further announcement on capital management will follow the final resolution of the possible sale of AGC to GE Capital.

In the medium term we intend to increase the representation of hybrid equity within our capital base and have developed structures that could satisfy this objective. However, we do not expect to access this market until our tangible ordinary equity ratio moves closer to the minimum of our target range.

¹ Implied full time equivalent staff numbers including core full time equivalent, overtime, temporary staff and contractors.

Dividend Policy

We have reaffirmed our policy of increasing the dividend in line with the sustainable growth in franking capacity. The interim dividend intended to be declared of 34 cents would represent a 13% increase over the prior corresponding period and compares to growth in earnings per share of 10%. Consistent with a small increase in our franking capacity, the payout ratio has increased marginally to 62.0% for the half, up from 60.1% for the prior corresponding period.

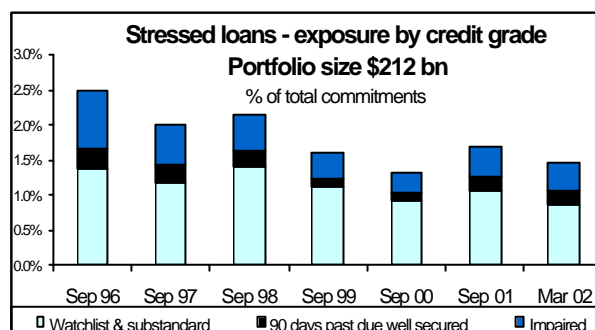
Asset Quality and Provisioning

We continue to maintain prudent provisioning levels and closely monitor our portfolios for quality and undue concentrations of risk.

Relatively low risk mortgages comprise 34% of total credit exposure while investment grade corporates and institutional counter parties account for a further 40%.

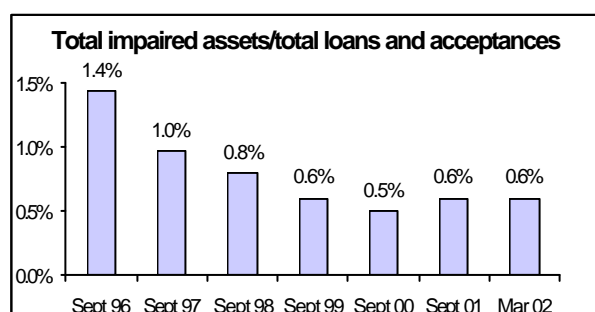
Our net bad and doubtful debts charge has increased to \$271 million, up from \$176 million in the prior corresponding period. The increase was due principally to a few well publicised corporate exposures where levels of potential loss exceeded long-term averages. Specific provision coverage of impaired assets increased from 32.5% to 41.3%.

In aggregate, asset quality has improved with stressed loans (including impaired and watchlist categories) declining 4 basis points from March 2001 to 1.46% of total commitments.



Three impaired counterparties have exposures greater than \$50 million, which account for 39% of total impaired assets. There are a further 14 impaired exposures that are less than \$50 million and greater than \$5 million.

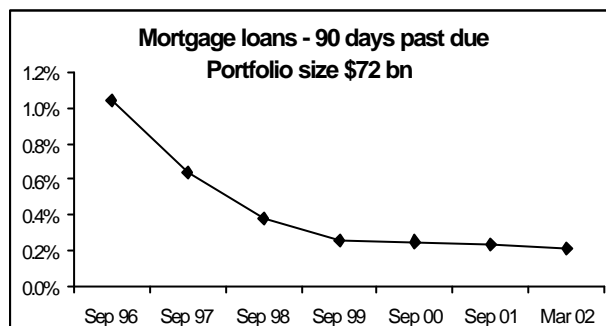
Total impaired assets as a percentage of total loans and acceptances remain at low levels.



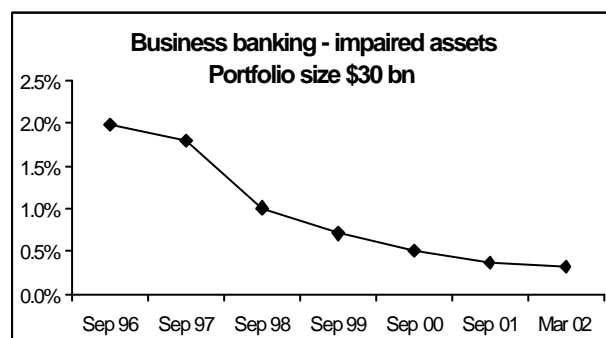
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The performance of our core portfolios has remained strong.

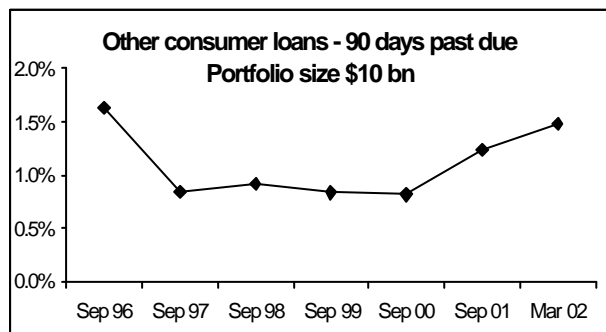
Mortgage loans accruing but 90 days past due declined to 0.21% of mortgage outstandings. This is a continuation of the favourable trend in this book over the past five years.



While we have grown our business lending portfolio over the past five years, this has not been at the expense of asset quality. The ratio of impaired assets in this portfolio has continued to decline due to the quality of new business written and close monitoring and effective work-out of any impaired facilities.



Other consumer loan delinquencies (including card, personal loan, CreditLine and motor retail products) rose to 1.48% of outstandings. The rise in delinquencies reflects a return to more normal levels for this portfolio and still remains at low levels.



3.3 STRATEGIC GROWTH DRIVERS

Customers

The foundation of our success is our 8.2 million customers. By meeting customer needs through providing integrated, total financial solutions we are continuing to generate strong organic business growth.

To improve service to our customers we have rolled out our customer relationship platform to our branches and call centres. In recent customer satisfaction surveys the number of customers who are very satisfied with us has increased 6% with a similar reduction in the number of customers who are unhappy with our service¹.

We have increased the number of priority customers (typically those with whom we have significant, multi-product relationships) by over 200,000 to 1.4 million over the year. We sell on average almost three products to these customers.

In October 2001, we set up a complaints review committee to help resolve complaints at first contact and increase overall customer satisfaction. We have set ourselves a goal of acknowledging all complaints within one day and resolving them within a five-day period. We currently resolve three quarters of complaints in that time.

We were ranked at the top of all participating national and international finance companies on our rating against ten service factors, including our attitude towards complaints².

Wealth Management

We have increased the number of Australian financial planners and advisors to 765, from 629 in March 2001. Twelve percent of our Australian retail customers have a wealth product with us.

We were the fifth largest retail funds manager in Australia³ and retail funds under management have increased by 10% on the prior corresponding period. Over 54% of our retail funds⁴ are out performing the median for their class.

In our New Zealand business, we are ranked first in the retail funds market with a 31% market share of new retail fund inflows.

We now have the largest domestic custody business in Australia with 27% market share. In January 2002 we received the Custodian of the Year Award⁵.

Westpac Broking is currently the second largest discount broker in Australia, holding over 14% market share of transaction volumes in March 2002.

Our enhanced cash management product, launched in November 2000, continues to grow rapidly with balances now over \$6 billion, up from \$2 billion in March 2001.

¹ Roy Morgan Research December 2001.

² Customer Services Institute of Australia 2001.

³ Assirt, December 2001.

⁴ With greater than \$10 million under management.

⁵ Australian Finance and Capital Markets INSTO Magazine, January 2002.

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Other Developments

We have expanded the reward scheme offered to credit card holders through the launch of our new Altitude program. This offers various redemption categories exclusive to us which allows part payment and part points for rewards. Our bank issued credit cards outstanding balances have increased by 15% and we have over 20% market share for these cards.

The number of online banking customers continues to grow rapidly, now over 1.4 million, an increase of 82% since March 2001, with our online market share at 24%¹. We have the highest level of customer satisfaction and online activity among the major banks for our online banking. The volume of our customer's value transactions processed on the internet has grown by 68%.

The number of products offered online has also continued to increase. New products include insurance, wealth management, business finance requests and online home loan application lodgement.

In February we launched our Business Online portal which combines our business banking and purchasing services in one place and includes a range of practical tailored services, tools and offers for business customers.

In other online developments we recently launched an aggregation service that enables customers to consolidate their online account information from different online account providers in one place, including share portfolios, bank accounts, frequent flyer mileage and managed funds.

Corporate and Social Responsibility

We see real links between delivering on our corporate and social responsibilities and creating sustainable value for shareholders.

Our customers and the general public have raised the bar on corporate social responsibility performance and they expect us to meet the challenge. The community are clearly signalling that they want to do business with companies that distinguish themselves in the pursuit of socially responsible and sustainable business practices.

Increasingly the marketplace is also recognising that companies performing strongly across the corporate social responsibility dimension are invariably good investments.

We will publish our first social, environmental and economic report in the near future incorporating a comprehensive set of performance indicators resulting from our extensive stakeholder dialogue program.

Our social and community programs include upholding our commitment to maintain services in rural communities; introducing a social safety net for low income and vulnerable customers; providing accessible ATMs for the vision impaired; and reducing our greenhouse gas emissions.

We have also continued our funding of rescue helicopter services and through our Matching Gifts program donated \$1.3 million to charities of our peoples' choice over the last 12 months.

Investing in social capital does not require a trade-off in our competitiveness. On the contrary, it puts us on the path, not just of stronger community relationships, but also to sustainable growth and business development.

In 2001 we were ranked the third best performing bank in the world by the Dow Jones sustainability world index. This measures the creation of long-term shareholder value based on economic, environmental and social criteria.

We were also the only top 150 listed company in Australia with a 5 star social and environmental rating in the corporate monitor sustainability rating².

3.4 POST BALANCE DATE EVENTS

On 23 April 2002 we announced that we had purchased the Rothschild Australia Asset Management business for \$323 million.

The combination of Rothschild's Australian wealth management and our existing business provides us with a springboard for accelerated growth in the wealth management area. Our expanded funds management business will be the fifth largest retail funds manager in Australia with \$17 billion of retail funds under management (FUM) and eighth largest overall with \$34 billion of total FUM.

On 2 May 2002, we entered into an agreement to sell our interest in Australian Guarantee Corporation Limited to GE Capital, subject to ACCC approval. It is estimated that a gain of a minimum of \$750 million will be recorded on this transaction during the second half of the year.

3.5 OUTLOOK

The Australian economy has continued to perform well over the last six months and in many respects has led the world in terms of its resilience to weak global activity. This strength has been led by continuing buoyancy of consumer confidence and resultant retail demand and residential construction activity.

The emerging global recovery should see Australia and New Zealand continue to enjoy solid growth for the remainder of the financial year.

Importantly, to date the economy has sustained growth without igniting inflation. However, the expectation of rising inflation particularly given the continuing decline in unemployment is likely to see official interest rates rise over the second half of the year. The widely expected increase in official interest rates should return monetary policy to a more neutral position from its current accommodating stance.

In this environment we expect to see a continuation of sound lending growth. In terms of composition, some easing in the strong growth in housing lending is anticipated while business lending growth is likely to improve consistent with capital investment expectations.

Initiatives we have undertaken over the prior half combined with our strong staff commitment and customer focus are expected to assist us to maintain our earnings momentum over the balance of the financial year.

¹ Market Intelligence Strategy Centre, December 2001.

² Ethical Investor Magazine, April 2002.

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4 STATEMENT OF FINANCIAL PERFORMANCE

4.1 STATEMENT OF FINANCIAL PERFORMANCE

\$m	Six months to			% Mov't Mar 2001- Mar 2002
	31 March 2002	30 Sept 2001	31 March 2001	
Interest income				
Deposits with banks	91	113	117	(22)
Investment and trading securities	304	320	381	(20)
Statutory deposits	5	11	18	(72)
Loans and other receivables ¹	4,204	4,513	4,785	(12)
Interest income	4,604	4,957	5,301	(13)
Fully tax equivalent gross up ²	67	78	71	(6)
Interest income (including gross up)	4,671	5,035	5,372	(13)
Interest expense				
Current and term deposits	(1,697)	(1,722)	(2,033)	17
Public borrowings	(124)	(161)	(184)	33
Deposits from banks	(100)	(149)	(139)	28
Loan capital	(104)	(156)	(195)	47
Other liabilities	(486)	(679)	(789)	38
Interest expense	(2,511)	(2,867)	(3,340)	25
Net interest income (including gross up)	2,160	2,168	2,032	6
Non-interest income				
Fees and commissions received	1,109	1,092	998	11
Fees and commissions paid ¹	(282)	(269)	(216)	(31)
Proceeds from sale of assets	736	469	286	157
Carrying value of assets sold	(689)	(432)	(281)	(145)
Net life insurance and funds management income	310	233	291	7
Other non-interest income	178	195	171	4
Total non-interest income	1,362	1,288	1,249	9
Net operating income (including gross up)	3,522	3,456	3,281	7
Operating expenses				
Salaries and other staff expenses	(823)	(856)	(888)	7
Equipment and occupancy expenses	(291)	(333)	(315)	8
Other expenses	(625)	(569)	(511)	(22)
Total operating expenses (excluding amortisation of goodwill)	(1,739)	(1,758)	(1,714)	(1)
Core earnings	1,783	1,698	1,567	14
Amortisation of goodwill	(49)	(49)	(49)	-
Operating profit before bad and doubtful debts (including gross up)	1,734	1,649	1,518	14
Bad and doubtful debts	(271)	(257)	(176)	(54)
Profit from ordinary activities before income tax (including gross up)	1,463	1,392	1,342	9
Fully tax equivalent gross up ²	(67)	(78)	(71)	6
Profit from ordinary activities before income tax	1,396	1,314	1,271	10
Income tax expense	(376)	(332)	(345)	(9)
Net profit attributable to outside equity interests	(2)	(3)	(2)	-
Net profit attributable to equity holders of Westpac Banking Corporation	1,018	979	924	10

1 Guarantee fees in respect of certain structured finance transactions treated as yield adjustments to interest income were previously reported as part of fees and commissions paid. Comparative for the period ended 31 March 2001 has been restated by \$31 million. The change has no impact on net profit.

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.

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4.2 MOVEMENTS IN RETAINED PROFITS

\$m	Six months to			% Mov't Mar 2001- Mar 2002
	31 March 2002	30 Sept 2001	31 March 2001	
Retained profits at the beginning of the financial period	4,174	3,815	3,435	22
Net profit attributable to equity holders	1,018	979	924	10
Aggregate of amounts transferred (to)/from reserves	(2)	(22)	15	n/a
Total available for appropriation	5,190	4,772	4,374	19
Dividends provided for or paid	(619)	(572)	(534)	16
Distributions on other equity instruments	(25)	(26)	(25)	-
Retained profits at the end of the financial period	4,546	4,174	3,815	19

4.3 EARNINGS PER SHARE

	Six months to			% Mov't Mar 2001- Mar 2002
	31 March 2002	30 Sept 2001	31 March 2001	
Earnings (cents) per ordinary share ¹ after deducting distributions on other equity instruments:				
Basic	54.8	52.9	49.9	10
Fully diluted ²	54.5	52.8	49.5	10
Weighted average number of fully paid ordinary shares (millions)	1,812	1,801	1,804	-

4.4 DIVIDENDS

Cents per share	Six months to		
	31 March 2002	30 Sept 2001	31 March 2001
Ordinary dividend			
Interim (fully franked) ³	34	-	30
Final (fully franked) ³	-	32	-
	34	32	30
Total dividend provided for or paid	\$m	\$m	\$m
Ordinary dividends provided or paid	619	572	541
Under/(over) provision from previous period	-	-	(7)
	619	572	534
Ordinary dividend payout ratio	62.0%	60.5%	60.1%
Distributions on other equity instruments			
TOPrS SM distributions provided for or paid	25	26	25
Total distributions on other equity instruments	25	26	25

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

² Fully diluted earnings per share is calculated after adjusting for partly paid shares and options outstanding in accordance with the revised accounting standard AASB1027 and comparatives, where applicable, have been restated.

³ The interim and final dividends for the NZ Class shares are fully imputed.

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4.5 INTEREST SPREAD AND MARGIN ANALYSIS

4.5.1 Spread and Margin Analysis

%	Six months to		
	31 March 2002	30 Sept 2001	31 March 2001
Group			
Interest spread on productive assets ¹	2.62	2.65	2.68
Impact of impaired loans	(0.02)	(0.02)	(0.02)
Interest spread ²	2.60	2.63	2.66
Benefit of net non-interest bearing liabilities and equity ³	0.30	0.47	0.48
Interest margin	2.90	3.10	3.14
Australia			
Interest spread on productive assets ¹	2.66	2.63	2.71
Impact of impaired loans	(0.01)	(0.01)	(0.02)
Interest spread ²	2.65	2.62	2.69
Benefit of net non-interest bearing liabilities and equity ³	0.28	0.46	0.41
Interest margin	2.93	3.08	3.10
New Zealand			
Interest spread on productive assets ¹	2.93	3.05	3.15
Impact of impaired loans	(0.01)	(0.02)	(0.02)
Interest spread ²	2.92	3.03	3.13
Benefit of net non-interest bearing liabilities and equity ³	0.15	0.31	0.12
Interest margin	3.07	3.34	3.25
Other Overseas			
Interest spread on productive assets ¹	0.39	0.60	0.36
Impact of impaired loans	(0.02)	(0.02)	-
Interest spread ²	0.37	0.58	0.36
Benefit of net non-interest bearing liabilities and equity ³	0.29	0.35	0.78
Interest margin	0.66	0.93	1.14

Group

Interest spread decreased 6 basis points and interest margin decreased 24 basis points on the first half of 2001. The main contributing factor for the decline was lower interest rates squeezing deposit margins and reducing interest earnings on capital.

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.

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4.5.2 Average Balance Sheets and Interest Rates

	Six months to 31 March 2002			Six months to 30 Sept 2001			Six months to 31 March 2001		
	Average Balance \$m	Average Interest \$m	Average Rate %	Average Balance \$m	Average Interest \$m	Average Rate %	Average Balance \$m	Average Interest \$m	Average Rate %
Assets									
Interest earning assets									
Due from other financial institutions									
Australia	2,244	34	3.0	2,001	42	4.2	1,235	26	4.2
New Zealand	1,629	27	3.3	1,530	29	3.8	1,614	38	4.7
Other Overseas	1,691	30	3.6	1,537	42	5.5	1,611	53	6.6
Investment and trading securities									
Australia	9,232	211	4.6	8,324	215	5.2	7,836	234	6.0
New Zealand	850	28	6.6	783	33	8.4	861	40	9.3
Other Overseas	2,701	65	4.8	2,627	72	5.5	2,855	107	7.5
Regulatory deposits									
Other Overseas	440	5	2.3	443	11	5.0	531	18	6.8
Loans and other receivables									
Australia	103,758	3,363	6.5	95,850	3,530	7.3	88,758	3,754	8.5
New Zealand	23,050	808	7.0	22,186	919	8.3	20,468	935	9.2
Other Overseas	3,130	92	5.9	4,022	134	6.6	3,954	155	7.9
Impaired loans									
Australia	351	3	1.7	346	3	1.7	332	3	1.8
New Zealand	103	2	3.9	130	2	3.1	118	3	5.1
Other Overseas	310	3	1.9	184	3	3.3	172	6	7.0
Intragroup receivable									
Other Overseas	16,818	247	2.9	15,447	402	5.2	17,319	543	6.3
Interest earning assets and interest income including intragroup	166,307	4,918	5.9	155,410	5,437	7.0	147,664	5,915	8.0
Intragroup elimination	(16,818)	(247)		(15,447)	(402)		(17,319)	(543)	
Total interest earning assets and interest income	149,489	4,671	6.3	139,963	5,035	7.2	130,345	5,372	8.3
Non-interest earning assets									
Cash, due from other financial institutions and regulatory deposits	2,524			795			823		
Life insurance investment assets	7,639			7,440			7,474		
Other assets ¹	16,057			16,740			22,526		
Provisions for doubtful debts									
Australia	(1,413)			(1,351)			(1,299)		
New Zealand	(82)			(96)			(88)		
Other Overseas	(154)			(115)			(125)		
Total non-interest earning assets	24,571			23,413			29,311		
Acceptances									
Australia	10,497			16,598			16,710		
Other Overseas	12			20			32		
Total assets	184,569			179,994			176,398		

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

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

	Six months to 31 March 2002			Six months to 30 Sept 2001			Six months to 31 March 2001		
	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	68,873	1,177	3.4	57,246	1,094	3.8	55,368	1,309	4.7
New Zealand	16,270	349	4.3	15,962	405	5.1	14,590	401	5.5
Other Overseas	9,921	171	3.5	9,299	223	4.8	10,119	323	6.4
Public borrowings by subsidiary borrowing corporations									
Australia	4,851	124	5.1	5,825	161	5.5	6,147	183	6.0
New Zealand	4	-	-	2	-	-	12	1	16.7
Due to other financial institutions									
Australia	1,923	32	3.3	2,025	44	4.3	1,035	27	5.2
New Zealand	206	4	3.9	298	6	4.0	128	4	6.3
Other Overseas	3,572	64	3.6	3,850	99	5.1	3,760	108	5.8
Loan capital									
Australia	4,644	102	4.4	4,945	154	6.2	4,943	194	7.9
New Zealand	41	2	9.8	41	2	9.7	39	1	5.1
Other interest bearing liabilities									
Australia	17,434	356	4.1	16,580	449	5.4	13,524	476	7.1
New Zealand	141	5	7.1	222	2	1.8	316	11	7.0
Other Overseas	9,387	125	2.7	9,367	228	4.9	9,353	302	6.5
Intragroup payable									
Australia	8,852	134	3.0	8,872	245	5.5	9,842	317	6.5
New Zealand	7,966	113	2.8	6,575	157	4.8	7,477	226	6.1
Interest bearing liabilities and interest expense including intragroup									
	154,085	2,758	3.6	141,109	3,269	4.6	136,653	3,883	5.7
Intragroup elimination									
	(16,818)	(247)		(15,447)	(402)		(17,319)	(543)	
Total interest bearing liabilities and interest expense									
	137,267	2,511	3.7	125,662	2,867	4.6	119,334	3,340	5.6
Non-interest bearing liabilities									
Deposits and due to other financial institutions									
Australia	3,563			3,878			3,742		
New Zealand	964			889			911		
Other Overseas	242			245			245		
Life insurance policy liabilities									
	7,424			7,391			6,909		
Other liabilities¹									
	14,609			15,861			19,425		
Total non-interest bearing liabilities									
	26,802			28,264			31,232		
Acceptances of customers									
Australia	10,497			16,598			16,710		
Other Overseas	12			20			32		
Total liabilities									
	174,578			170,544			167,308		
Ordinary shareholders' equity									
	9,511			8,970			8,620		
TOPrS									
	465			465			465		
Outside equity interests									
	15			15			5		
Total equity									
	9,991			9,450			9,090		
Total liabilities and equity									
	184,569			179,994			176,398		

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

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

	Six months to 31 March 2002			Six months to 30 Sept 2001			Six months to 31 March 2001		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
Interest earning assets (including impaired loans)									
Australia	115,585	3,611	6.3	106,521	3,790	7.1	98,161	4,017	8.1
New Zealand	25,632	865	6.8	24,629	983	8.0	23,061	1,016	8.7
Other Overseas	25,090	442	3.6	24,260	664	5.5	26,442	882	6.7
Intragroup	(16,818)	(247)		(15,447)	(402)		(17,319)	(543)	
Group	149,489	4,671	6.3	139,963	5,035	7.2	130,345	5,372	8.3
Interest bearing liabilities									
Australia	106,577	1,925	3.6	95,493	2,147	4.5	90,859	2,506	5.4
New Zealand	24,628	473	3.9	23,100	572	5.0	22,562	644	5.6
Other Overseas	22,880	360	3.2	22,516	550	4.9	23,232	733	6.3
Intragroup	(16,818)	(247)		(15,447)	(402)		(17,319)	(543)	
Group	137,267	2,511	3.7	125,662	2,867	4.6	119,334	3,340	5.6
Interest spread									
Australia			2.7			2.6			2.7
New Zealand			2.9			3.0			3.1
Other Overseas			0.4			0.6			0.4
Group			2.6			2.6			2.7

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4.6 NON-INTEREST INCOME ANALYSIS

\$m	Six months to			% Mov't Mar 2001- Mar 2002
	31 March 2002	30 Sept 2001	31 March 2001	
Fees and commissions				
Lending fees	365	348	334	9
Transaction fees and commissions received	623	634	557	12
Other non-risk fee income	119	107	105	13
Fees and commissions paid ¹	(282)	(269)	(216)	(31)
Service and management fees	2	3	2	-
	827	823	782	6
Trading income				
Foreign exchange income	153	170	147	4
Trading securities	7	27	(4)	n/a
Other financial instruments	(14)	(54)	(12)	(17)
	146	143	131	11
Insurance and funds management income				
Life insurance and funds management operating income	310	233	291	7
General insurance commissions and premiums (net of claims paid)	33	26	22	50
	343	259	313	10
Other income				
Dividends received	13	24	27	(52)
Lease rentals	5	6	5	-
Cost of hedging overseas operations	(12)	(10)	(7)	(71)
Net profit on sale of fixed assets	14	6	3	367
Other	26	37	(5)	n/a
	46	63	23	100
Non-interest income	1,362	1,288	1,249	9

Reported non-interest income increased by \$113 million or 9% on the prior corresponding period. The increase included the impact of tax recoveries on policy holders' earnings in our Life company. Adjusted for tax recoveries, non-interest income increased by 7% on the first half of 2001.

Net fees and commissions increased by 6% or \$45 million on the prior corresponding period, driven by:

- lending fees increased 9% or \$31 million to \$365 million reflecting increased loan volumes and collection rates;
- transaction fees and commissions received increased 12% or \$66 million due to increased transaction activity; and
- fees and commissions paid increased by \$66m or 31% to \$282 million largely as a result of increased credit card activity.

Trading income increased by 11% on the prior corresponding period. A more complete picture of the performance of our financial market activities including net interest income is included in the following table:

\$m	Six months to			% Mov't Mar 2001- Mar 2002
	31-Mar 2002	30-Sep ² 2001	31-Mar ² 2001	
Trading income	146	143	131	11
Dividend income	13	24	26	(50)
Other non-interest income	12	12	12	-
Total non-interest income	171	179	169	1
Net interest income	66	79	82	(20)
Total continuing business	237	258	251	(6)
Discontinued business ²	-	(11)	(13)	-
Total financial markets income	237	247	238	-

After adjusting for the impact of tax recoveries, our insurance and funds management income was flat on the prior corresponding period. The first half of 2001 included \$28 million from the relinquishment of the management rights of our property trust. For a detailed analysis of our insurance and funds management performance, please refer to section 9 of this document.

Included within other income is the profit on asset sales including the disposal of our remaining interest in 60 Martin Place. The prior corresponding period included an \$8 million write down of our interest in the business to business (B2B) company Qvalent Pty Ltd (formerly Metiom Australasia Pty Ltd).

¹ Guarantee fees in respect of certain structured finance transactions treated as yield adjustments to interest income were previously reported as part of fees and commissions paid. Comparative for the period ended 31 March 2001 has been restated by \$31 million. The change has no impact on net profit.

² Comparatives figures included income from our foreign bank note business which was sold in September 2001.

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4.7 OPERATING EXPENSE ANALYSIS

\$m	Six months to			% Mov't Mar 2001- Mar 2002
	31 March 2002	30 Sept 2001	31 March 2001	
Salaries and other staff expenses				
Salaries and wages	625	651	656	(5)
Restructuring expenses	39	31	41	(5)
Other staff expenses	159	174	191	(17)
	823	856	888	(7)
Equipment and occupancy expenses				
Operating lease rentals	129	146	136	(5)
Depreciation and amortisation:				
Premises	2	5	6	(67)
Leasehold improvements	14	16	15	(7)
Furniture and equipment	27	23	26	4
Technology	32	34	33	(3)
Computer software	58	79	58	-
Electricity, water, rates and land tax	3	4	3	-
Other equipment and occupancy expenses	26	26	38	(32)
	291	333	315	(8)
Other expenses				
Amortisation of goodwill	49	49	49	-
Amortisation of deferred expenditure	30	11	11	173
Non-lending losses	32	36	22	46
Consultancy fees, computer software maintenance, IT outsourcing costs and other professional services	282	258	198	42
Stationery	46	44	47	(2)
Postage and telecommunications	128	131	119	8
Insurance	4	5	6	(33)
Advertising	39	37	52	(25)
Transaction taxes	11	3	7	57
Training	7	6	9	(22)
Travel	23	24	27	(15)
Other expenses	23	14	13	77
	674	618	560	20
Operating expenses	1,788	1,807	1,763	1
Productivity ratio ¹	4.49	4.19	3.87	
Expense/income ratio before amortisation of goodwill	49.4%	50.9%	52.2%	

We have maintained a strong focus on costs through our ongoing efficiency programs. Expense growth has been held to 1% on the prior corresponding period and our expense to income ratio before amortisation of goodwill reduced to 49.4%.

The composition of our expense base has changed as we have sought efficiencies by outsourcing operational and processing activities.

- Salaries and staff expenses have reduced by 7% largely as a result of our continuing outsourcing programs and initiatives to reduce bureaucracy by streamlining non customer facing areas. The number of full-time equivalent employees¹ decreased from 29,241 to 26,704 (or 9%) over the twelve months since March 2001.

- Equipment and occupancy expenses decreased 8% as we have optimised the use of our distribution network and other premises.
- Consultancy and other professional services expenses increased in line with the outsourcing of a number of operational activities.

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

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4.8 INCOME TAX

\$m	Six months to			% Mov't
	31 March 2002	30 Sept 2001	31 March 2001	Mar 2001- Mar 2002
INCOME TAX EXPENSE				
Profit from ordinary activities before income tax (including gross up)	1,463	1,392	1,342	9
Fully tax equivalent gross up	(67)	(78)	(71)	(6)
Profit from ordinary activities before income tax (excluding gross up)	<u>1,396</u>	<u>1,314</u>	<u>1,271</u>	<u>10</u>
Prima facie income tax based on the company tax rate of 30% (2001 @ 34%) in Australia	419	447	432	(3)
Add/(deduct) tax effect of permanent differences				
Change in tax rate	-	(7)	8	(100)
Rebateable and exempt dividends	(45)	(47)	(50)	(10)
Tax losses and timing differences not/(now) tax effected	38	(8)	(19)	(300)
Life insurance :				
Tax adjustment on policyholders' earnings ¹	10	(16)	(11)	(191)
Adjustment for life business tax rates	(6)	(12)	(7)	(14)
Change in excess of net market value over net assets of life insurance subsidiaries	(7)	(9)	(7)	-
Other non-assessable items	(37)	(7)	(23)	61
Other non-deductible items	23	1	28	(18)
Adjustment for overseas tax rates	(4)	(10)	(7)	(43)
Prior period adjustments	(16)	(2)	4	(500)
Other items	<u>1</u>	<u>2</u>	<u>(3)</u>	<u>(133)</u>
Total income tax expense attributable to profit from ordinary activities	376	332	345	9
Fully taxable equivalent gross up	67	78	71	(6)
Total income tax expense (including gross up)	<u>443</u>	<u>410</u>	<u>416</u>	<u>6</u>
Effective tax rate (%) (including gross up)	30.3	29.5	31.0	(2)

¹ In accordance with the requirements of Australian accounting standard AASB 1038 Life Insurance Business, our tax expense for the period includes a \$14 million tax charge for income tax on policyholders' investment earnings (\$25 million tax credit in second half 2001 and \$16 million tax credit in the first half 2001), \$4 million of which is in the prima facie tax expense and the balance of \$10 million shown here.

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5 STATEMENT OF FINANCIAL POSITION

5.1 STATEMENT OF FINANCIAL POSITION

As at \$m	31 March 2002	30 Sept 2001	31 March 2001	% Mov't Mar 2001- Mar 2002
Assets				
Cash and balances with central banks	2,127	1,079	588	262
Due from other financial institutions	5,937	5,094	3,554	67
Trading securities	10,014	10,629	8,841	13
Investment securities	2,751	2,960	3,356	(18)
Loans	133,282	122,250	116,830	14
Acceptances of customers	4,793	15,700	16,546	(71)
Life insurance investment assets	7,843	7,352	7,395	6
Regulatory deposits with central banks overseas	452	482	567	(20)
Goodwill	1,449	1,501	1,548	(6)
Fixed assets	931	1,034	1,137	(18)
Deferred tax assets	446	441	449	(1)
Other assets	16,167	21,323	24,101	(33)
Total assets	186,192	189,845	184,912	1
Liabilities				
Due to other financial institutions	6,867	5,954	5,615	22
Deposits and public borrowings	109,292	96,157	92,532	18
Debt issues	24,856	27,989	26,048	(5)
Acceptances	4,793	15,700	16,546	(71)
Tax liabilities	658	706	468	41
Life insurance policy liabilities	7,538	7,123	7,066	7
Provisions	1,002	1,038	1,016	(1)
Other liabilities	16,418	20,635	21,177	(22)
Total liabilities excluding loan capital	171,424	175,302	170,468	1
Loan capital				
Subordinated bonds, notes and debentures	3,846	4,045	4,523	(15)
Subordinated perpetual notes	734	793	797	(8)
Total loan capital	4,580	4,838	5,320	(14)
Total liabilities	176,004	180,140	175,788	-
Net assets	10,188	9,705	9,124	12
Equity				
Share capital	1,764	1,751	1,735	2
NZ Class shares (54 million NZ Class shares)	482	482	482	-
Trust originated preferred securities (TOPRS SM)	465	465	465	-
Reserves	2,915	2,819	2,615	11
Retained profits	4,546	4,174	3,815	19
Equity attributable to equity holders of Westpac Banking Corporation	10,172	9,691	9,112	12
Outside equity interests in controlled entities	16	14	12	33
Total equity	10,188	9,705	9,124	12

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5.1.1 Loans

As at \$m	31 March 2002	30 Sept 2001	31 March 2001	% Mov't Mar 2001- Mar 2002
Australia				
Overdrafts	3,019	3,488	3,245	(7)
Credit card outstandings	5,690	5,631	5,564	2
Overnight and call money market loans	188	305	258	(27)
Own acceptances discounted	13,157	3,270	3,005	338
Term loans:				
Housing	55,964	53,877	50,335	11
Non-housing ¹	25,093	24,164	22,442	12
Finance leases	1,693	1,770	1,915	(12)
Investments in leveraged lease and equity lease	30	202	246	(88)
Redeemable preference share finance	-	-	413	(100)
Other ¹	3,227	3,209	3,827	(16)
Total - Australia	108,061	95,916	91,250	18
New Zealand				
Overdrafts	789	855	1,042	(24)
Credit card outstandings	853	778	690	24
Overnight and call money market loans	665	657	559	19
Term loans:				
Housing	11,312	10,968	10,803	5
Non-housing ¹	6,527	6,734	6,157	6
Finance leases	26	27	26	-
Redeemable preference share finance	2,791	2,792	2,118	32
Other ¹	821	933	1,046	(22)
Total - New Zealand	23,784	23,744	22,441	6
Other Overseas				
Overdrafts	149	165	177	(16)
Term loans:				
Housing	270	261	266	2
Non-housing ¹	1,586	2,284	2,102	(25)
Finance leases	19	20	24	(21)
Redeemable preference share finance	-	-	412	(100)
Other ¹	1,070	1,461	1,723	(38)
Total - Other Overseas	3,094	4,191	4,704	(34)
Total gross loans	134,939	123,851	118,395	14
Provisions for bad and doubtful debts	(1,657)	(1,601)	(1,565)	6
Total net loans	133,282	122,250	116,830	14
Securitised loans				
Housing loans				
Australia	4,418	2,857	3,434	29
New Zealand	802	749	780	3
Other loans	97	-	-	-
Securitised loans²	5,317	3,606	4,214	26

¹ Categories in which certain loans are reported have been revised. Comparatives for the period ended 31 March 2001 has been restated in Australia resulting in a reduction in other loans of \$3,034 million and an increase in term loans non-housing of \$3,148 million. Minor changes have been made to other categories of loans including changes in New Zealand and a reclassification between New Zealand and other overseas loans.

² Net of amortisation in loans securitised.

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5.1.2 Deposits and Public Borrowings

As at \$m	31 March 2002	30 Sept 2001	31 March 2001	% Mov't Mar 2001- Mar 2002
DEPOSITS				
Australia				
Non-interest bearing	3,676	3,666	3,430	7
Certificates of deposit	16,885	4,137	3,946	<i>large</i>
Other interest bearing:				
At call ¹	41,807	39,479	38,155	10
Term ¹	15,209	15,828	14,523	5
Total deposits in Australia	77,577	63,110	60,054	29
New Zealand				
Non-interest bearing	848	847	850	-
Certificates of deposit	2,464	2,679	2,120	16
Other interest bearing:				
At call ¹	5,737	5,703	5,979	(4)
Term ¹	8,306	8,136	7,640	9
Total deposits in New Zealand	17,355	17,365	16,589	5
Other Overseas				
Non-interest bearing	199	201	253	(21)
Certificates of deposit	3,964	3,983	3,685	8
Other interest bearing:				
At call ¹	530	489	527	1
Term ¹	6,095	5,295	5,380	13
Total deposits Other Overseas	10,788	9,968	9,845	10
Total deposits	105,720	90,443	86,488	22
PUBLIC BORROWINGS BY SUBSIDIARY BORROWING CORPORATIONS				
Australia				
Secured	3,094	3,695	3,695	(16)
Unsecured	475	2,015	2,339	(80)
Total public borrowings in Australia	3,569	5,710	6,034	(41)
New Zealand				
Secured	3	4	10	(70)
Total public borrowings in New Zealand	3	4	10	(70)
Total public borrowings by subsidiary borrowing corporations	3,572	5,714	6,044	(41)

¹ The categories in which certain deposits are reported have been revised. Comparatives for the period ending 31 March 2001 has been restated resulting in movements between other interest bearing term deposits and other interest bearing at call deposits.

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6 ASSET QUALITY

6.1 IMPAIRED ASSETS

As at \$m	31 March 2002			30 Sept 2001			31 March 2001		
	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net
Non-accrual assets									
Australia	452	(184)	268	540	(163)	377	512	(115)	397
New Zealand	89	(22)	67	119	(32)	87	114	(32)	82
Other Overseas	307	(149)	158	207	(104)	103	170	(123)	47
Total	848	(355)	493	866	(299)	567	796	(270)	526
Restructured assets									
Australia	4	(1)	3	29	(8)	21	32	(9)	23
New Zealand	1	-	1	1	-	1	17	-	17
Other Overseas	8	-	8	6	-	6	13	-	13
Total	13	(1)	12	36	(8)	28	62	(9)	53
Total impaired assets¹	861	(356)	505	902	(307)	595	858	(279)	579

6.2 ITEMS PAST DUE 90 DAYS BUT WELL SECURED²

As at \$m	31 March 2002	30 Sept 2001	31 March 2001
Australia			
Housing products	60	67	80
Other products	77	80	114
Total Australia	137	147	194
New Zealand			
Housing products	51	55	57
Other products	199	200	5
Total Overseas	259	264	73
Total	396	411	267

6.3 INCOME ON NON-ACCRUAL AND RESTRUCTURED ASSETS

\$m	Six months to		
	31 March 2002	30 Sept 2001	31 March 2001
Interest received on non-accrual and restructured assets	8	8	12
Estimated interest forgone on non-accrual and restructured assets	24	20	17
Interest yield on average non-accrual and restructured assets (annualised)	2.1%	2.4%	3.9%

¹ Includes off-balance sheet items of \$93 million (\$122 million as at 30 September 2001, \$192 million as at 31 March 2001).

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, for housing products usually by residential property, and are spread across a range of customer and product groups, including housing, overdraft and bill acceptance facilities.

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6.4 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

\$m	Six months to			% Mov't
	31 March 2002	30 Sept 2001	31 March 2001	Mar 2001- Mar 2002
General provision				
Balance at beginning of period	1,294	1,286	1,212	7
Charge to net profit	271	257	176	54
Transfer to specific provisions	(102)	(96)	(17)	500
Recoveries of debts previously written off	49	67	35	40
Write-offs	(208)	(222)	(134)	55
Provisions of controlled entities/businesses acquired/(disposed)	-	-	3	(100)
Exchange rate and other adjustments	(3)	2	11	n/a
Balance at period end	<u>1,301</u>	<u>1,294</u>	<u>1,286</u>	<u>1</u>
Specific provisions				
Balance at beginning of period	307	279	266	15
Transfer from/(to) general provision comprising:				
New specific provisions	154	181	42	267
Specific provisions no longer required	(52)	(85)	(25)	108
	<u>102</u>	<u>96</u>	<u>17</u>	<u>500</u>
Write-offs	(41)	(69)	(17)	141
Provisions of controlled entities/businesses acquired/(disposed)	-	-	2	(100)
Exchange rate and other adjustments	(12)	1	11	n/a
Balance at period end	<u>356</u>	<u>307</u>	<u>279</u>	<u>28</u>
Total provisions for bad and doubtful debts	<u>1,657</u>	<u>1,601</u>	<u>1,565</u>	<u>6</u>

6.5 IMPAIRED ASSETS AND RATIOS

As at %	31 March 2002	30 Sept 2001	31 March 2001
Total impaired assets to total loans and acceptances	0.6	0.6	0.6
Specific provisions to total impaired assets	41.3	34.0	32.5
Total provisions to total impaired assets	192	177	182
Total provisions to total loans and acceptances	1.2	1.1	1.2
Total impaired assets to equity and total provisions	7.3	8.0	8.0
Net impaired assets to equity and general provisions	<u>4.4</u>	<u>5.4</u>	<u>5.6</u>

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6.6 CHARGE FOR BAD AND DOUBTFUL DEBTS

\$m	31 March 2002	Six months to 30 Sept 2001	31 March 2001	% Mov't Mar 2001- Mar 2002
GENERAL PROVISION:				
Recoveries of debts previously written off				
Business and Consumer Banking	(41)	(49)	(21)	95
Westpac Institutional Bank	(3)	(10)	(2)	50
WestpacTrust and Pacific Banking	(5)	(8)	(12)	(58)
	(49)	(67)	(35)	40
Write-offs				
Business and Consumer Banking	184	184	122	51
Westpac Institutional Bank	2	14	-	-
WestpacTrust and Pacific Banking	22	24	12	83
	208	222	134	55
Dynamic provisioning charge	10	6	60	(83)
Transfer to specific provisions	102	96	17	large
Charge for bad and doubtful debts	271	257	176	54
SPECIFIC PROVISIONS:				
New provisions				
Business and Consumer Banking	25	55	27	(7)
Westpac Institutional Bank	122	100	-	large
WestpacTrust and Pacific Banking	7	26	15	(53)
	154	181	42	267
No longer required				
Business and Consumer Banking	(17)	(18)	(9)	89
Westpac Institutional Bank	(28)	(19)	(9)	211
WestpacTrust and Pacific Banking	(7)	(48)	(7)	-
	(52)	(85)	(25)	108
Transfer from general provisions	102	96	17	large
Bad and doubtful debts charge to average loans and acceptances annualised (basis points)	39	37	27	12bps

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7 CAPITAL ADEQUACY

As at \$m	31 March 2002	30 Sept 2001	31 March 2001
Tier 1 capital			
Total equity	10,188	9,705	9,124
Premises revaluation reserve	(1)	(8)	(19)
Goodwill assets	(1,449)	(1,501)	(1,548)
Estimated reinvestment under dividend reinvestment plan ¹	123	115	143
Retained earnings, reserves and goodwill in life and general insurance, funds management and securitisation entities ²	(397)	(229)	(643)
<u>Equity in captive lenders mortgage insurance entities ²</u>	<u>(25)</u>	<u>(21)</u>	<u>(19)</u>
Total Tier 1 capital	8,439	8,061	7,038
Tier 2 capital			
Premises revaluation reserve	1	8	19
Subordinated undated capital notes	734	793	797
General provision for doubtful debts	1,301	1,294	1,286
Future income tax benefit related to general provision	(381)	(389)	(403)
Eligible subordinated bonds, notes and debentures	3,299	3,599	3,421
Total Tier 2 capital	4,954	5,305	5,120
Tier 1 and Tier 2 capital	13,393	13,366	12,158
Deductions:			
<u>Investments and capital in life insurance, funds management and securitisation activities</u>	<u>(769)</u>	<u>(769)</u>	<u>(534)</u>
Net qualifying capital	12,624	12,597	11,624
Risk adjusted assets	124,056	127,242	124,395
Tier 1 capital ratio	6.8%	6.3%	5.7%
Tier 2 capital ratio	4.0%	4.2%	4.1%
Deductions	(0.6)%	(0.6)%	(0.4)%
Net capital ratio	10.2%	9.9%	9.4%
Tangible ordinary equity to risk adjusted assets	6.7%	6.1%	5.7%

¹ This amount is derived from reinvestment experience of our dividend reinvestment plan. Comparatives have been restated for actual experience.

² Effective from 1 October 2000 the new harmonised authorised deposit-taking institutions (ADI) standards requires certain capital deductions against tier 1 capital. Comparatives have been restated resulting in a 50 basis point decrease in the Tier 1 capital ratio as at March 2001.

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8 BUSINESS GROUP RESULTS

The following 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 individual legal entities.

We have adopted a revised internal transfer pricing framework to attribute value between our business units. The primary attributes of this framework are:

- product groups pay the distribution areas an arms length fee based on external market benchmarks;
- product balances are fully transfer priced at inter bank rates according to the tenor of the underlying transactions;
- all overhead costs are applied to revenue generating businesses; and
- capital is allocated to business groups based on risk factors.

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

8.1 AUSTRALIAN BUSINESS AND CONSUMER BANKING

During the current period we changed the way in which we measure the performance of what was previously reported as Australian Retail Financial Services. We now disclose separately the following business lines: consumer distribution, business and regional banking distribution, consumer products, business products and wealth management.

Set out on the table below are the results of the operating units within business and consumer banking. Comparative figures are based on management estimates and the broad application of the new transfer pricing mechanism.

\$m	Six months to			% Mov't
	31 March 2002	30 Sept 2001	31 March 2001	Mar 2001 - Mar 2002
Consumer Distribution	106	84	72	47
Business & Regional Banking Distribution	194	184	166	17
Consumer Products	205	179	185	11
Business Products	74	68	60	23
Wealth Management	114	68	101	13
Profit on operations	693	583	584	19

The profit on operations for these activities is discussed in detail in sections 8.1.1 through to 8.1.5.

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8.1.1 AUSTRALIAN CONSUMER DISTRIBUTION

Our consumer distribution operations includes the activities of our consumer sales forces including the Financial Planner and Advisory force, and national service network (excluding rural and regional locations). Operating income is earned from the product groups for sales and services provided to customers.

\$m	31 March	Six months to	31 March	% Mov't
	2002	30 Sept	2001	Mar 2001
			2001 - Mar 2002	
Net interest income	(4)	(4)	(4)	-
Non-interest income	522	490	481	9
Operating income	518	486	477	9
Non-interest expenses (excluding goodwill)	(356)	(350)	(357)	-
Core earnings	162	136	120	35
Amortisation of goodwill	(8)	(8)	(8)	-
Underlying performance	154	128	112	38
Charge for bad and doubtful debts	-	-	-	-
Operating profit before tax	154	128	112	38
Tax and outside equity interests	(48)	(44)	(40)	(20)
Profit on operations	106	84	72	47
Economic profit ¹	94	64	52	81
Expense/income (excluding goodwill)	68.7%	72.0%	74.8%	

¹ A portion of 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

Consumer distribution contributed \$106 million profit on operations for the six months ended 31 March 2002, a 47% increase over the prior corresponding period.

Operating income improved by 9% on the prior corresponding period fuelled by increased sales across our core retail products:

- new mortgage lending increased \$2.7 billion to \$9.3 billion on the prior corresponding period;
- outstanding balances on our bank issued credit cards increased 15% on the first half of 2001 with market share maintained above 20%¹;
- our "Investor Option" cash management account attracted in excess of \$4 billion in new deposits; and
- we have increased our share of the personal lending outstandings market to 21%².

Efficiency improvements in our sales network have allowed us to hold expense levels flat despite the lift in sales activity causing an increase in incentive payments.

Business Developments

We are continuing to roll out our customer relationship management system in order to help to identify the financial requirements of our customers and offer better financial solutions.

Priority customers, those with whom we have significant multi-product relationships, now comprise 28% of our Australian retail customer base.

In the highly competitive home lending market we have generated profitable new business by developing customised financial solutions for priority customers. The size of the average new mortgage with us has increased by 21% to over \$150,000 and our average market share of new home loan lending provided by banks over the five months to 28 February 2002 was above 22%³.

We have increased the size of our financial planning and adviser sales force to 765 to support the delivery of our wealth management products to our customers. The sale of these products is a clear growth opportunity as only 12% of our customers currently have a wealth management product with us.

To ensure that we continue to maintain the quality of our customer service and quickly resolve issues when they arise we have appointed an internal Customer Advocate to address customer concerns.

¹ RBA data at 28 February 2002.

² Australian Banking Association as at February 2002.

³ Australian Bureau of Statistics.

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8.1.2 AUSTRALIAN BUSINESS & REGIONAL BANKING DISTRIBUTION

Business distribution activities include our middle market and small business sales force and service centres as well as our regional service network. Operating income is earned from the product groups for sales and services provided to customers.

\$m	31 March	Six months to 30 Sept	31 March	% Mov't Mar 2001
	2002	2001	2001 - Mar 2002	
Net interest income	29	29	28	4
Non-interest income	730	722	703	4
Operating income	759	751	731	4
Non-interest expenses (excluding goodwill)	(433)	(434)	(434)	-
Core earnings	326	317	297	10
Amortisation of goodwill	(10)	(10)	(10)	-
Underlying performance	316	307	287	10
Charge for bad and doubtful debts	(36)	(27)	(28)	(29)
Operating profit before tax	280	280	259	8
Tax and outside equity interests	(86)	(96)	(93)	8
Profit on operations	194	184	166	17
Economic profit	155	142	126	23
Expense/income (excluding goodwill)	57.0%	57.8%	59.4%	

Financial Performance

The Business and Regional Bank generated profit on operations of \$194 million, a 17% improvement over the prior corresponding period.

Operating income improved by 4% on the first half of 2001 with gains across our primary business products:

- business lending increased by 4% with our share of the small business lending market rising from 13% to 16% in the year to December 2001¹;
- business utilisation of our new investor option cash management account increased deposits by 20%;
- sales of wealth management products to our business customers increased 57% on the first half of 2001; and
- our market share for equipment finance products increased 1%².

Improvements in our business banking service delivery model and re-configuration of our regional banking network have enabled expenses to be held at the same level as the prior corresponding period.

Bad debt charges have increased in line with the growth in business lending. Impaired assets for our business banking book are at five year lows.

Business Developments

We have the largest proportion of very satisfied small business customers of any bank and 37% of our small business customers have rated our service as above average¹.

During March 2002 we commenced a campaign around our debt factoring product to help customers raise finance and better manage their working capital requirements by converting their receivables into cash.

We launched "Business online" in February 2002. This portal allows access through a single sign-on to a range of different online tools and services that have been recognised as saving customers both time and money.

The number of business customers online had increased to 130,000 in March 2002.

We are also helping our customers to manage their business in non financial ways:

- In October 2001 we purchased the rights to run "Beyond Survival" courses for our customers. These courses are designed to help improve business acumen and management skills and are used by a number of accounting firms and industry groups for their own clients and members.
- We are also assisting customers to simplify their accounting processes and have made available new small business bookkeeping tools "EzyBAS" and "cashflow manager".

¹ Greenwich and Associates December 2001.

² Australian Equipment Leaser Association, March 2002.

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8.1.3 AUSTRALIAN CONSUMER PRODUCTS

Australian consumer products comprise our retail product set including home lending, credit cards, transaction, deposit accounts, personal loans, general insurance and certain finance company products. Sales and service passed to the distribution businesses are recorded as a charge against non-interest income.

\$m	Six months to		31 March 2001 - Mar 2002	% Mov't Mar 2001
	31 March 2002	30 Sept 2001		
Net interest income	1,129	1,054	1,060	7
Non-interest income	(422)	(402)	(406)	(4)
Operating income	707	652	654	8
Non-interest expenses (excluding goodwill)	(249)	(234)	(249)	-
Core earnings	458	418	405	13
Amortisation of goodwill	(5)	(5)	(5)	-
Underlying performance	453	413	400	13
Charge for bad and doubtful debts	(157)	(141)	(113)	(39)
Operating profit before tax	296	272	287	3
Tax and outside equity interests	(91)	(93)	(102)	11
Profit on operations	205	179	185	11
Economic profit	198	166	182	9
Expense/income (excluding goodwill)	35.2%	35.9%	38.1%	
	\$bn	\$bn	\$bn	
Deposits and other public borrowings	40.5	38.5	37.3	9
Net loans and acceptances	72.9	67.6	63.2	15
Total assets	73.4	68.1	63.7	15

Financial Performance

An 11% improvement has been achieved by our consumer products area on the prior corresponding period with profit on operations increasing to \$205 million.

Operating income has increased by 8% on the first half of 2001 fuelled by growth in business volumes.

Outstanding mortgage balances have increased by 11% to \$56 billion at 31 March 2002 with margin compression contained. Around 85% of our home lending book is in higher return variable rate products.

Our retail deposit book has grown over 5% to \$39 billion on the prior corresponding period as consumers have sought the safety of cash following the uncertainty in investment markets in late 2001. Offsetting the volume increase has been a loss of margin on our non-interest and low interest bearing deposit accounts following the decline in official cash rates.

Following our continuing push to grow our personal lending book, strong growth of 30% in outstandings has been achieved. Improved volumes have translated to a 15% rise in revenue over the period.

We have maintained our strong expense focus with costs held flat on the prior corresponding period. Volume growth and inflationary related increases have been offset by savings generated by our product and process simplification initiatives.

Our expense to income ratio for this business has been driven down 290 basis points to 35.2% at 31 March 2002.

Bad debt charges have risen to \$157 million reflecting the strong growth in our consumer lending portfolio.

Business Developments

Mortgage lending has continued to provide the primary profit impetus for the consumer products business. This success has been supported by the launch of our new "Rocket repay" loan products, which are designed to save our customers 40% in interest and take ten years off their loan.

Rocket products now comprise 39% of new home loan lending.

Our credit card operations recorded a mixed year. The collapse of Ansett and the associated Global Rewards scheme was a major disappointment.

We used this as an opportunity to substantially improve the benefits provided on our credit cards with the launch of our new "Altitude" credit card rewards program in January 2002. This program offers a superior range of benefits while providing better protection of customers' loyalty points. A particular feature of the new program is the ability to redeem points for frequent flyer points in either the "One World" or "Star" global airline alliances.

Bank issued credit card transactions have now returned to more normal levels with balances some 15% higher than in the first half of last year and our overall market share over 20%¹.

¹ RBA data at 28 February 2002.

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8.1.4 AUSTRALIAN BUSINESS PRODUCTS

Australian business products include our business lending, deposit and transaction accounts, and working capital activities. Sales and service commissions passed to the distribution businesses are recorded as a charge against non-interest income.

\$m	Six months to		31 March 2001 - Mar 2002	% Mov't Mar 2001
	31 March 2002	30 Sept 2001		
Net interest income	481	472	455	6
Non-interest income	(240)	(237)	(229)	(5)
Operating income	241	235	226	7
Non-interest expenses (excluding goodwill)	(127)	(125)	(124)	(2)
Core earnings	114	110	102	12
Amortisation of goodwill	(6)	(6)	(6)	-
Underlying performance	108	104	96	13
Charge for bad and doubtful debts	-	(1)	(2)	100
Operating profit before tax	108	103	94	15
Tax and outside equity interests	(34)	(35)	(34)	-
Profit on operations	74	68	60	23
Economic profit	63	54	47	34
Expense/income (excluding goodwill)	52.7%	53.2%	54.9%	
	\$bn	\$bn	\$bn	
Deposits and other public borrowings	19.8	20.0	19.0	4
Net loans and acceptances	26.9	28.6	26.7	1
Total assets	28.9	29.1	27.2	6

Financial Performance

The business products portfolio continues to grow with profit on operations increasing to \$74 million in the current half year.

Operating income increased by 7% on the prior corresponding period with solid business growth across the portfolio:

- Business lending increased by 4% on the prior corresponding period;
- Balances in our cash management "investor option" accounts have tripled over the past 12 months; and
- Business deposit balances have increased 4% over the twelve month period to 31 March 2002.

Higher business volumes have generated an increase to the commission paid to Business Distribution, which is recorded as an offset to non-interest income.

Successful expense control initiatives, including our product simplification program, has ensured that expenses growth was contained to 2% on first half of 2001 despite growth in business volumes.

Business Developments

The business lending portfolio continues to perform well. Growth in the current period reflects the seasonal nature of business lending where business activity is traditionally stronger in the second half of the financial year.

We have been able to deliver growth in business lending volumes with minimal margin compression as we continue to price for risk and maintain our credit standards.

Business deposit volumes have increased over the prior corresponding periods. However, this portfolio has been adversely impacted by the reductions in official interest rates. Our interest margin on deposits has declined by 36 basis points from the levels achieved in the first half of 2001.

The higher deposit balances leave us well positioned for any future interest rate increases over the remainder of the year.

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8.1.5 AUSTRALIAN WEALTH MANAGEMENT

Our Australian wealth management business designs, manufactures and services financial products that enable customers to build, manage and protect personal wealth, including managed investments, life insurance and superannuation. We also manage assets for and provide custody and settlement services to external institutions including external superannuation funds and fund managers. Distribution of the wealth management products is conducted primarily through our Australian consumer distribution business.

\$m	31 March	Six months to	31 March	% Mov't
	2002	30 Sept	2001	Mar 2001
				2001 - Mar 2002
Net interest income	11	9	11	-
Non-interest income (net of commissions)	215	173	202	6
Operating income	226	182	213	6
Non-interest expenses (excluding goodwill)	(82)	(89)	(83)	1
Core earnings	144	93	130	11
Amortisation of goodwill	(2)	(2)	(2)	-
Underlying performance	142	91	128	11
Charge for bad and doubtful debts	-	-	-	-
Operating profit before tax	142	91	128	11
Tax and outside equity interests	(28)	(23)	(27)	(4)
Profit on operations	114	68	101	13
Economic profit	103	52	88	17
Expense/income (excluding goodwill)	36.3%	48.9%	39.0%	
	\$bn	\$bn	\$bn	
Total assets	9.1	8.5	8.4	8
Funds under management	23.4	22.4	21.5	9
Retail funds under management	16.0	14.7	14.5	10

Financial Performance

The wealth management business contributed \$114 million in operating profit, an increase of \$13 million or 13% over the prior corresponding period.

This reflects a solid performance in retail net inflows despite the weakness in the investment markets in late 2001 and strong sales of life insurance risk products during the period.

Business Developments

The focus for our business has been growing and strengthening our distribution base, with our adviser and planner numbers increased from 629 last year to 765 at 31 March 2002. The introduction of Wealth-point financial planning software over April/May will enable planners to make recommendations faster and spend more productive time with customers. It is anticipated that the new software will reduce time to prepare a financial plan by one third.

During the period the Westpac Lifetime Superannuation Service and the Westpac Flexible Income Plan were extended to include a nil entry fee option. A nil entry fee option is also planned to be introduced for the Westpac Investor Choice Portfolio in the next quarter. We also launched a new direct-marketed risk product to facilitate the sale of life insurance policies.

Currently, 54% of our retail trusts with greater than \$10 million in funds under management have outperformed the average market's investment performance in their category in the last year¹.

In January, Westpac Custodian Nominees was announced as the winner of INSTO magazines custodian of the year award. We have the largest domestic custody business in Australia² with \$128 billion assets under custody, and a 27% market share³.

Our broking platform was successfully out sourced to Hartleys. We now have over 100,000 broking customers and a discount broking market share in transaction volumes of over 14% as at March 2002⁴.

¹ Morningstar Research, January 2002.

² Australia Finance and Capital Markets INSTO Magazine, January 2002.

³ ACSA, June 2001.

⁴ IRIS, March 2002.

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8.2 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			% Mov't
	31 March 2002	30 Sept 2001	31 March 2001 - Mar 2002	Mar 2001
Net interest income	238	259	263	(10)
Non-interest income	259	282	229	13
Operating income	497	541	492	1
Non-interest expenses (excluding goodwill)	(196)	(201)	(196)	-
Core earnings	301	340	296	2
Amortisation of goodwill	-	-	-	-
Underlying performance	301	340	296	2
Charge for bad and doubtful debts	(94)	(56)	(58)	(62)
Operating profit before tax	207	284	238	(13)
Tax and outside equity interests	(80)	(71)	(77)	(4)
Profit on operations	127	213	161	(21)
Economic profit	52	149	110	(53)
Expense/income (excluding goodwill)	39.4%	37.2%	39.8%	
	\$bn	\$bn	\$bn	
Deposits and other public borrowings	10.0	10.7	9.7	3
Net loans and acceptances	19.3	22.9	27.5	(30)
Total assets	42.2	52.2	59.1	(29)

Financial Performance

Following strong revenue growth in the previous year, the result to 31 March 2002 reflects a more cautious approach to capital intensive products consistent with the prevailing economic climate.

While net interest and non interest income can fluctuate depending on market conditions and the management of risk, the reduction in net interest income has been compensated for through growth in non-interest income over the current period such that operating income has been maintained at March 2001 levels.

The increased bad debt expense is confined to a small number of exposures and the average credit quality of all other exposures has improved.

Continued efficiency gains in the commodity parts of the business have provided for investment into financial markets and credit systems, commodity derivatives and distribution infrastructure. As a result total expenses were flat in comparison with the first half of 2001.

Business Developments

The business strategy to better understand and service corporate and institutional customers has been recognised in a number of external surveys including:

- equal first in AUD cross currency swaps¹;
- first in AUD forward rate agreements¹;
- number one multibank FX portal²;
- cash management house of the year³; and
- top Arranger of NZ Syndicated Loans⁴.

During the six months the business has:

- further entrenched its retail product manufacture and distribution capability completing six issues;
- acquired soft commodity capability through employment of a team of electricity risk specialists;
- provided leadership/management training to the top 130 managers;
- added to the securitisation expertise with the completion of a number of property securities transaction; and
- employed additional industry specialists to complement the originations teams.

Notable transactions in the past six months have included:

- arranger and lead manager on the Wide Bay Capricorn Building Society capital raising;
- arranger and lead arranger of the ING Office Fund commercial mortgage backed issue;
- arranger and joint lead manager of the Macquarie Goodman Industrial Trust commercial mortgage backed triple A rated issue;
- a three year contract for Australia's largest private health fund, Medibank Private, for the provision of transactional banking services;
- financial advisor to Petaluma Limited in the defence of the takeover bid by Lion Nathan Limited;
- financial advisor to Boulder Steel Limited concerning the Hunter Specialty Steels Limited project in NSW; and
- advisor on the development of the Hunter Employment Zone.

¹ Asia Risk, December 2001.

² Global Investor, March 2002.

³ Insto, January 2002.

⁴ International Financing Review, January 2002.

Half Year Profit Announcement 2002

8.3 NEW ZEALAND RETAIL

\$m	Six months to			% Mov't	% Mov't
	31 March 2002	30 Sept 2001	31 March 2001	Mar 2001 - Mar 2002	in local currency
Net interest income	310	337	310	-	3
Non-interest income	156	163	159	(2)	1
Operating income	466	500	469	(1)	2
Non-interest expenses (excluding goodwill)	(243)	(234)	(242)	(0)	(3)
Core earnings	223	266	227	(2)	1
Amortisation of goodwill	(18)	(18)	(17)	(6)	-
Underlying performance	205	248	210	(2)	1
Charge for bad and doubtful debts	(33)	(26)	(5)	large	large
Operating profit before tax	172	222	205	(16)	(13)
Tax and outside equity interests	(61)	(74)	(70)	13	12
Profit on operations	111	148	135	(18)	(14)
Economic profit ¹	49	76	65	(25)	
Expense/income (excluding goodwill)	52.1%	46.8%	51.6%		
	\$bn	\$bn	\$bn		
Deposits and other public borrowings	13.0	12.4	11.9	9	6
Net loans and acceptances	18.1	17.5	17.1	6	3
Total assets	19.2	18.5	18.2	5	3
Funds under management	1.5	1.4	1.4	8	11

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 improved 3% on the prior corresponding period in local currency terms. The benefit of increased loan and deposit volumes have exceeded the impact of a competitive local environment, which has compressed margins.

Non-interest income has improved 1% in local currency terms over the prior corresponding period. This growth has mainly been achieved through increased activity together with higher retail fund management inflows and life insurance policies sold.

Operating expenses have increased 3% largely as a result of restructuring costs incurred as we improve the efficiency of our business.

Bad and doubtful debts have increased on the corresponding 2001 period. The 2001 result benefited from the reversal of provisions no longer required. Growth in our lending portfolios has increased our current period charge.

Net loans and acceptances have increased 6% in local currency terms, with a particularly strong result recorded within the retail housing product.

Business Developments

The restructure of the business last year to better align the services and delivery to customer segments, together with a renewed focus on distribution, customer service and providing wealth management solutions has led to growth within all segments.

To support the retail banking network, several new product and marketing initiatives have been launched. Of note is the launch of the 'First Home Buyers Guide', which has generated solid home loan enquiries and drawdowns. Elect, a new market leading transactional product, has also been introduced and offers a significant reduction in the Eftpos transaction fee. We have also secured a strategic partnership with all eight New Zealand Universities, which has enabled deeper relationships to be developed across a variety of solutions.

We continue to be a market leader in both retail managed fund inflows and term life product sales. We secured a 31%² market share of new retail fund inflows and are positioned first in the market. A 14% market share of in force term life insurance policies sold for the December 2001 year has resulted in a market position of second³.

Our market share of cards outstandings continues to increase and is now over 23%⁴, up 27 basis points from the corresponding period last year.

Business banking experienced good levels of activity, both from within the existing customer base and new external prospects. Business banking loans have increased to NZ\$7.3 billion at March 2002.

Online Banking customer numbers have reached 170,000 and growth is at a rate of 1,600 new customers per week. We are also now part of the Westpac Group ATM global alliance, enabling all customers who bank with an Alliance Bank member to receive free services when using member bank's ATMs.

² Funds Source Report, December 2001.

³ Investment, Savings & Insurance Association of NZ Inc, December 2001.

⁴ Reserve Bank of New Zealand, at February 2002.

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9 FUNDS MANAGEMENT AND LIFE INSURANCE

The following 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. Also, policyholder tax has been excluded. Consequently, these results cannot be compared directly to public disclosure of the performance of individual legal entities.

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

9.1 TOTAL FUNDS MANAGEMENT AND LIFE INSURANCE

The following table shows the consolidated half yearly results for our Australian and New Zealand funds management and Life Insurance businesses.

\$m	31 March 2002	Six months to 30 Sept 2001	31 March 2001	% Mov't Mar 2001 - Mar 2002
Operating income	301	260	281	7
Total expenses	(149)	(163)	(145)	(3)
Operating profit before tax	152	97	136	12
Income tax expense	(28)	(23)	(27)	(4)
Operating profit after tax	124	74	109	14
Operating profit after tax is earned in the following areas:				
Australia	114	68	101	13
New Zealand	10	6	8	25
Total	124	74	109	14

The management reporting for the businesses has been split into the funds management business, life insurance risk business and other business. Full details of the underlying results of each of these businesses are shown in the following sections.

Operating Profit after tax is earned in the following areas:

Funds management - Australia	51	44	38	34
Funds management - New Zealand	2	2	3	(33)
	53	46	41	29
Life insurance and risk - Australia	15	12	12	25
Life insurance and risk - New Zealand	8	4	5	60
	23	16	17	35
Other - Australia	48	12	51	(6)
Total	124	74	109	14

Operating income can be reconciled to the net life insurance and funds management income disclosed in note 4.1 Statement of Financial Performance and Note 4.6 Non-interest Income Analysis as follows:

Operating income (per above)	301	260	281	7
Transfer pricing - cost of distribution	17	17	18	(6)
Transfer pricing - cost of funds	(10)	4	22	large
Intercompany consolidation eliminations	(10)	(19)	(12)	(17)
Policy holder tax recoveries	14	(25)	(16)	large
NZ income net of commissions	(2)	(4)	(2)	-
Net life insurance and funds management income	310	233	291	7

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9.2 FUNDS MANAGEMENT BUSINESS

Funds management includes product management, product administration, investment management, Westpac Custody and Westpac Broking.

\$m	31 March	Six months to	31 March	% Mov't
	2002	30 Sept	2001	Mar 2001
				- Mar 2002
Income	166	169	145	14
Commissions	(37)	(41)	(34)	(9)
Other expenses	(65)	(73)	(65)	-
Total expenses	(102)	(114)	(99)	(3)
Operating profit before tax	64	55	46	39
Income tax expense	(13)	(11)	(8)	(63)
Operating profit after tax in Australia	51	44	38	34
Operating profit after tax in New Zealand	2	2	3	(33)
Operating profit after tax	53	46	41	29
Expense/income - Australia (excluding goodwill)	60.8%	66.9%	67.6%	

Sources of Operating Profit - Australia

\$m	31 March	Six months to	31 March	% Mov't
	2002	30 Sept	2001	Mar 2001
				- Mar 2002
Margin on Services profit after income tax is represented by:				
Planned profit margin	45	42	35	29
Experience variation	6	2	3	large
Operating profit after tax	51	44	38	34

Financial Performance

Australian income grew 14% over the prior corresponding period. This reflects strong growth in funds under management, which has been largely driven by strong net funds flow over the period. This result is despite the impact of the unsettled economic environment in the later part of 2001 with strong inflows to cash and mortgage trust products.

A strong focus on achieving cost efficiencies saw expenses up only 3% on the prior corresponding period despite the increase in activity with the expense (including commissions) to income ratio improving to 60.8%.

Movements in funds under management (FUM)

\$bn	FUM		Net	Other	FUM	FUM	% Mov't	
	Sept 2001	Sales						March 2002
			Inflows	Movements			- Mar 2002	
Retail	14.7	2.0	(1.4)	0.6	0.7	16.0	14.5	10
Wholesale	7.7	0.8	(0.9)	(0.1)	(0.2)	7.4	7.0	6
Total - Australia	22.4	2.8	(2.3)	0.5	0.5	23.4	21.5	9
Total - New Zealand	1.4	0.2	(0.1)	0.1	-	1.5	1.4	8
Total - FUM	23.8	3.0	(2.4)	0.6	0.5	24.9	22.9	8

Note: Retail FUM will not reconcile to ASSIRT

During the December quarter we moved up three places into the top 10 for ASSIRT retail net quarterly inflows and we were in fifth position in terms of retail assets under management. Australian retail funds under management grew 10% over the year to \$16 billion with a strong recovery of investment markets and a return of investor confidence following the impact of the unsettled economic environment in the later part of 2001.

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9.3 LIFE INSURANCE RISK BUSINESS (EXCLUDES GENERAL INSURANCE)

The Life Insurance Risk Business result has been determined on a Margin on Service (MoS) basis.

\$m	31 March	Six months to 30 Sept	31 March	% Mov't Mar 2001
	2002	2001	2001 - Mar 2002	
Income	46	43	39	18
Commissions	(13)	(13)	(8)	(63)
Other expenses	(14)	(14)	(14)	-
Total expenses	(27)	(27)	(22)	(23)
Operating profit before tax	19	16	17	12
Income tax expense	(4)	(4)	(5)	20
Operating profit after tax in Australia	15	12	12	25
Operating profit after tax in New Zealand	8	4	5	60
Operating profit after tax	23	16	17	35
Expense/income - Australia (excluding goodwill)	56.5%	60.5%	53.8%	

Sources of operating profit - Australia

\$m	31 March	Six months to 30 Sept	31 March	% Mov't Mar 2001
	2002	2001	2001 - Mar 2002	
Margin on Services profit after income tax is represented by:				
Planned profit margin	12	9	8	50
Experience variation	3	3	4	(25)
Operating profit after tax	15	12	12	25

Movements in in-force premium for risk business

\$m	In force		Net		Other		In force		% Mov't
	Sept 2001	Sales	Lapses	Inflows	Movements	March 2002	March 2001	- Mar 2002	
Australia	130.6	26.5	(10.7)	15.8	1.7	148.1	115.5		28
New Zealand	27.3	2.0	(1.0)	1.0	-	28.3	25.0		13
Total	157.9	28.5	(11.7)	16.8	1.7	176.4	140.5		26

Financial Performance

The Australian life insurance risk business has contributed \$15m to the wealth management result, an increase of \$3m or 25% over the prior corresponding period.

This result is due to a combination of factors. Growth of in-force annual premium has been driven by a substantial increase in sales (up 47% over the prior corresponding period) and lower redemption rates. Non commission expenses have remained flat, despite the increased business volumes, and claims experience has been positive compared to plan.

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9.4 OTHER BUSINESS

Other business includes embedded value uplift on funds management and life insurance risk business, earnings on capital and other investments.

\$m	31 March 2002	Six months to 30 Sept 2001	31 March 2001	% Mov't Mar 2001 - Mar 2002
Income	64	24	71	(10)
Expenses	(5)	(4)	(6)	17
Operating profit before tax	59	20	65	(9)
Income tax expense	(11)	(8)	(14)	21
Operating profit after tax	48	12	51	(6)

Financial Performance

Income for March 2001 half year included \$28 million profit on the relinquishment of the management rights of our property trust. Income for the March 2002 half year includes a gain of \$3 million resulting from the sale of the remaining investment in Investa Property Group.

After adjusting for these items, income has increased by 42% on the prior corresponding period.

Embedded Value Uplift

Embedded Value Uplift profit arises as a result of the structure of, and agreements between, legal entities making up the Wealth Management business. As prescribed by Australian accounting standard AASB 1038 *Life Insurance Business* the change in market value of a subsidiary of a life company (Westpac Life Insurance Services Ltd - WLIS) has been taken to profit in the period when the change occurs. As a result, the profit in

WLIS differs from the underlying Margin on Services (MoS) profit. Variances to the MoS profit have been quantified and reported as embedded value uplift.

The contribution to net profit after tax by the embedded value uplift is:

\$m	31 March 2002	30 Sept 2001	31 March 2001
Before Tax	60	27	36
Tax	(14)	(6)	(8)
After Tax	46	21	28

The embedded value uplift for the March 2002 half year reflects lower redemption experience across retail products.

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10 TRADING DERIVATIVES

Trading Derivatives Outstandings

As at 31 March 2002 \$bn	Notional amount ¹	Regulatory credit equivalent ²	Positive mark- to-market (replacement cost) ³	Negative mark-to- market ⁴
Interest rate				
Futures	37.9	-	-	-
Forwards	47.1	-	-	-
Swaps	206.1	4.0	3.0	2.7
Purchased options	16.7	0.1	0.1	-
Sold options	7.7	-	-	0.1
Foreign exchange				
Forwards	229.2	5.9	3.8	3.5
Swaps	48.4	3.4	1.3	1.3
Purchased options	38.6	1.3	0.8	-
Sold options	33.1	-	-	0.5
Commodities	0.8	0.1	-	-
Equities	4.2	2.9	-	-
Gross derivatives	669.8	17.7	9.0	8.1
Less: netting benefit		(5.3)	(2.6)	(2.6)
Net derivatives	669.8	12.4	6.4	5.5
As at 30 September 2001	631.8	11.9	8.5	(5.0)
As at 31 March 2001	645.6	15.5	11.5	(6.7)

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

Maturity Profile of Trading Derivatives Outstandings in Replacement Cost Terms

As at 31 March 2002 \$bn	Less than 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total
Interest rate							
Swaps	0.1	0.1	0.1	0.4	1.0	1.3	3.0
Purchased options	-	-	-	-	-	0.1	0.1
Foreign exchange							
Forwards	2.0	0.7	0.4	0.4	0.2	0.1	3.8
Swaps	0.1	-	0.1	0.3	0.6	0.2	1.3
Purchased options	0.2	0.2	0.2	0.1	0.1	-	0.8
Total derivatives	2.4	1.0	0.8	1.2	1.9	1.7	9.0

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.

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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 2002	8.1	3.0	4.6
Six months ended 30 September 2001	8.7	2.0	3.5
Six months ended 31 March 2001	8.1	2.6	4.8

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 6 months ended 31 March 2002	Average for the 6 months ended 30 Sept 2001	Average for the 6 months ended 31 March 2001
Interest rate risk	2.7	2.3	2.8
Foreign exchange risk	0.8	0.7	1.3
Volatility risk	0.6	0.6	0.7
Other market risk ¹	2.9	1.8	1.6
Diversification benefit	(2.4)	(1.8)	(1.6)
Aggregate market risk	4.6	3.6	4.8

11 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+

12 EXCHANGE RATES

Six months to/as at Currency	31 March 2002		30 September 2001		31 March 2001	
	Average	Spot	Average	Spot	Average	Spot
USD	0.5150	0.5313	0.5074	0.4923	0.5323	0.4898
GBP	0.3588	0.3725	0.3470	0.3344	0.3662	0.3431
NZD	1.2256	1.2097	1.2090	1.2093	1.2341	1.2139

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

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

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13 CHANGES IN ACCOUNTING POLICIES

Revised Accounting Standard AASB 1027: *Earnings per share* has been applied for the half year ended 31 March 2002. The standard introduces changes to the method of calculating earnings per share. These changes have not

had a material impact on earnings per share. Comparatives have been restated to reflect the change in method of calculating earnings per share.

14 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 us, including our 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.

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15 RECONCILIATION TO US GAAP

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 2002	31 March 2001	31 March 2002	31 March 2001
	US\$ ¹	US\$ ¹	A\$	A\$
Net profit as reported	543	493	1,018	924
Premises and sites	(2)	18	(4)	34
Amortisation of goodwill	1	(4)	1	(8)
Superannuation (pension) expense adjustment	13	10	24	19
Life insurance adjustment (net of tax)	(36)	(19)	(68)	(36)
Derivative instruments (under SFAS 133)	(30)	17	(57)	32
Start up costs adjustment	-	1	-	2
Other non-financial assets ²	(14)	-	(26)	-
Software capitalisation adjustment	(3)	(1)	(5)	(2)
TOPrS distribution	(13)	(13)	(25)	(25)
Executive options	(2)	(2)	(3)	(4)
Write down of available for sale securities	27	-	50	-
Adjusted US GAAP net profit	484	500	905	936
Other comprehensive income				
Foreign currency translation reserve	(27)	42	(51)	79
Unrealised net gain/(loss) on available for sale securities	(24)	(20)	(46)	(37)
Reclassification adjustment for (gains)/losses included in net income	-	1	-	1
Total other comprehensive income	(51)	23	(97)	43
Total comprehensive income according to US GAAP	433	523	808	979
Equity as reported	5,425	4,859	10,172	9,112
Premises and sites	(49)	(59)	(91)	(110)
Goodwill	(7)	(3)	(12)	(5)
Superannuation (pension) expense	(17)	(36)	(33)	(68)
Life insurance (net of tax)	(111)	(18)	(208)	(34)
Derivative instruments (under SFAS 133)	11	17	20	32
Start up costs	-	(10)	-	(19)
Other non-financial assets ²	(23)	-	(43)	-
Software capitalisation	(7)	(4)	(13)	(8)
TOPrS	(248)	(248)	(465)	(465)
Unrealised net gain/(loss) on available for sale securities	(78)	(52)	(146)	(97)
Interim dividend provided	330	289	619	541
Adjusted US GAAP equity	5,226	4,735	9,800	8,879

There is no material difference between the level of assets at 31 March 2002 as reported and the level of assets determined in accordance with 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 = 0.533, the noon buying rate for cable transfers on 29 March 2002, as published by the Federal Reserve Bank of New York.

2 Under Australian GAAP, the gain on sale of certain other non-financial assets has been recognised as income. Under US GAAP the sale of these non-financial assets have been accounted for in a manner consistent with the principles of a sale and leaseback transaction as prescribed by Statement of Financial Accounting Standards (SFAS) No.13 'Accounting For Leases'. Included in the equity adjustment is \$17 million that was recognised in prior periods.

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16 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:

Ex-dividend date	6 June 2002	
Record date for Interim dividend (Sydney)	13 June 2002	5.00pm (Sydney time)
Record date for Interim dividend (New York) ¹	12 June 2002	5.00pm (New York time)
Record date for Interim dividend (Tokyo) ²	13 June 2002	3.00pm (Tokyo time) ³
Record date for Interim dividend (New Zealand) ⁴	14 June 2002	5.00pm (New Zealand time)
Dividend payment date	5 July 2002	

¹ Dividends will be converted to local currency at the rate ruling on the date of payment of dividend.

² Dividend will be converted to local currency at the rate ruling on date of receipt of the funds by the paying and share handling agent.

³ For shares registered in the books of Tokyo Stock Exchange Members' securities companies.

⁴ 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 2002.

Share Registries:

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

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

Tokyo
The Mitsubishi Trust & Banking Corporation
1-7-7, Nishi-Ikebukuro
Toshima-Ku
Tokyo, 171
Japan.

New Zealand
Computershare Registry Services Ltd
Level 2, 159 Hurtsmere Road
Takapuna
North Shore City
New Zealand

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Group Secretary and General Counsel

2 May 2002

Appendix 4B

Half yearly report

Introduced 11/3/2002.

Name of entity

Westpac Banking Corporation

ABN Half yearly Preliminary Half year/financial year ended ('current period')

33 007 457 141	<input checked="" type="checkbox"/>	<input type="checkbox"/>	31 March 2002
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For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A millions

Revenues from ordinary activities (<i>item 1.1</i>)	Down	8.9%	to	5,966
Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to equity holders (<i>item 1.20</i>)	Up	9.7%	to	1,067
Profit (loss) from ordinary activities after tax attributable to equity holders (<i>item 1.23</i>)	Up	10.2%	to	1,018
Profit (loss) from extraordinary items after tax attributable to equity holders (<i>item 2.5(d)</i>)		-		-
Net profit (loss) for the period attributable to equity holders (<i>item 1.11</i>)	Up	10.2%	to	1,018
Dividends (distributions)		Amount per security		Franked amount per security
Interim dividend (<i>Half yearly report only - item 15.6</i>)		34¢		34¢
Previous corresponding period (<i>Half yearly report - item 15.7</i>)		30¢		30¢
Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (<i>see item 15.2</i>)	<div style="border: 1px solid black; padding: 5px; margin: 0 auto; width: 80%;"> 13 June 2002 (Sydney) 12 June 2002 (New York) 14 June 2002 (NZ Class Shares) </div>			
Brief explanation of omission of directional and percentage changes to profit in accordance with Note 1 and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
See half year profit announcement				

+ See chapter 19 for defined terms.

Appendix 4B
Half yearly report

Consolidated profit and loss account

	Current period \$A millions	Previous corresponding period \$A millions
1.1 Revenues from ordinary activities (comprises interest income and non-interest income)	5,966	6,550
1.2 Expenses from ordinary activities (see items 1.24, 12.5 and 12.6)	(2,059)	(1,939)
1.3 Borrowing costs (interest expense)	(2,511)	(3,340)
1.4 Share of net profit of associates and joint venture entities (see item 16.7)	-	-
1.5 Profit from ordinary activities before tax	1,396	1,271
1.6 Income tax on ordinary activities (see Attachment)	(376)	(345)
1.7 Profit from ordinary activities after tax	1,020	926
1.8 Profit from extraordinary items after tax (see item 2.5)	-	-
1.9 Net profit	1,020	926
1.10 Net profit attributable to outside equity interests	(2)	(2)
1.11 Net profit for the period attributable to equity holders	1,018	924

Consolidated retained profits

	Current period \$A millions	Previous corresponding period \$A millions
1.12 Retained profits at the beginning of the financial period	4,174	3,435
1.13 Net profit (loss) attributable to equity holders (item 1.11)	1,018	924
1.14 Net transfers to and from reserves	(2)	15
1.15 Net effect of changes in accounting policies	-	-
1.16 Dividends and other equity distributions paid or payable	(644)	(559)
1.17 Retained profits at end of financial period	4,546	3,815

Profit restated to exclude amortisation of goodwill

	Current period \$A millions	Previous corresponding period \$A millions
1.18 Profit (loss) from ordinary activities after tax before outside equity interests (item 1.7) and amortisation of goodwill	1,069	975
1.19 Less outside equity interests	(2)	(2)
1.20 Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to equity holders	1,067	973

+ See chapter 19 for defined terms.

Profit (loss) from ordinary activities attributable to equity holders

	Current period \$A millions	Previous corresponding period \$A millions
1.21 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	1,020	926
1.22 Less outside equity interests	(2)	(2)
1.23 Profit (loss) from ordinary activities after tax, attributable to equity holders	1,018	924

Revenue and expenses from ordinary activities

	Current period \$A millions	Previous corresponding period \$A millions
1.24 Details of revenue and expenses		
Interest income	4,604	5,301
Fully taxable equivalent gross up ¹	67	71
Interest expense	(2,511)	(3,340)
Net interest income (including gross up)	2,160	2,032
Non-interest income		
Fees and commissions received	1,109	998
Fees and commissions paid	(282)	(216)
Revenue from sale of assets	736	286
Carrying value of assets sold	(689)	(281)
Life insurance and funds management revenue	731	369
Life insurance claims and change in policy liabilities	(421)	(78)
Other non-interest income	178	171
Total non-interest income	1,362	1,249
Net operating income (including gross up)	3,522	3,281
Non-interest expenses		
Salaries and other staff expenses	(823)	(888)
Equipment and occupancy expenses	(291)	(315)
Other expenses	(674)	(560)
Total non-interest expenses	(1,788)	(1,763)
Operating profit before bad and doubtful debts (including gross up)	1,734	1,518
Bad and doubtful debts	(271)	(176)
Fully taxable equivalent gross up ¹	(67)	(71)
Profit from ordinary activities before income tax expense	1,396	1,271
Income tax expense	(376)	(345)
Net profit	1,020	926
Net profit attributable to outside equity interests	(2)	(2)
Net profit attributable to equity holders of Westpac Banking Corporation	1,018	924

¹ The Group has 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.

+ See chapter 19 for defined terms.

Appendix 4B
Half yearly report

Intangible and extraordinary items

Consolidated - Current period				
	Before tax \$A millions	Related tax \$A millions	Related outside equity interests \$A millions	Amount (after tax) attributable to equity holders \$A millions
2.1 Amortisation of goodwill	49	-	-	49
2.2 Amortisation of other intangibles	-	-	-	-
2.3 Total amortisation of intangibles	49	-	-	49
2.4 Extraordinary items	-	-	-	-
2.5 Total extraordinary items	-	-	-	-

Comparison of half year profits

(Preliminary final report only)

	Current year - \$A millions	Previous year - \$A millions
3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the <i>1st</i> half year (item 1.23 in the half yearly report)	N/A	N/A
3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the <i>2nd</i> half year	N/A	N/A

+ See chapter 19 for defined terms.

Consolidated balance sheet

	At end of current period \$A millions	As shown in last annual report \$A millions	As in last half yearly statement \$A millions
Assets			
Cash and balances with central banks	2,127	1,079	588
Due from other financial institutions	5,937	5,094	3,554
Trading securities	10,014	10,629	8,841
Investment securities	2,751	2,960	3,356
Loans	133,282	122,250	116,830
Acceptances of customers	4,793	15,700	16,546
Life insurance investment assets	7,843	7,352	7,395
Regulatory deposits with central banks overseas	452	482	567
Goodwill	1,449	1,501	1,548
Fixed assets	931	1,034	1,137
Deferred tax assets	446	441	449
Other assets	16,167	21,323	24,101
Total assets	186,192	189,845	184,912
Liabilities			
Due to other financial institutions	6,867	5,954	5,615
Deposits and public borrowings	109,292	96,157	92,532
Debt issues	24,856	27,989	26,048
Acceptances	4,793	15,700	16,546
Tax liabilities	658	706	468
Life insurance policy liabilities	7,538	7,123	7,066
Provisions	1,002	1,038	1,016
Other liabilities	16,418	20,635	21,177
Total liabilities excluding loan capital	171,424	175,302	170,468
Subordinated bonds, notes and debentures	3,846	4,045	4,523
Subordinated perpetual notes	734	793	797
Total loan capital	4,580	4,838	5,320
Total liabilities	176,004	180,140	175,788
Net assets	10,188	9,705	9,124
Equity			
Share capital	2,246	2,233	2,217
Trust originated preferred securities	465	465	465
Reserves	2,915	2,819	2,615
Retained profits	4,546	4,174	3,815
Equity attributable to equity holders of the parent entity	10,172	9,691	9,112
Outside equity interests in controlled entities	16	14	12
Total equity	10,188	9,705	9,124

+ See chapter 19 for defined terms.

Exploration and evaluation expenditure capitalised

	Current period \$A millions	Previous corresponding period - \$A millions
5.1 Opening balance		
5.2 Expenditure incurred during current period		
5.3 Expenditure written off during current period		
5.4 Acquisitions, disposals, revaluation increments, etc.		
5.5 Expenditure transferred to Development Properties		
5.6 Closing balance as shown in the consolidated balance sheet (item 4.11)	N/A	N/A

Development properties

	Current period \$A millions	Previous corresponding period - \$A millions
6.1 Opening balance		
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.12)	N/A	N/A

+ See chapter 19 for defined terms.

Consolidated statement of cash flows

	Current period \$A millions	Previous corresponding period \$A millions
Cash flows from operating activities		
Interest received	4,634	5,201
Interest paid	(2,654)	(3,371)
Dividends received	13	27
Other non-interest income received	2,695	1,569
Operating expenses paid	(1,199)	(1,644)
Net increase in trading securities	(443)	(92)
Income taxes paid	(494)	(413)
Life insurance:		
receipts from policyholders and customers	1,137	1,112
interest and other items of similar nature	95	45
dividends received	99	154
payments to policyholders and suppliers	(1,188)	(1,013)
income tax paid	(5)	(56)
Net cash provided by operating activities	2,690	1,519
Cash flows from investing activities		
Proceeds from sale of investment securities	427	196
Proceeds from matured investment securities	142	131
Purchase of investment securities	(556)	(779)
Proceeds from securitised loans	2,339	33
Net (increase)/decrease in:		
loans	(14,234)	(7,540)
due from other financial institutions	(942)	(81)
regulatory deposits with central banks overseas	12	98
life business investments	(106)	(143)
other assets	(885)	696
Purchase of fixed assets	(86)	(156)
Proceeds from disposal of fixed assets	67	76
Controlled entities acquired, net of cash acquired	-	(14)
Controlled entities disposed, net of cash held	-	14
Net cash used in investing activities	(13,698)	(7,469)

+ See chapter 19 for defined terms.

Appendix 4B
Half yearly report

Consolidated statement of cash flows (continued)

	Current period \$A millions	Previous corresponding period \$A millions
Cash flows from financing activities		
Proceeds from issue of shares	54	53
Proceeds from issue of New Zealand Class shares	-	203
Buy-back of shares	-	(753)
Net increase/(decrease) in:		
due to other financial institutions	1,058	1,517
deposits and public borrowings	13,838	100
other liabilities	(399)	(207)
bonds, notes and commercial paper	(1,995)	5,196
Payment of distributions and dividends	(495)	(415)
Payment of dividends to outside equity interests	-	(1)
Cash provided by financing activities	12,061	5,693
Net (decrease)/increase in cash and cash equivalents	1,053	(257)
Effect of exchange rate changes on cash and cash equivalents	(5)	9
Cash and cash equivalents at beginning of the financial year	1,079	836
Cash and cash equivalents at end of financial year	2,127	588

Non-cash financing and investing activities

N/A

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A millions	Previous corresponding period - \$A millions
8.1 Cash on hand and at bank	2,127	588
8.2 Deposits at call		
8.3 Bank overdraft		
8.4 Other (provide details)		
8.5 Total cash at end of period (item 7.27)	2,127	588

+ See chapter 19 for defined terms.

Ratios		Current period	Previous corresponding period
Profit before tax / revenue			
9.1	Consolidated profit (loss) from ordinary activities before tax (<i>item 1.5</i>) as a percentage of revenue (<i>item 1.1</i>)	23.4%	19.4%
Profit after tax / +equity interests			
9.2	Consolidated net profit (loss) from ordinary activities after tax attributable to members (<i>item 1.9</i>) as a percentage of equity (similarly attributable) at the end of the period (<i>item 4.33</i>)	20.0%	20.3%

Earnings per security (EPS)		Current period	Previous corresponding period
10.1	Calculation of the following in accordance with <i>AASB 1027: Earnings per Share</i>		
	(a) Basic EPS	54.8¢	49.9¢
	(b) Diluted EPS	54.5¢	49.5¢
	(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	1,812 million	1,804 million

NTA backing (<i>see note 7</i>)		Current period	Previous corresponding Period
11.1	Net tangible asset backing per ordinary security	\$4.54	\$3.97

+ See chapter 19 for defined terms.

Appendix 4B
Half yearly report

Details of specific receipts/outlays, revenues/ expenses

	Current period \$A millions	Previous corresponding period - \$A millions
12.1 Interest revenue included in determining item 1.5	4,604	5,301
12.2 Interest revenue included in item 12.1 but not yet received (if material)	572	706
12.3 Interest costs excluded from borrowing costs, capitalised in asset values	-	-
12.4 Outlays (except those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.5 Depreciation and amortisation (excluding amortisation of intangibles)	163	149
12.6 Other specific relevant items not shown in item 1.24 (see note 15)	-	-

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	N/A
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) since the date in the current period on which control was acquired	\$ N/A
13.3 Date from which such profit has been calculated	N/A
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) for the whole of the previous corresponding period	\$ N/A

+ See chapter 19 for defined terms.

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	N/A
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control	\$ N/A
14.3 Date to which the profit (loss) in item 14.2 has been calculated	N/A
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	\$ N/A
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$ N/A

Reports for industry and geographical segments – see attached

Dividends

15.1 Date the dividend is payable	5 July 2002
15.2 Record date to determine entitlements to the dividend (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESSE approved, or security holding balances established by 5.00 pm or such later time permitted by the SCH Business Rules if securities are CHESSE approved)	13 June 2002 (Sydney) 12 June 2002 (New York) 14 June 2002 (NZ Class Shares)
15.3 If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	N/A

+ See chapter 19 for defined terms.

Appendix 4B
Half yearly report

Amount per security

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend (NZ Class Shares)
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year	N/A	N/A	N/A
15.5	Previous year	N/A	N/A	N/A
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year	34¢	34¢	34¢
15.7	Previous year	30¢	30¢	30¢

Total dividend (distribution) per security (interim plus final)

(Preliminary final report only)

	Current year	Previous year
15.8 Ordinary securities	N/A	N/A
15.9 Preference securities	N/A	N/A

Half yearly report - interim dividend on all

	Current period \$A millions	Previous corresponding period - \$A millions
15.10 Ordinary securities	619	534
15.11 Preference securities	25	25
15.12 Other equity instruments		
15.13 Total	644	559

The dividend or distribution plans shown below are in operation.

Dividend Reinvestment Plan is available to holders of fully paid ordinary shares who are resident in, or whose address on the register of shareholders is in, Australia or New Zealand.

The last date(s) for receipt of election notices for the dividend or distribution plans

5pm 13 June 2002

Any other disclosures in relation to dividends (distributions)

N/A

+ See chapter 19 for defined terms.

Details of aggregate share of profits (losses) of associates and joint venture entities

	Current period \$A millions	Previous corresponding period - \$A millions
16.1 Profit (loss) from ordinary activities before income tax	N/A	N/A
16.2 Income tax on ordinary activities	N/A	N/A
16.3 Profit (loss) from ordinary activities after income tax	N/A	N/A
16.4 Extraordinary items net of tax	N/A	N/A
16.5 Net profit (loss)	N/A	N/A
16.6 Outside equity interests	N/A	N/A
16.7 Net profit (loss) attributable to members	N/A	N/A

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition (“from xx/xx/xx”) or disposal (“to xx/xx/xx”).

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (<i>item 1.9</i>)	
	Current period	Previous corresponding period	Current period - \$A millions	Previous corresponding period- \$A millions
17.1 Equity accounted associates and joint venture entities				
17.2 Total	N/A	N/A	N/A	N/A
17.3 Other material interests				
17.4 Total	N/A	N/A	N/A	N/A

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current period

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

Category of securities	Total number millions	Number quoted millions	Issue price per security (see note 14)	Amount paid up per security (see note 14)
18.1 Preference securities Trust originated preferred securities (TOPrS sm) of US\$25 each fully paid with non-cumulative quarterly distributions in arrears at the annual rate of 8%. The TOPrS sm convert into 8% non-cumulative preference shares in the parent entity on 16 July 2049 or in the event a distribution is not made or if certain other events occur.	13	-	US\$25.00	US\$25.00
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	- -	- -		
18.3 Ordinary securities	1,818	1,818	100	100
18.4 Changes during current period (a) Increases through issues During the half year \$1 ordinary shares were issued <ul style="list-style-type: none"> • 7,469,351 under the Dividend Reinvestment Plan; • 4,963,778 under the Senior Officers' Share Purchase Scheme (SOSPS); • 239,747 under the General Management Share Option Plan (GMSOP); and • 13,000 in terms of the SOSPS previously paid to \$0.01 were fully paid up. (b) Decreases through returns of capital, buybacks	13 -	13 -		
18.5 Convertible debt securities (description and conversion factor)	N/A	N/A		
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A		

+ See chapter 19 for defined terms.

Appendix 4B
Half yearly report

Options <i>(description and conversion factor)</i>	Number issued millions	Number quoted millions	Exercise price (\$)	Expiry date
Options held by staff under the:	0.05	-	7.05	07-04-02
- General Management Share Option Plan	0.50	-	7.89	29-09-02
- Senior Officers' Share Purchase Scheme	1.39	-	8.60	22-12-02
- Chief Executive Share Option Agreement	0.07	-	9.92	02-03-03
	0.02	-	10.61	09-06-03
	0.04	-	10.50	24-08-03
	4.01	-	9.56	21-12-03
	0.20	-	10.22	04-01-04
	0.10	-	10.63	01-03-09
	1.00	-	10.83	01-03-09
	0.05	-	10.85	01-03-09
	0.35	-	10.60	06-04-09
	0.10	-	11.45	19-04-09
	0.07	-	11.56	10-05-09
	0.25	-	9.99	03-08-09
	0.01	-	10.10	30-08-09
	0.04	-	9.55	05-10-09
	6.96	-	9.53	29-12-09
	2.17	-	9.57	29-12-09
	1.00	-	10.83	01-03-10
	0.03	-	10.42	06-03-10
	0.14	-	10.70	06-03-10
	0.04	-	10.51	03-04-10
	0.10	-	10.75	03-04-10
	0.06	-	10.43	29-05-10
	0.15	-	12.20	04-09-10
	1.15	-	12.39	04-09-10
	0.06	-	10.31	20-01-10
	0.02	-	10.10	24-01-10
	7.32	-	13.26	08-01-11
	3.68	-	13.32	08-01-11
	0.05	-	13.54	15-01-11
	0.10	-	13.72	22-01-11
	0.01	-	12.87	05-02-11
	1.00	-	10.83	01-03-11
	0.05	-	13.61	19-03-11
	0.20	-	13.85	19-03-11
	0.03	-	13.76	02-04-11
	0.04	-	13.85	09-04-11
	0.12	-	13.50	23-04-11
	0.10	-	13.67	23-04-11
	0.07	-	12.35	14-05-11

+ See chapter 19 for defined terms.

Appendix 4B
Half yearly report

Options (continued)	Number issued millions	Number quoted millions	Exercise price (\$)	Expiry date
Options held by staff under the:	0.02	-	12.54	25-06-11
- General Management Share Option Plan	0.05	-	12.80	25-06-11
- Senior Officers' Share Purchase Scheme	0.07	-	14.23	07-08-11
- Chief Executive Share Option Agreement	0.20	-	14.37	07-08-11
	0.01	-	12.05	05-11-11
	1.03	-	12.75	05-11-11
	8.98	-	14.65	09-01-12
	5.10	-	14.70	09-01-12
	0.05	-	15.63	18-02-12
	1.10	-	16.71	01-03-12
	0.30	-	15.73	07-03-12
18.8 Issued during current period	0.01	-	12.05	05-11-11
- General Management Share Option Plan	1.03	-	12.75	05-11-11
- Senior Officers' Share Purchase Scheme	9.02	-	14.65	09-01-12
- Chief Executive Share Option Agreement	5.23	-	14.70	09-01-12
	0.05	-	15.63	18-02-12
	1.10	-	16.71	01-03-12
	0.30	-	15.73	07-03-12

Options (description and conversion rate)	Number issued millions	Number quoted millions	Exercise price (\$)	Expiry date
18.9 Exercised during current period	0.83	-	7.10	28-01-02
- General Management Share Option Plan	0.15	-	7.05	07-04-02
- Senior Officers' Share Purchase Scheme	0.10	-	7.05	14-04-02
	0.02	-	7.84	05-08-02
	1.18	-	8.60	22-12-02
	0.02	-	9.92	02-03-03
	0.15	-	10.60	18-05-03
	0.01	-	10.61	09-06-03
	0.14	-	10.00	27-07-03
	0.12	-	10.67	10-08-03
	0.04	-	10.50	24-08-03
	0.13	-	10.04	28-08-03
	0.08	-	9.94	14-09-03
	0.02	-	9.30	18-09-03
	1.63	-	9.56	21-12-03
	0.02	-	10.63	01-03-09
	0.07	-	10.28	08-03-09
	0.21	-	9.53	29-12-09
	0.16	-	9.57	29-12-09
	0.05	-	13.26	08-01-11
	0.06	-	13.32	08-01-11
	0.01	-	14.70	09-01-12

+ See chapter 19 for defined terms.

Options (description and conversion rate)	Number issued millions	Number quoted millions	Exercise price (\$)	Expiry date
18.10 Expired during current period	0.17		7.10	28-01-02
- General Management Share Option Plan	0.14		8.60	22-12-02
- Senior Officers' Share Purchase Scheme	0.27		9.56	21-12-03
	0.05		11.56	10-05-09
	0.14		9.53	29-12-09
	0.02		10.42	06-03-10
	0.07		12.20	04-09-10
	0.02		12.72	09-10-10
	0.23		13.26	08-01-11
	0.02		13.50	23-04-11
	0.05		14.65	09-01-12
	0.37		9.57	29-12-09
	0.01		12.39	04-09-10
	0.69		13.32	08-01-11
	0.05		13.71	26-03-11
	0.11		14.70	09-01-12
18.11 Debentures (totals only)	N/A	N/A		
18.12 Unsecured notes (totals only)	N/A	N/A		

+ See chapter 19 for defined terms.

Comments by directors

See accompanying half year profit announcement

Basis of accounts preparation

This general purpose financial report for the interim half-year reporting period ended 31 March 2002 has been prepared in accordance with the listing rules, AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting standards Board, the provisions of the Deed of Settlement and the Bank of New South Wales Act of 1850 (as amended). These requirements have been applied in a manner prescribed for an authorised deposit-taking institution under the Banking Act 1959 (as amended) and, so far as considered appropriate to Westpac Banking Corporation, in accordance with the Corporations Act 2001. It should be read in conjunction with the annual report for the year ended 30 September 2001 and any public announcements to the market made by Westpac Banking Corporation during the interim reporting period.

Material factors affecting the revenues and expenses of the economic entity for the current period

See separate half year profit announcement

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

On 23 April 2002, Westpac Banking Corporation entered into an agreement to acquire Rothschild Australian Asset Management Limited (RAAM) for \$323 million from Rothschild Asset Management Holdings AG. Westpac Life Insurance Services Limited, a 100% owned subsidiary of the Group will acquire the shares in RAAM with effect from 1 June 2002.

On 2 May 2002, Westpac Banking Corporation entered into an agreement to sell its 100% interest in Australian Guarantee Corporation Limited to GE Capital Finance Australasia Pty Limited. In addition, it was agreed that certain loan assets of Australian Guarantee Corporation (N.Z.) Limited would also be sold to GE Finance and Insurance. The agreement is subject to regulatory approval. The financial effect of these transactions, which has not been recognised in this interim financial report, is estimated to be a gain of a minimum of \$750 million.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

See separate half year profit announcement

Changes in accounting policies since the last annual report are disclosed as follows.

(Disclose changes in the half yearly report in accordance with AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final report in accordance with AASB 1001: Accounting Policies-Disclosure.)

Revised Accounting Standard AASB 1027: Earnings Per Share has been applied for the half-year ended 31 March 2002. The standard introduces changes to the method of calculating earnings per share. These changes have not had a material impact on earnings per share. Comparatives, where applicable have been restated to reflect the change in method of calculating earnings per share.

Additional disclosure for trusts

19.1	Number of units held by the management company or responsible entity or their related parties.	N/A
19.2	<p>A statement of the fees and commissions payable to the management company or responsible entity.</p> <p>Identify:</p> <ul style="list-style-type: none"> • initial service charges • management fees • other fees 	N/A

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	N/A
Date	N/A
Time	N/A
Approximate date the annual report will be available	N/A

Compliance statement

1 This report has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 12).

Identify other standards used	N/A
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2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

+ See chapter 19 for defined terms.

Appendix 4B
Half yearly report

4 This report is based on accounts to which one of the following applies.

(Tick one)

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.*)

6 The entity has a formally constituted audit committee.

Sign here:
(Director/Company Secretary)

Date:

Print name:

+ See chapter 19 for defined terms.

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
3. **Consolidated profit and loss account**

Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in *AASB 1004: Revenue*, and *AASB 1018: Statement of financial performance*.

Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.
5. **Consolidated balance sheet**

Format The format of the consolidated balance sheet should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Half-Year Accounts and Consolidated Accounts*, and *AASB 1040: Statement of Financial Position*. Banking institutions, trusts and financial institutions identified in an ASIC Class Order dated 2 September 1997 may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last ⁺annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required. Trusts should also note paragraph 10 of *AASB 1029* and paragraph 11 of *AASB 1030: Application of Accounting Standards etc*.

+ See chapter 19 for defined terms.

Appendix 4B

Half yearly report

6. **Consolidated statement of cash flows** For definitions of “cash” and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. +Mining exploration entities may use the form of cash flow statement in Appendix 5B.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the +ordinary securities (ie, all liabilities, preference shares, outside +equity interests etc). +Mining entities are *not* required to state a net tangible asset backing per +ordinary security.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the +accounts. Details must include the contribution for each gain or loss that increased or decreased the entity’s consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. However, an entity may report exact figures, if the \$A’000 headings are amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, if the \$A’000 headings are amended.
10. **Comparative figures** Comparative figures are the unadjusted figures from the previous corresponding period. However, if there is a lack of comparability, a note explaining the position should be attached.
11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the +ASIC under the Corporations Act must also be given to ASX. For example, a directors’ report and declaration, if lodged with the +ASIC, must be given to ASX.
12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one) must be complied with.
13. **Corporations Act financial statements** As at 1/7/96, this report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.

+ See chapter 19 for defined terms.

15. **Relevant Items** AASB 1018 requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. the term “relevance” is defined in AASB 1018. For foreign entities, there are similar requirements in other accounting standards normally accepted by ASX.
16. **\$ Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to “000” must be changed to the reporting value.

INCOME TAX NOTE

	Current period \$A millions	Previous corresponding period \$A millions
Income tax reconciliation		
<u>Operating profit before abnormal items and before income tax</u>	1,396	1,271
Prima facie tax on operating profit based on the company tax rate in Australia of 30% (2001 @ 34%)	419	432
Add/(deduct) reconciling items expressed on a tax effected basis:		
Change in tax rate	-	8
Rebateable and exempt dividends	(45)	(50)
Tax losses and timing differences not/(now) tax effected	38	(19)
Life insurance :		
Tax adjustment on policyholders' earnings ¹	10	(11)
Adjustment for life business tax rates	(6)	(7)
Change in excess of net market value over net assets of life insurance controlled entity	(7)	(7)
Other non-assessable items	(37)	(23)
Other non-deductible items	23	28
Adjustment for overseas tax rates	(4)	(7)
Prior period adjustments	(16)	4
Other items	1	(3)
	(43)	(87)
Total income tax expense attributable to operating profit	376	345

1 In accordance with the requirements of AASB 1038: Life Insurance Business, the Group's tax expense includes a \$14 million tax charge (2001 \$16 million tax credit) in respect of income tax on policyholders' earnings, \$4 million (2001 \$5 million) of which is in the prima facie income tax above and the balance of \$10 million (2001 \$11 million) shown here.

Appendix 4B
Half yearly report

ATTACHMENT - REPORTS FOR BUSINESS SEGMENTS

Half-year
31 March 2002

	Business & Consumer Banking \$A millions	Institutional Banking \$A millions	New Zealand Retail \$A millions	Other ⁴ \$A millions	Total \$A millions
Revenue from external customers	5,080	1,096	799	383	7,358
Internal revenue	235	233	16	(484)	-
Total segment revenue	5,315	1,329	815	(101)	7,358
Interest income ¹	3,630	523	614	(96)	4,671
Interest expense	(1,939)	(256)	(321)	5	(2,511)
Internal charges ²	(45)	(29)	17	57	-
Net interest income	1,646	238	310	(34)	2,160
Net non-interest income ³	853	240	155	114	1,362
Internal charges ²	(48)	19	1	28	-
Total operating income	2,451	497	466	108	3,522
Depreciation and goodwill amortisation	(43)	(7)	(37)	(95)	(182)
Other non-cash expenses	(43)	(6)	(2)	(48)	(99)
Other operating expenses	(780)	(142)	(214)	(371)	(1,507)
Internal charges ²	(412)	(41)	(8)	461	-
Total operating expenses	(1,278)	(196)	(261)	(53)	(1,788)
Bad and doubtful debts	(193)	(94)	(33)	49	(271)
Operating profit before income tax	980	207	172	104	1,463
Income tax expense ¹	(287)	(80)	(61)	(15)	(443)
Outside equity interest	-	-	-	(2)	(2)
Net profit	693	127	111	87	1,018
Total assets	112,591	42,198	19,223	12,180	186,192
Total liabilities	82,129	33,420	19,299	41,156	176,004
Acquisition of fixed assets and goodwill	7	2	15	62	86

1 Interest income and income tax expense includes fully tax equivalent gross up of \$67 million.

2 Internal charges are eliminated on consolidation.

3 Net non-interest income, Other segment includes a gain of \$26 million from the disposal of our remaining interest in 60 Martin Place.

4 The Other segment includes a \$43 million reclassification of bad debt charges to non-interest income to align our management accounting result with financial reporting requirements.

+ See chapter 19 for defined terms.

ATTACHMENT - REPORTS FOR BUSINESS SEGMENTS (Continued)

Half-year
31 March 2001

	Business & Consumer Banking	Institutional Banking	New Zealand Retail	Other	Total
	\$A millions	\$A millions	\$A millions	\$A millions	\$A millions
Revenue from external customers	4,599	1,138	947	441	7,125
Internal revenue	531	377	42	(950)	-
Total segment revenue	5,130	1,515	989	(509)	7,125
Interest income ¹	3,995	798	781	(202)	5,372
Interest expense	(2,369)	(342)	(515)	(114)	(3,340)
Internal charges ²	(76)	(193)	44	225	-
Net interest income	1,550	263	310	(91)	2,032
Net non-interest income	764	226	159	100	1,249
Internal charges ²	(13)	3	-	10	-
Total operating income	2,301	492	469	19	3,281
Depreciation and goodwill amortisation	(53)	(5)	(35)	(94)	(187)
Other non-cash expenses	(44)	(6)	(2)	(26)	(78)
Other operating expenses	(758)	(137)	(217)	(386)	(1,498)
Internal charges ²	(423)	(48)	(5)	476	-
Total operating expenses	(1,278)	(196)	(259)	(30)	(1,763)
Bad and doubtful debts	(143)	(58)	(5)	30	(176)
Operating profit before income tax	880	238	205	19	1,342
Income tax expense ¹	(296)	(77)	(70)	27	(416)
Outside equity interest	-	-	-	(2)	(2)
Net profit	584	161	135	44	924
Total assets	100,910	59,053	18,172	6,777	184,912
Total liabilities	76,455	40,190	19,949	39,194	175,788
Acquisition of fixed assets and goodwill	13	3	26	114	156

1 Interest income and income tax expense includes fully tax equivalent gross up of \$71 million.

2 Internal charges are eliminated on consolidation.