



Westpac Banking Corporation

ABN 33007457141

PROFIT ANNOUNCEMENT FOR YEAR ENDED 30 SEPTEMBER 2001

	Twelve months to		% Mov't
	30 Sept 2001	30 Sept 2000	Sept 00- Sept 01
Net profit attributable to equity holders (\$m)	1,903	1,715	11
Earnings per ordinary share (basic) ¹	102.8¢	88.8¢	16
Return on average ordinary equity	21.1%	18.4%	2.7 <i>percentage points</i>
Expense to income ratio excluding amortisation of goodwill	51.5%	54.5%	(3.0) <i>percentage points</i>
Dividends per ordinary share	62¢	54¢	15
Economic profit ² (\$m)	1,198	1,058	13

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

² Economic profit is defined on page 3.

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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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REVIEW OF GROUP RESULTS¹

1.1 SUMMARY

Our after tax profit for the year ended 30 September 2001 was \$1,903 million, an 11% increase on the prior year.

Earnings per share was up 16% to 102.8 cents for the year. Economic profit² improved by 13% to \$1,198 million, continuing the momentum in delivering enhanced shareholder value.

Our Directors intend declaring a final dividend of 32 cents per ordinary share (fully franked), making the total dividend for the year 62 cents (fully franked). This represents an 8 cent or 15% improvement on the prior year.

Our result demonstrates the continued delivery of sustainable earnings growth, through deepening customer relationships combined with improved operational efficiency and sound credit quality.

Highlights of the result were:

- **Continued strong business performance**
We have delivered strong growth in all areas of our Australian retail business:
 - market share of new owner-occupied mortgage lending increased 70 basis points to 23.2%;
 - business lending market share grew 50 basis points to 18.0% over the year;
 - cardholder outstandings market share continued its growth momentum and improved by 2.5 percentage points for the year to 21.0%; and
 - insurance and funds management non-interest income attributable to us has increased by 12% (excluding tax recoveries³).
- **Strong revenue momentum**
Our sustainable revenue growth momentum has continued with net operating income increasing 8%. Net interest income grew 9% on strong growth in interest earning assets. Volume growth in core business segments and strong financial market income continued to fuel the increase in non-interest income.
- **Expense management**
Expense management has remained a key priority and is evidenced in our expense to income ratio, before the amortisation of goodwill, falling to 51.5% down 3.0 percentage points on the prior year. This ratio reflects both our strong revenue performance and expense containment. Total operating expenses have increased by only 2% on the 2000 levels despite increased business volumes, restructuring costs and the absorption of additional goods and services tax charges.

- **Sound asset quality**
Impaired assets, at 0.6% of loans and acceptances, remain at low levels reflecting the continued health of our portfolio at this stage of the credit cycle. Total provisions to total loans and acceptances have remained stable.
- **Shareholder returns**
Our shareholder returns reflect our organic growth strategy complemented by our capital management initiatives. Economic profit has increased by 13% over the year. Return on average ordinary equity increased by 2.7 percentage points to 21.1%.

1.2 KEY FEATURES

Revenue Growth

We are committed to a customer focused approach to delivering sustainable revenue growth. This policy has resulted in the number of priority customers (those with whom we have significant, typically multi-product relationships), growing by 21% to over 1.3 million at 30 September 2001.

Continued revenue momentum was the key feature of our result. Net operating income increased 8%, which included the unfavourable impact of tax recoveries³ on policyholders' earnings recorded in our life company. Adjusted⁴ revenue grew 10% on the prior year with second half revenue up 6% on the first half of the year.

Net interest income increased 9% predominantly due to the growth of our lending book. Our net interest margin has been maintained at the same level as the prior year reflecting our effective management of margins in a challenging interest rate environment.

Adjusted non-interest income has increased 10% with solid growth in core areas largely as a result of higher business volumes. Lending fees have grown by 17% and transaction fees and commissions by 18%. Adjusting for tax recoveries, insurance and funds management income increased by 12%.

Expense Management

We have continued to improve the efficiency of our business and identify new ways in which we can obtain access to global scale and latest technologies in all aspects of our operations.

At the beginning of the year we outsourced our IT and telecommunication operations to IBMGSA and Telstra. We also streamlined senior and middle management positions in our non-customer facing areas. These and other performance enhancing initiatives have allowed us to reduce the number of full time equivalent staff (FTE) by 1,986 or 7% to 28,534 at 30 September 2001.

¹ Comparisons in this document are with the year ended 30 September 2000 unless otherwise stated.

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

³ 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.

⁴ References to adjusted amounts refer to our results excluding the tax recoveries.

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On 28 September 2001 we announced that we will be outsourcing our mortgage processing and servicing operations in Adelaide to Electronic Data Systems (EDS). 1,200 full time equivalent staff will transfer to EDS as part of this agreement.

Expenses for the year included \$72 million of restructuring costs, up \$27 million on 2000. We have also absorbed incremental goods and services tax costs of \$78 million.

Management of Credit Risk

We continue to have a prudent provisioning policy and closely monitor the quality and concentration of our credit risk.

Our bad debt charge of \$433 million is \$231 million higher than the prior year and represents 32 basis points of average loans and acceptances. The increase in the charge comprised mainly a small number of downgrades in our corporate book and write-offs in finance company and personal lending products. Included in our bad debts was the one-off charge of \$53 million disclosed during the year for write-offs relating to systems conversion and collection issues in AGC.

Reflecting the sound quality of the book, our key asset quality ratios remain strong by domestic and international standards. At 0.6%, the level of impaired assets to total loans and acceptances has increased only marginally on the historically low levels of the prior year (0.5%). Our ratio of total provisions to total loans and acceptance of 1.1% is only marginally lower than in the prior year.

The portfolio continues to be well-balanced, diversified and relatively low risk with residential mortgages accounting for 33% of total credit risk exposure and investment grade corporate and institutional counterparties a further 43%.

Capital Management

As at 30 September 2001 our tier 1 ratio was 6.3% and tangible ordinary equity to risk-adjusted assets (TOE/RAA) ratio was 6.1% which are at, or above, the upper end of our target ranges.

During the first half of 2001 we repurchased 57 million shares at an average price of \$13.30 per share under our share buy-back program.

We will continue to monitor our capital levels to ensure the efficient use of shareholder funds and when appropriate will consider further buy backs. This is likely to be in calendar year 2002.

There are a number of factors that have emerged which, although still to be clearly defined, have the potential to impact our capital management strategy:

- in September 2001, the Federal Government passed legislation relating to the definition of debt and equity for Australian tax purposes. While the legislation has confirmed the Australian tax status of hybrid equity instruments such as our 'TOPRSSM', it has certain implications for the NZ

Class shares. However, any impact would not take effect until July 2004.

- certain APRA proposals relating to the regulation of financial conglomerates may result in a small increase in tier 1 requirements. However, in the long run the proposed Basel capital adequacy framework, if adopted as drafted, may be positive and could potentially give banks with sophisticated risk management systems, like ourselves, the opportunity to operate at lower capital levels.

1.3 STRATEGIC GROWTH DRIVERS

Our focus on providing financial services to customers in our home region has delivered strong organic revenue growth and increased profitability. We have benefited from concentrating on the Australasian region and believe that continued opportunities are available from focusing on these core markets.

Customer Focused Distribution and Sales

Our customer focused strategy and emphasis on building stronger relationships with our customers has been a major contributor to our strong revenue growth.

This has been driven in part through our Customer Relationship Management (CRM) project which has helped us to understand our customers better and identify opportunities within our existing customer base. CRM has been rolled out to our relationship managed businesses and is a key driver of the growth in these areas. We are now installing this technology in our call centres and branches to service our broader consumer customer base.

Specialised sales training and re-alignment around customer needs has allowed the business banking relationship management teams to enhance service quality and successfully grow market share in a highly competitive market. This has included improved business customer access to our specialist finance areas. In August 2001 we won the 'Business Lender of the Year' award at the 'Personal Investor Magazine' awards.

Growth Areas

We are expanding in areas that provide value to our customers and generate sustainable revenue growth.

To provide greater accessibility to our wealth management products we have increased the number of financial planners and advisors from 561 to 718 over the year.

The investment performance of our retail funds ranked second among all managers with greater than \$10 million under management over the past 12 months. Over 64% of our retail funds achieved above median returns.

Improved marketing and distribution initiatives have resulted in our mortgage business experiencing a strong year with our share of owner-occupied new lending increasing from 22.5% to 23.2% in a highly competitive market. New general insurance sales have increased by 57% on the back of improved mortgage lending.

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Our share of the personal lending market increased from 14% to 19% generated by improved sales as a result of product and process enhancements.

We also launched a new cash management product, which has captured balances totalling over \$4 billion since November 2000.

Multi-channel service

Maintaining a fully integrated, multi-channel distribution network is central to our customer driven strategy.

Increasingly our customers are attracted to the convenience of electronic banking channels. Only 12% of all transactions are now processed in our traditional retail network.

In September we registered our one millionth internet banking customer and we now process 24% of the Australian online payments market. We had the highest customer satisfaction rating of the major Australian banks with over 94% of our online customers satisfied or extremely satisfied with our service¹.

While we will continue to reshape and modernise our customer-facing points of representation, we are now at a point where we expect the numbers to remain broadly the same. In rural areas we retain our commitment to maintain face-to-face services in all towns where we are currently represented.

Partnering

We are continuing to streamline our organisation by concentrating on our strengths and sources of highest value.

Back office activities that are not our core areas of expertise have been outsourced to world class providers in these fields. Over 20% of our expense base has been outsourced as at the end of this year.

In November 2000 we entered into an agreement with IBM GSA and Telstra for the provision of our IT and telecommunication services. Our cheque processing operations were transferred to Unisys during the year. We have also entered into an agreement with EDS to process and service our mortgages.

Our foreign banknote business was sold to American Express in September 2001. American Express will now provide foreign banknote and travellers cheque services to Westpac branches.

We will continue to pursue opportunities to improve our efficiency and access to world best practice capability through partnering agreements.

Corporate and Social Responsibility

We readily accept our wider corporate responsibilities and see fulfilling them as fundamental to our longer term sustainability and growth. We know that to

produce sound and sustainable results for our shareholders we must not only constantly deliver for our customers, we must also fully meet our responsibilities to our staff and to the community.

As a result a new Board Committee on Corporate Social Responsibility has been established to support the realisation of these aims. The committee will consider and review the social and ethical impacts of all of our activities and establish and maintain standards for our practices.

We have continued our commitment to our social responsibilities and invested some \$25 million in the community through our financial inclusion and community based programs. These initiatives included our matching gifts program which has resulted in donations to over 300 charities since December 1998 and our continued sponsorship of the Westpac Rescue Helicopter service. We have also introduced our disability action plan for staff and entered into a three year commitment to help indigenous communities in Cape York develop financial independence.

In July, we launched our Social Responsibility Charter. This provides the framework in which we aim to meet our social responsibilities to our customers, staff and the wider community. The key points of this charter are:

- governance and ethical conduct;
- marketplace practices;
- human rights and employee practices;
- occupational health and safety;
- care for the environment;
- community involvement; and
- financial controls and risk management.

In October 2001, we were rated first among all publicly listed companies in the Sydney Morning Herald/The Age Good Reputation Index.

1.4 OUTLOOK

The Australian economy has performed generally well over the past year but may suffer as a result of the current uncertainty affecting the world economy. While we expect credit conditions to remain difficult in the near term, the low interest rate environment will help encourage business activity.

We will continue to balance risk and reward throughout the economic cycle and pursue organic growth by focusing on what we do well. Sales growth, expense containment and capital management remain priorities and through these means we plan to deliver continued growth in shareholder returns. However, domestic economic conditions and global economic uncertainty are expected to reduce our rate of volume growth from that achieved in this year.

Despite these difficulties, we remain committed to generating revenue growth well above that of expenses and continuing to adopt a controlled approach to risk. In our communication with the investment community during the year we have demonstrated that in most economic scenarios our strategy can deliver double-digit growth in our earnings per share. Provided the current worldwide uncertainty does not lead to a prolonged and deep downturn, we do not currently see any major impediment to this outcome being achieved in 2002.

¹ AC Nielsen.consult Australian Online Banking Report (October 2001)

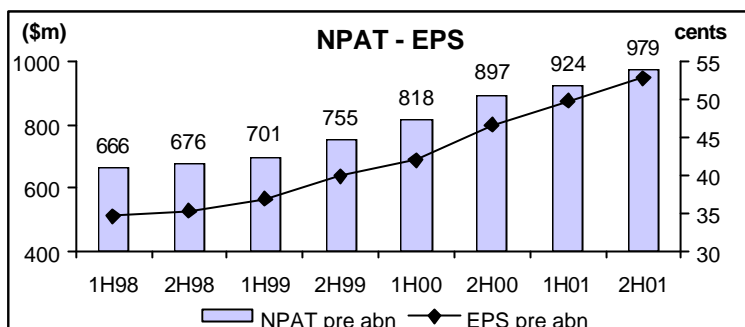
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1.5 FINANCIAL SUMMARY

Earnings

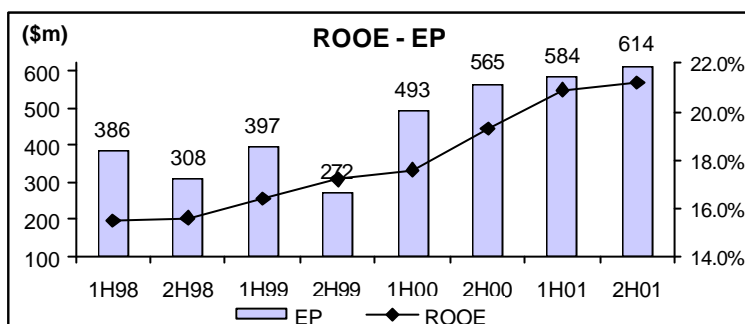
Our net profit (NPAT) of \$1,903 million was up 11% on 2000 continuing our steady growth of the last four years. Earnings per share (EPS) has grown 16% over the year reflecting our strong business performance and the reduction of ordinary shares on issue due to our buy-back program in the first half of the year.

Our compound annual growth (CAGR) in NPAT over the two years to March 1999 was 5%; in the period to September 2001 this has increased to 14%. The corresponding CAGR's for EPS are 4% and 15% respectively.



Profitability

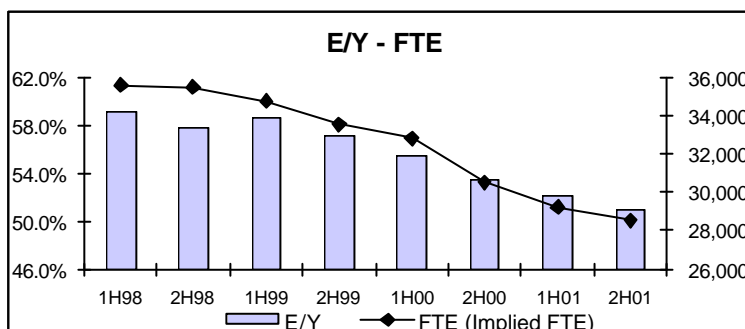
Return on average ordinary equity (ROOE) increased to 21.2% in the second half of 2001. Economic profit (EP) has grown 13% to \$1,198 million compared to 2000. EP growth was stronger than NPAT growth for the year reflecting our effective capital management.



Efficiency

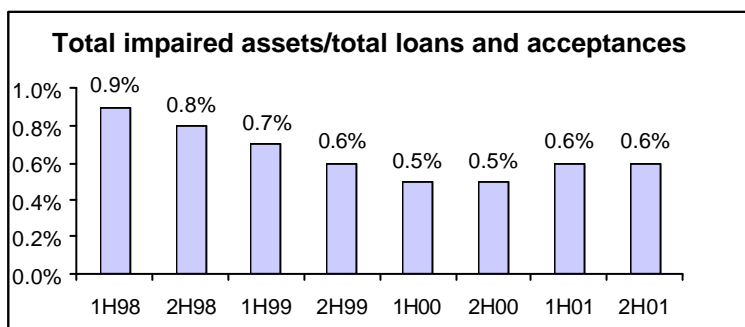
The expense to income ratio before amortisation of goodwill (E/Y) has continued to improve. At 51.5%, it was 3.0 percentage points less than the 2000 ratio of 54.5%. This demonstrates both continued strong revenue growth and our commitment to sound expense management.

Full time equivalent staff (FTE) numbers have declined from 34,764 as at March 1999 to 28,534 as at September 2001.



Impaired Assets

Asset quality has remained strong. Total impaired assets as a percentage of total loans and acceptances increased slightly over September 2000 levels but remain at acceptably low levels.

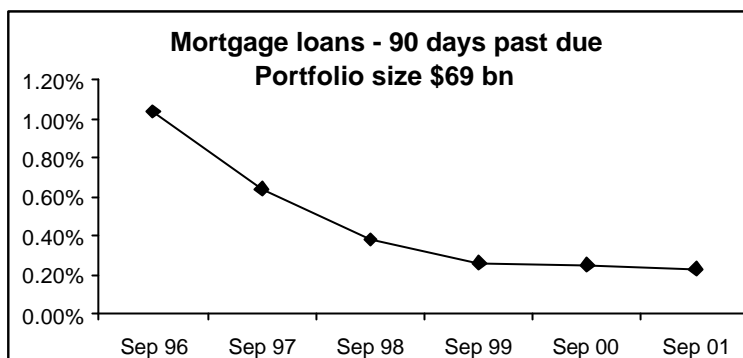


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1.5 FINANCIAL SUMMARY (CONT'D)

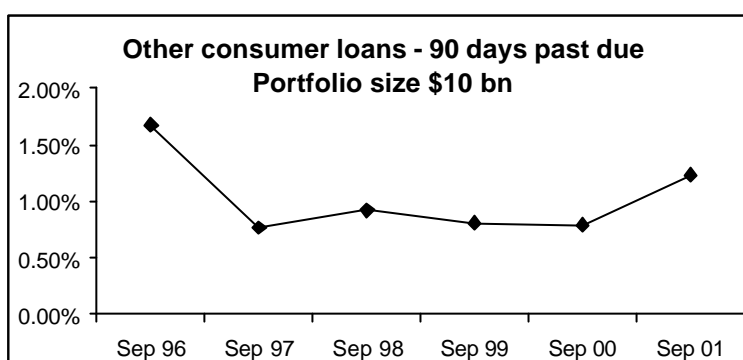
Mortgage Loans

Mortgage delinquencies have continued to fall from above 1% in September 1996, improving to 0.23% of the portfolio in September 2001.



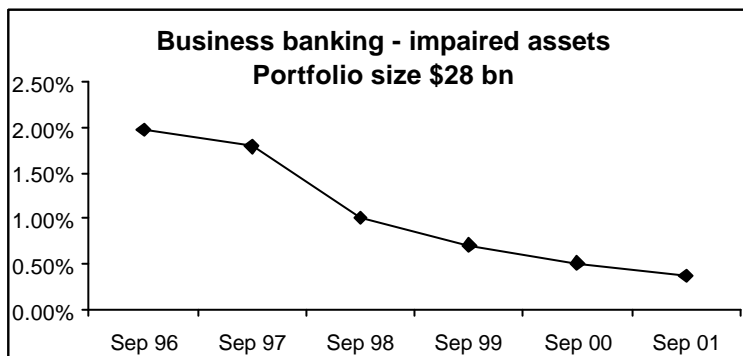
Consumer Loans

Other consumer loans include cards, personal loans and other lines of credit. These delinquencies have increased over the past year but remain at manageable levels.



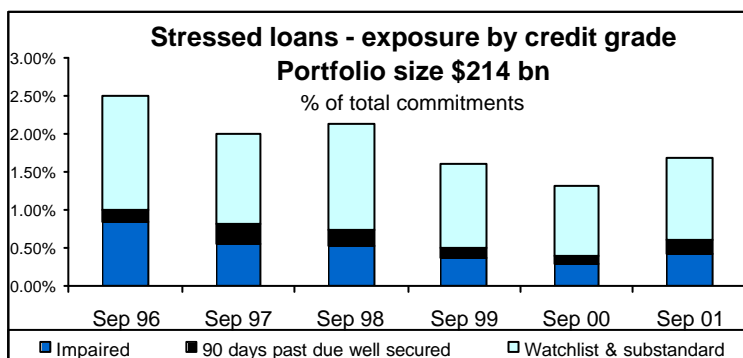
Business Banking

The quality of our business banking portfolio has continued to improve. The ratio of impaired assets to total exposure has fallen from around 2% five years ago to 37 basis points at year end.



Exposure by credit grade

Our aggregate stressed loans (typically loans where the borrower is experiencing some financial difficulty) have increased from the historically low levels in 2000 but remain at acceptable levels.



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1.5 FINANCIAL SUMMARY (CONT'D)

	Six months to/as at		Twelve months to/as at	
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000
Shareholder value				
Earnings per ordinary share ¹ (cents)	52.9	49.9	102.8	88.8
Return on average ordinary equity (annualised)	21.2%	20.9%	21.1%	18.4%
Fully franked dividends per ordinary share (cents)	32	30	62	54
Dividend payout ratio to ordinary shareholders ²	60.5%	60.1%	60.3%	60.8%
Earnings				
Core earnings ^{3,4} (\$m)	1,698	1,567	3,265	2,847
Net profit attributable to equity holders (\$m)	979	924	1,903	1,715
Economic profit ⁵ (\$m)	614	584	1,198	1,058
Net interest spread	2.63%	2.66%	2.63%	2.52%
Net interest margin	3.10%	3.14%	3.11%	3.10%
Productivity and efficiency				
Productivity ratio ⁶	4.19	3.87	4.03	3.53
Expense to income ratio before amortisation of goodwill	50.9%	52.2%	51.5%	54.5%
Implied full time equivalent staff (FTE) ⁷	28,534	29,241	28,534	30,520
Capital adequacy				
Capital adequacy ratios				
Net capital ratio	9.9%	9.3%	9.9%	9.9%
Tier 1	6.3%	6.1%	6.3%	6.6%
Average ordinary equity (\$m)	8,970	8,620	8,795	9,070
Average total equity (\$m)	9,450	9,090	9,270	9,539
Assets				
Total assets (\$m)	189,845	184,912	189,845	167,618
Net loans and acceptances (\$m)	137,950	133,376	137,950	123,198
Securitised loans net of amortisation (\$m)	3,606	4,214	3,606	4,751
Risk adjusted assets (\$m)	127,242	124,395	127,242	114,816
Asset quality				
Total impaired assets to total loans and acceptances	0.6%	0.6%	0.6%	0.5%
Net impaired assets to equity and general provisions	5.4%	5.6%	5.4%	3.1%
Specific provisions to total impaired assets	34.0%	32.5%	34.0%	44.8%
Total provisions to total impaired assets	177%	182%	177%	249%
Total provisions to total loans and acceptances	1.1%	1.2%	1.1%	1.2%
Total bad and doubtful debt charge to average loans and acceptances (basis points)	37	27	32	18

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

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

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

4 See note 3 on page 9 for explanation of gross-up.

5 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.

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

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

Year End Profit Announcement 2001

2 STATEMENT OF FINANCIAL PERFORMANCE

2.1 STATEMENT OF FINANCIAL PERFORMANCE

\$m	Six months to		Twelve months to		% Mov't Sept 00- Sept 01
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000	
Interest income					
Deposits with banks	113	117	230	261	(12)
Investment and trading securities	320	381	701	610	15
Statutory deposits	11	18	29	32	(9)
Loans and other receivables ^{1,2}	4,513	4,785	9,298	8,487	10
Interest income	4,957	5,301	10,258	9,390	9
Fully tax equivalent gross up ³	78	71	149	169	(12)
Interest income (including gross up)	5,035	5,372	10,407	9,559	9
Interest expense					
Current and term deposits ¹	(1,722)	(2,033)	(3,755)	(3,711)	(1)
Public borrowings	(161)	(184)	(345)	(338)	(2)
Deposits from banks	(149)	(139)	(288)	(221)	(30)
Loan capital	(156)	(195)	(351)	(270)	(30)
Other liabilities	(679)	(789)	(1,468)	(1,181)	(24)
Interest expense	(2,867)	(3,340)	(6,207)	(5,721)	(8)
Net interest income (including gross up)	2,168	2,032	4,200	3,838	9
Non-interest income					
Fees and commissions received	1,092	998	2,090	1,832	14
Fees and commissions paid ²	(269)	(216)	(485)	(338)	(43)
Proceeds from sale of assets	407	272	679	1,966	(65)
Carrying value of assets sold	(401)	(269)	(670)	(1,930)	65
Net life insurance and funds management income	233	291	524	567	(8)
Other non-interest income	226	173	399	317	26
Total non-interest income	1,288	1,249	2,537	2,414	5
Net operating income (including gross up)	3,456	3,281	6,737	6,252	8
Operating expenses					
Salaries and other staff expenses	(856)	(888)	(1,744)	(1,815)	4
Equipment and occupancy expenses	(333)	(315)	(648)	(632)	(3)
Other expenses	(569)	(511)	(1,080)	(958)	(13)
Total operating expenses (excluding amortisation of goodwill)	(1,758)	(1,714)	(3,472)	(3,405)	(2)
Core earnings	1,698	1,567	3,265	2,847	15
Amortisation of goodwill	(49)	(49)	(98)	(98)	-
Operating profit before bad and doubtful debts (including gross up)	1,649	1,518	3,167	2,749	15
Bad and doubtful debts	(257)	(176)	(433)	(202)	(114)
Profit from ordinary activities before income tax (including gross up)	1,392	1,342	2,734	2,547	7
Fully tax equivalent gross up ³	(78)	(71)	(149)	(169)	12
Profit from ordinary activities before income tax	1,314	1,271	2,585	2,378	9
Income tax expense	(332)	(345)	(677)	(660)	(3)
Net profit attributable to outside equity interests	(3)	(2)	(5)	(3)	(67)
Net profit attributable to equity holders of Westpac Banking Corporation	979	924	1,903	1,715	11

1 In prior periods certain derivative transactions were reported on a gross basis in interest income and interest expense. To aid comparability both interest income and interest expense have been reduced by \$855 million for the year ended 30 September 2000. This reclassification has no impact on our net interest income.

2 During the year guarantee fees of \$68 million in respect of certain structured finance transactions have been treated as yield adjustments to interest income. Previously these fees were reported as part of fees and commissions paid. Comparative amounts have been restated for the six months period ended 31 March 2001 and the full year ended 30 September by \$31 million and \$46 million respectively. The change has no impact on net profit.

3 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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2.1 STATEMENT OF FINANCIAL PERFORMANCE (CONT'D)

\$m	Six months to		Twelve months to		% Mov't Sept 00- Sept 01
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000	
Retained profits at the beginning of the financial period	3,815	3,435	3,435	2,788	23
Net profit attributable to equity holders	979	924	1,903	1,715	11
Aggregate of amounts transferred (to)/from reserves	(22)	15	(7)	(12)	(42)
Total available for appropriation	4,772	4,374	5,331	4,491	19
Dividends provided for or paid	(572)	(534)	(1,106)	(1,013)	9
Distributions on other equity instruments	(26)	(25)	(51)	(43)	19
Retained profits at the end of the financial period	4,174	3,815	4,174	3,435	22

2.2 EARNINGS PER SHARE

	Six months to		Twelve months to		% Mov't Sept 00- Sept 01
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000	
Earnings (cents) per ordinary share ¹ after deducting distributions on other equity instruments:					
Basic	52.9	49.9	102.8	88.8	16
Fully diluted ²	52.6	49.3	101.9	87.7	16
Weighted average number of fully paid ordinary shares (millions)	1,801	1,804	1,801	1,883	(4)

2.3 DIVIDENDS

Cents per share	Six months to		Twelve months to	
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000
Ordinary dividend				
Interim (fully franked) ³	-	30	30	26
Final (fully franked) ³	32	-	32	28
	32	30	62	54
Total dividend provided for or paid	\$m	\$m	\$m	\$m
Ordinary dividends provided or paid	577	536	1,113	1,000
Under/(over) provision from previous period	-	(7)	(7)	13
	577	529	1,106	1,013
Ordinary dividend payout ratio	60.5%	60.1%	60.3%	60.8%
Distributions on other equity instruments				
TOPrS SM distributions provided for or paid	26	25	51	43
Total distributions on other equity instruments	26	25	51	43

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

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

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

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2.4 INTEREST SPREAD AND MARGIN ANALYSIS

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

2.4.1 Spread and Margin Analysis

%	Six months to		Twelve months to	
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000
Group				
Interest spread on productive assets ¹	2.65	2.68	2.65	2.54
Impact of impaired loans	(0.02)	(0.02)	(0.02)	(0.02)
Interest spread ²	2.63	2.66	2.63	2.52
Benefit of net non-interest bearing liabilities and equity ³	0.47	0.48	0.48	0.58
Interest margin	3.10	3.14	3.11	3.10
Australia				
Interest spread on productive assets ¹	2.71	2.78	2.74	2.55
Impact of impaired loans	(0.01)	(0.02)	(0.02)	(0.02)
Interest spread ²	2.70	2.76	2.72	2.53
Benefit of net non-interest bearing liabilities and equity ³	0.38	0.34	0.36	0.53
Interest margin	3.08	3.10	3.08	3.06
New Zealand				
Interest spread on productive assets ¹	2.64	2.81	2.71	2.86
Impact of impaired loans	(0.02)	(0.02)	(0.03)	(0.01)
Interest spread ²	2.62	2.79	2.68	2.85
Benefit of net non-interest bearing liabilities and equity ³	0.72	0.46	0.60	0.35
Interest margin	3.34	3.25	3.28	3.20
Other Overseas				
Interest spread on productive assets ¹	0.60	0.36	0.50	0.39
Impact of impaired loans	(0.02)	-	(0.01)	-
Interest spread ²	0.58	0.36	0.49	0.39
Benefit of net non-interest bearing liabilities and equity ³	0.35	0.78	0.54	0.63
Interest margin	0.93	1.14	1.03	1.02

Group

Our net interest spread increased by 11 basis points in 2001. A lower cost of wholesale funding and the effective execution of our hedging strategy were the main contributing factors to the increased spread.

The Group's net interest margin was maintained despite a reduction in non-interest bearing liabilities.

Australia

Interest spread for Australia increased 19 basis points year on year despite competitive pricing pressures on the asset side of the balance sheet. This was offset by a decrease of 17 basis points in the benefit of net non-interest bearing liabilities and equity to leave the interest margin relatively flat.

New Zealand

Interest spread for New Zealand decreased by 17 basis points year on year reflecting the competitive pricing pressures in that market. However, a 25 basis point increase in the benefit of net non-interest bearing liabilities and equity gave the interest margin a boost of 8 basis points.

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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2.4.2 Average Balance Sheets and Interest Rates

	Twelve months to 30 September 2001			Twelve months to 30 September 2000		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
Assets						
Interest earning assets						
Due from other financial institutions						
Australia	1,618	68	4.2	1,531	71	4.6
New Zealand	1,572	67	4.3	1,298	70	5.4
Other Overseas	1,574	95	6.0	1,691	120	7.1
Investment and trading securities						
Australia	8,080	449	5.6	7,029	382	5.4
New Zealand	822	73	8.9	691	62	9.0
Other Overseas	2,741	179	6.5	1,923	166	8.6
Regulatory deposits						
Other Overseas	487	29	6.0	517	32	6.2
Loans and other receivables						
Australia	92,304	7,284	7.9	85,409	6,757	7.9
New Zealand	21,327	1,854	8.7	19,746	1,645	8.3
Other Overseas	3,988	289	7.2	3,041	232	7.6
Impaired loans						
Australia	339	6	1.8	313	7	2.2
New Zealand	124	5	4.0	102	6	5.9
Other Overseas	178	9	5.1	171	9	5.3
Intragroup receivable						
Other Overseas	16,383	945	5.8	16,960	998	5.9
Interest earning assets and interest income including intragroup						
	151,537	11,352	7.5	140,422	10,557	7.5
Intragroup elimination						
	(16,383)	(945)		(16,960)	(998)	
Total interest earning assets and interest income						
	135,154	10,407	7.7	123,462	9,559	7.7
Non-interest earning assets						
Cash, due from other financial institutions and regulatory deposits						
	809			486		
Life insurance investment assets						
	7,457			7,303		
Other assets ¹						
	19,711			16,389		
Provisions for doubtful debts						
Australia	(1,325)			(1,241)		
New Zealand	(92)			(91)		
Other Overseas	(120)			(153)		
Total non-interest earning assets						
	26,440			22,693		
Acceptances						
Australia	16,654			12,403		
Other Overseas	26			8		
Total assets						
	178,274			158,566		

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

Year End Profit Announcement 2001

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

	Twelve months to 30 September 2001			Twelve months to 30 September 2000		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
Liabilities and shareholders' equity						
Interest bearing liabilities						
Deposits						
Australia	56,307	2,403	4.3	53,742	2,311	4.3
New Zealand	15,276	806	5.3	14,002	695	5.0
Other Overseas	9,709	546	5.6	11,711	705	6.0
Public borrowings by subsidiary borrowing corporations						
Australia	5,986	344	5.7	5,912	331	5.6
New Zealand	7	1	10.0	96	7	7.3
Due to other financial institutions						
Australia	1,530	70	4.6	589	32	5.4
New Zealand	213	10	4.7	127	10	7.9
Other Overseas	3,805	208	5.5	3,239	179	5.5
Loan capital						
Australia	4,944	348	7.0	3,242	264	8.1
New Zealand	40	3	7.5	74	6	8.1
Other interest bearing liabilities						
Australia	15,052	925	6.1	9,811	736	7.5
New Zealand ¹	269	13	4.8	337	20	5.9
Other Overseas ¹	9,360	530	5.7	6,772	425	6.3
Intragroup payable						
Australia	10,872	562	5.2	11,201	654	5.8
New Zealand	5,511	383	6.9	5,759	344	6.0
Interest bearing liabilities and interest expense including intragroup						
	138,881	7,152	5.1	126,614	6,719	5.3
Intragroup elimination						
	(16,383)	(945)		(16,960)	(998)	
Total interest bearing liabilities and interest expense						
	122,498	6,207	5.1	109,654	5,721	5.2
Non-interest bearing liabilities						
Deposits and due to other financial institutions						
Australia	3,810			3,651		
New Zealand	900			925		
Other Overseas	245			302		
Life insurance policy liabilities						
	7,150			6,804		
Other liabilities ²						
	17,721			15,280		
Total non-interest bearing liabilities						
	29,826			26,962		
Acceptances of customers						
Australia	16,654			12,403		
Other Overseas	26			8		
Total liabilities						
	169,004			149,027		
Ordinary shareholders' equity						
	8,795			9,070		
TOPrS						
	465			465		
Outside equity interests						
	10			4		
Total equity						
	9,270			9,539		
Total liabilities and equity						
	178,274			158,566		

¹ Other interest bearing liabilities of a New Zealand controlled entity's branch, established in 2000, are now classified as Other Overseas liabilities. The 2000 comparatives have been restated by \$5,367 million for average balance and \$312 million for interest. The change in classification has no impact on net interest income or net profit.

² Includes provisions for dividends, income tax and deferred tax, and other financial market liabilities.

Year End Profit Announcement 2001

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

	Twelve months to 30 September 2001			Twelve months to 30 September 2000		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	\$m	\$m	%	\$m	\$m	%
Interest earning assets (including impaired loans)						
Australia	102,341	7,807	7.6	94,282	7,217	7.7
New Zealand	23,845	1,999	8.4	21,837	1,783	8.2
Other Overseas	25,351	1,546	6.1	24,303	1,557	6.4
Intragroup	(16,383)	(945)		(16,960)	(998)	
Group	135,154	10,407	7.7	123,462	9,559	7.7
Interest bearing liabilities						
Australia	94,691	4,652	4.9	84,497	4,328	5.2
New Zealand	21,316	1,216	5.7	20,395	1,082	5.3
Other Overseas	22,874	1,284	5.6	21,722	1,309	6.0
Intragroup	(16,383)	(945)		(16,960)	(998)	
Group	122,498	6,207	5.1	109,654	5,721	5.2
Interest spread						
Australia			2.7			2.5
New Zealand			2.7			2.9
Other Overseas			0.5			0.4
Group			2.6			2.5

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2.5 NON-INTEREST INCOME ANALYSIS

\$m	Six months to		Twelve months to		% Mov't Sept 00- Sept 01
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000	
Fees and commissions					
Lending fees	348	334	682	584	17
Transaction fees and commissions received	634	557	1,191	1,012	18
Other non-risk fee income	107	105	212	231	(8)
Fees and commissions paid	(269)	(216)	(485)	(338)	(43)
Service and management fees	3	2	5	5	-
	823	782	1,605	1,494	7
Trading income					
Foreign exchange	169	148	317	194	63
Other	(27)	(16)	(43)	(50)	14
	142	132	274	144	90
Insurance and funds management income					
Life insurance and funds management operating income	233	291	524	567	(8)
General insurance commissions and premiums (net of claims paid)	26	22	48	46	4
	259	313	572	613	(7)
Other income					
Dividends received	24	27	51	43	19
Lease rentals	6	5	11	8	38
Cost of hedging overseas operations	(10)	(7)	(17)	(4)	(325)
Net profit on sale of fixed assets and investments	6	3	9	36	(75)
Other	38	(6)	32	80	(60)
	64	22	86	163	(47)
Non-interest income	1,288	1,249	2,537	2,414	5

Life insurance and funds management non-interest income:

Premium income and management fees ¹	134	126	260	297
Funds management income	85	108	193	162
Claims expense (net of recoveries)	(43)	(42)	(85)	(97)
Investment revenue	(76)	65	(11)	895
Life insurance policy liabilities expense	73	(33)	40	(799)
Amortisation of business in force	(3)	(3)	(6)	(19)
Operating income	170	221	391	439
Change in excess of net market value over net assets of life insurance subsidiary before tax ²	63	70	133	128
Total life insurance and funds management non-interest income	233	291	524	567
<i>Split as follows:</i>				
Australia	213	267	480	543
New Zealand	20	24	44	24

¹ Includes \$(41) million and \$68 million for 2001 and 2000, respectively, in relation to recoveries of income tax on policyholders' earnings.

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

Year End Profit Announcement 2001

Commentary on Non-interest Income

- Non-interest income increased 5% or \$123 million in the year ended 30 September 2001. This year, tax recoveries¹ on policyholders' earnings amounted to a net charge of \$41 million compared to a positive contribution of \$68 million last year. Adjusting for tax recoveries, non-interest income increased 10%

	Twelve months to		% Mov't
	30 Sept 2001	30 Sept 2000	
Reported non-interest income	2,537	2,414	5
Tax recoveries	41	(68)	
Adjusted non-interest income	2,578	2,346	10

- Net fees and commissions have increased by 7% or \$111 million on the prior year. The contributors to this growth were;
 - lending fees increased 17% to \$682 million reflecting increased loan volumes in Australia;
 - transaction fees and commissions received increased \$179 million or 18% due to increased transaction activity; and
 - fees and commissions paid increased by \$147 million to \$485 million due to greater card activity.
- Financial markets non-interest income increased 53% on the prior year, representing a more normal trading result after a disappointing performance in 2000.

A complete picture of total financial markets income is included in the table below incorporating both net interest income and non-interest income generated in financial markets activity.

\$m	Twelve months to		% Mov't
	30 Sept 2001	30 Sept 2000	
Trading income	274	144	90
Dividend income	50	34	47
Other non-interest income	24	50	(52)
Total non-interest income	348	228	53
Net interest income	161	174	(7)
Total financial markets income	509	402	27

- Insurance and funds management non-interest income attributable to us has increased by 12%. Detailed on the table below is the impact of tax recoveries on our reported results.

	Twelve months to		% Mov't
	30 Sept 2001	30 Sept 2000	
Reported insurance and funds management non-interest income	572	613	(7)
Tax recoveries	41	(68)	
Adjusted insurance and funds management income	613	545	12

- Other income included \$27 million from the sale of our foreign banknote business in 2001 and \$27 million from the sale of five properties in 2000.
- During the year we revalued our investment in Qvalent Pty Ltd (formerly Metiom Australia Pty Ltd) down by \$17 million to a total carrying value of \$30 million. \$7.5 million of this adjustment was reported in the first half. This reflects recent trends in global markets for the valuation of information technology companies.

Our investment in Qvalent was significantly restructured as Qvalent acquired full ownership of its intellectual property rights from Metiom Inc. in the United States and we moved to acquire 100% of Qvalent.

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

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2.6 OPERATING EXPENSE ANALYSIS

\$m	Six months to		Twelve months to		% Mov't Sept 00- Sept 01
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000	
Salaries and other staff expenses					
Salaries and wages	651	656	1,307	1,388	(6)
Restructuring expenses	31	41	72	45	60
Other staff expenses	174	191	365	382	(5)
	856	888	1,744	1,815	(4)
Equipment and occupancy expenses					
Operating lease rentals	146	136	282	250	13
Depreciation and amortisation:					
Premises	5	6	11	8	38
Leasehold improvements	16	15	31	30	3
Furniture and equipment	23	26	49	43	14
Technology	34	33	67	96	(30)
Computer software	79	58	137	92	49
Electricity, water, rates and land tax	4	3	7	20	(65)
Other equipment and occupancy expenses	26	38	64	93	(31)
	333	315	648	632	3
Other expenses					
Amortisation of goodwill	49	49	98	98	-
Amortisation of deferred expenditure	11	11	22	14	57
Non-lending losses	36	22	58	36	61
Consultancy fees, computer software maintenance, IT outsourcing costs and other professional services	258	198	456	355	29
Stationery	44	47	91	99	(8)
Postage and telecommunications	131	119	250	204	23
Insurance	5	6	11	11	-
Advertising	37	52	89	104	(14)
Transaction taxes	3	7	10	11	(9)
Training	6	9	15	22	(32)
Travel	24	27	51	53	(4)
Other expenses	14	13	27	49	(45)
	618	560	1,178	1,056	12
Operating expenses	1,807	1,763	3,570	3,503	2
Productivity ratio ¹	4.19	3.87	4.03	3.53	
Expense/income ratio before amortisation of goodwill	50.9%	52.2%	51.5%	54.5%	

- Expense management has continued to be a key priority as demonstrated by the decrease in our expense to income ratio by 3.0 percentage points from 54.5% to 51.5%.
- Operating expenses have increased by just 2% on the prior year. This nominal increase included absorbing an additional \$78 million in goods and services tax costs, \$27 million of additional restructuring costs, \$8 million in adverse exchange rate movements and incremental costs across all operations due to growing transaction volumes.
- Our efficiency initiatives, including outsourcing, were the major contributor to the 4% decrease in salaries and other staff expenses. This is despite incurring an additional \$27 million of restructuring costs. These covered a range of programs including the streamlining of our senior and middle management positions, during the year. The number of full-time equivalent employees has reduced by 1,986 from 30 September 2000 to 28,534.
- Equipment and occupancy costs increased 3% on 2000. The majority of this comprised the amortisation of previously capitalised software.
- Non-lending losses has increased by \$22 million on the prior year. The majority of this increase related to cheque and credit card fraud. To help reduce the incidence of fraud we have invested in new technology to detect unusual or irregular transactions.
- Consultancy and other professional services, expenses and telecommunications costs included \$269 million of expense incurred in relation to our IT outsourcing agreement, which became effective December 2000.

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

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2.7 INCOME TAX

\$m	Six months to		Twelve months to	
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000
INCOME TAX EXPENSE				
Profit from ordinary activities before income tax (including gross up)	1,392	1,342	2,734	2,547
Fully tax equivalent gross up	(78)	(71)	(149)	(169)
Profit from ordinary activities before income tax (excluding gross up)	1,314	1,271	2,585	2,378
Prima facie income tax based on the company tax rate of 34% (2000 @ 36%) in Australia	447	432	879	856
Add/(deduct) tax effect of permanent differences				
Change in tax rate	(7)	8	1	26
Rebateable and exempt dividends	(47)	(50)	(97)	(88)
Tax losses and timing differences now tax effected	(8)	(19)	(27)	(45)
Life insurance :				
Tax adjustment on policyholders' earnings ¹	(16)	(11)	(27)	44
Adjustment for life business tax rates	(12)	(7)	(19)	(42)
Change in excess of net market value over net assets of life insurance subsidiaries	(9)	(7)	(16)	(16)
Other non-assessable items	(7)	(23)	(30)	(82)
Other non-deductible items	1	28	29	65
Adjustment for overseas tax rates	(10)	(7)	(17)	(23)
Prior period adjustments	(2)	4	2	(36)
Other items	2	(3)	(1)	1
Total income tax expense attributable to profit from ordinary activities	332	345	677	660
Fully taxable equivalent gross up	78	71	149	169
Total income tax expense (including gross up)	410	416	826	829
Effective tax rate (%) (including gross up)	29.5	31.0	30.2	32.5

¹ In accordance with the requirements of Australian accounting standard AASB 1038 Life Insurance Business, our tax expense includes a \$41 million of tax credit for income tax on policyholders' investment earnings (\$68 million tax charge in 2000 full year) \$14 million of which is in the prima facie tax credit and the balance of \$27 million shown here.

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2.8 AUSTRALIAN LIFE INSURANCE AND FUNDS MANAGEMENT RESULTS

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

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

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

\$m	Six months to		Twelve months to		% Mov't Sept 00- Sept 01
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000	
Net interest income	25	7	32	20	60
Operating income	150	197	347	415	(16)
Change in net market value of controlled entity (WCN)	63	70	133	128	4
Non-interest income	213	267	480	543	(12)
Expenses					
Commissions	(54)	(42)	(96)	(72)	(33)
Other	(69)	(68)	(137)	(131)	(5)
	(123)	(110)	(233)	(203)	(15)
Operating profit before tax	115	164	279	360	(23)
Income tax expense	(6)	(22)	(28)	(120)	(77)
Operating profit after income tax	109	142	251	240	5
Reconciliation to margin on services & accrual profit					
Operating profit before tax	115	164	279	360	(22)
Adjustments:					
Tax recovery gross up (tax on policyholder earnings)	25	16	41	(68)	(160)
Additional amortisation of value of business' in force (arising on acquisition of AMPAC - 1997 and acquisition costs now expensed)	30	31	61	43	42
Embedded value	(63)	(70)	(133)	(128)	(4)
MOS/accrual profit before tax	107	141	248	207	20
Income tax expense	(6)	(22)	(28)	(119)	(76)
Adjustments:					
Tax recovery gross up (tax on policyholders' earnings)	(25)	(16)	(41)	68	N/A
Tax on embedded value	14	17	31	30	3
Tax on additional amortisation, acquisition costs now expensed & other items	(8)	(5)	(13)	(4)	(225)
Income tax expense on MOS/accrual profit	(25)	(26)	(51)	(25)	104
Equivalent pre-uplift profit after tax	82	115	197	182	8
Income tax reconciliation					
Income tax expense, including tax recoveries - as reported	6	22	28	119	(76)
Eliminate tax recovery gross up	25	16	41	(68)	N/A
Income tax expense, as adjusted	31	38	69	51	35
Operating profit before tax, including tax recoveries	115	164	279	360	(22)
Eliminate tax recovery gross up	25	16	41	(68)	N/A
Operating profit before tax, excluding tax recoveries	140	180	320	292	10
Prima facie income tax expense at 34% (2000 - 36%)	48	62	110	105	5
Life business rates	(11)	(6)	(17)	(37)	54
Change in net market value	(6)	(8)	(14)	(16)	13
Other	-	(10)	(10)	(1)	large
Income tax expense, as adjusted for tax recoveries	31	38	69	51	35

- Life insurance operating income includes the impact of the tax on policyholders' investment earnings within our life company. This income has been 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.
- Our operating income during the first half included \$28 million profit on the relinquishment of the management rights of the property trust.

Year End Profit Announcement 2001

3 STATEMENT OF FINANCIAL POSITION

3.1 STATEMENT OF FINANCIAL POSITION

As at \$m	30 Sept 2001	31 March 2001	30 Sept 2000	% Mov't Mar 01- Sept 01	% Mov't Sept 00- Sept 01
Assets					
Cash and balances with central banks	1,079	588	836	84	29
Due from other financial institutions	5,094	3,554	3,325	43	53
<i>Trading securities</i>	10,629	8,841	7,174	20	48
<i>Investment securities</i>	2,960	3,356	2,731	(12)	8
<i>Securities sold not yet delivered</i>	4,179	2,476	2,636	69	59
<i>Securities purchased under agreements to resell</i>	283	237	289	19	(2)
<i>Other financial markets assets</i>	14,120	18,546	13,549	(24)	4
Total securities and financial markets assets	32,171	33,456	26,379	(4)	22
<i>Productive loans</i>	123,071	117,729	108,435	5	13
<i>Acceptances of customers</i>	15,700	16,546	15,665	(5)	-
<i>Impaired loans</i>	780	666	576	17	35
<i>Less: provisions for bad and doubtful debts</i>	(1,601)	(1,565)	(1,478)	2	8
Net loans and acceptances	137,950	133,376	123,198	3	12
Life insurance investment assets	7,352	7,395	7,547	(1)	(2)
Regulatory deposits with central banks overseas	482	567	620	(15)	(22)
Goodwill	1,501	1,548	1,535	(3)	(2)
Fixed assets	1,034	1,137	1,175	(9)	(12)
Deferred tax assets	441	449	467	(2)	(6)
Other assets	2,741	2,842	2,536	(4)	8
Total assets	189,845	184,912	167,618	3	13
Liabilities and equity					
Due to other financial institutions	5,954	5,615	3,972	6	50
Deposits	90,443	86,488	83,805	5	8
Public borrowings	5,714	6,044	6,189	(5)	(8)
Debt issues	27,989	26,048	19,203	7	46
Acceptances	15,700	16,546	15,665	(5)	-
Tax liabilities	706	468	651	51	8
Life insurance policy liabilities	7,123	7,066	6,991	1	1
Provisions	1,038	1,016	989	2	5
Securities liabilities	6,061	4,020	2,567	51	136
Other financial markets liabilities	11,034	14,038	10,352	(21)	7
Other liabilities	3,540	3,119	3,080	13	15
Total liabilities excluding loan capital	175,302	170,468	153,464	3	14
Subordinated bonds, notes and debentures	4,045	4,523	4,175	(11)	(3)
Subordinated perpetual notes	793	797	717	(1)	11
Total loan capital	4,838	5,320	4,892	(9)	(1)
Total liabilities	180,140	175,788	158,356	2	14
Net assets	9,705	9,124	9,262	6	5
Equity					
Share capital (1,751 million ordinary shares)	1,751	1,735	1,776	1	(1)
NZ Class shares (54 million NZ Class shares)	482	482	482	-	-
Exchangeable trust originated preferred securities-TOPrS	465	465	465	-	-
Reserves	2,819	2,615	3,099	8	(9)
Retained profits	4,174	3,815	3,435	9	22
Outside equity interests	14	12	5	17	180
Total equity	9,705	9,124	9,262	6	5

Year End Profit Announcement 2001

3.1.1 Loans

As at \$m	30 Sept 2001	31 March 2001	30 Sept 2000	% Mov't Mar 01- Sept 01	% Mov't Sept 00- Sept 01
Australia					
Overdrafts	3,488	3,245	3,443	7	1
Credit card outstandings	5,631	5,564	4,674	1	20
Overnight and call money market loans	305	258	265	18	15
Own acceptances discounted	3,270	3,005	2,188	9	50
Term loans:					
Housing	53,877	50,335	47,471	7	14
Non-housing ¹	24,164	22,442	23,002	8	5
Finance leases	1,770	1,915	2,023	(8)	(13)
Investments in leveraged lease and equity lease	202	246	284	(18)	(29)
Redeemable preference share finance	-	413	426	(100)	(100)
Other ¹	3,209	3,827	2,313	(16)	39
Total - Australia	95,916	91,250	86,089	5	11
New Zealand					
Overdrafts	855	1,042	617	(18)	39
Credit card outstandings	778	690	526	13	48
Overnight and call money market loans	657	559	439	18	50
Term loans:					
Housing	10,968	10,803	9,404	2	17
Non-housing ¹	6,734	6,157	5,488	9	23
Finance leases	27	26	28	4	(4)
Redeemable preference share finance	2,792	2,118	1,546	32	81
Other ¹	933	1,046	1,035	(11)	(10)
Total - New Zealand	23,744	22,441	19,083	6	24
Other Overseas					
Overdrafts	165	177	175	(7)	(6)
Term loans:					
Housing	261	266	251	(2)	4
Non-housing ¹	2,284	2,102	1,649	9	39
Finance leases	20	24	26	(17)	(23)
Other ¹	1,461	2,135	1,738	(32)	(16)
Total - Other Overseas	4,191	4,704	3,839	(11)	9
Total gross loans	123,851	118,395	109,011	5	14
Provisions for bad and doubtful debts	(1,601)	(1,565)	(1,478)	2	8
Total net loans	122,250	116,830	107,533	5	14
Securitised loans²	3,606	4,214	4,751	(14)	(24)

1 Following a review of loan classifications during the year, the categories in which certain loans are reported have been revised. Comparatives for the period ended 31 March 2001 and year ended 30 September 2000 have been restated in Australia resulting in a reduction in other loans of \$3,652 and \$4,833 million and an increase in term loans non-housing of \$4,870 and \$4,741 million respectively. 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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3.1.2 Deposits and Public Borrowings

As at \$m	30 Sept 2001	31 March 2001	30 Sept 2000	% Mov't Mar 01- Sept 01	% Mov't Sept 00- Sept 01
DEPOSITS					
Australia					
Non-interest bearing	3,666	3,430	3,423	7	7
Certificates of deposit	4,137	3,946	5,949	5	(30)
Other interest bearing:					
At call ¹	39,479	38,155	32,949	3	20
Term ¹	15,828	14,523	15,975	9	(1)
Total deposits in Australia	63,110	60,054	58,296	5	8
New Zealand					
Non-interest bearing	847	850	675	-	25
Certificates of deposit	2,679	2,120	1,439	26	86
Other interest bearing:					
At call ¹	5,703	5,979	4,748	(5)	20
Term ¹	8,136	7,640	6,817	6	19
Total deposits in New Zealand	17,365	16,589	13,679	5	27
Other Overseas					
Non-interest bearing	201	253	385	(21)	(48)
Certificates of deposit	3,983	3,685	3,607	8	10
Other interest bearing:					
At call ¹	489	527	392	(7)	25
Term ¹	5,295	5,380	7,446	(2)	(29)
Total deposits Other Overseas	9,968	9,845	11,830	1	(16)
Total deposits	90,443	86,488	83,805	5	8
PUBLIC BORROWINGS BY SUBSIDIARY BORROWING CORPORATIONS					
Australia					
Secured	3,695	3,695	3,666	-	1
Unsecured	2,015	2,339	2,509	(14)	(20)
Total public borrowings in Australia	5,710	6,034	6,175	(5)	(8)
New Zealand					
Secured	4	10	14	(60)	(71)
Total public borrowings in New Zealand	4	10	14	(60)	(71)
Total public borrowings by subsidiary borrowing corporations	5,714	6,044	6,189	(5)	(8)

¹ Following a review of deposit classifications during the year, categories in which certain deposits are reported have been revised. Comparatives have been restated resulting in movements between other interest bearing at term deposits and other interest bearing at call deposits.

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4 ASSET QUALITY

4.1 IMPAIRED ASSETS

As at \$m	30 September 2001			31 March 2001			30 September 2000		
	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net
Non-accrual assets									
Australia	540	(163)	377	512	(115)	397	291	(115)	176
New Zealand	119	(32)	87	114	(32)	82	95	(22)	73
Other Overseas	207	(104)	103	170	(123)	47	146	(118)	28
Total	866	(299)	567	796	(270)	526	532	(255)	277
Restructured assets									
Australia	29	(8)	21	32	(9)	23	34	(9)	25
New Zealand	1	-	1	17	-	17	16	-	16
Other Overseas	6	-	6	13	-	13	11	(2)	9
Total	36	(8)	28	62	(9)	53	61	(11)	50
Total impaired assets¹	902	(307)	595	858	(279)	579	593	(266)	327

4.2 ITEMS PAST DUE 90 DAYS BUT WELL SECURED²

As at \$m	30 Sept 2001	31 March 2001	30 Sept 2000
Australia			
Housing products	67	80	75
Other products	80	114	79
Total Australia	147	194	154
New Zealand			
Housing products	55	57	31
Other products	200	5	9
Other Overseas	9	11	11
Total Overseas	264	73	51
Total	411	267	205

4.3 INCOME ON NON-ACCRUAL AND RESTRUCTURED ASSETS

\$m	Twelve months to	
	30 Sept 2001	30 Sept 2000
Interest received on non-accrual and restructured assets	20	22
Estimated interest forgone on non-accrual and restructured assets	37	30
Interest yield on average non-accrual and restructured assets (annualised)	3.1%	3.8%

¹ Includes off-balance sheet items of \$122 million (\$192 million as at 31 March 2001, \$17 million as at 30 September 2000).

² Under Australian Prudential Regulation Authority guidelines, loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal, interest amounts due and an additional six months interest. These loans need to be reported as a memorandum item only and are reported separately above. No losses are anticipated from these loans as they are well secured, 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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4.4 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

\$m	Six months to		Twelve months to	
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000
General provision				
Balance at beginning of period	1,286	1,212	1,212	1,170
Charge to net profit	257	176	433	202
Transfer (to)/from specific provisions	(96)	(17)	(113)	28
Recoveries of debts previously written off	67	35	102	90
Write-offs	(222)	(134)	(356)	(271)
Provisions of controlled entities/businesses acquired/(disposed)	-	3	3	-
Exchange rate and other adjustments	2	11	13	(7)
Balance at period end	1,294	1,286	1,294	1,212
Specific provisions				
Balance at beginning of period	279	266	266	330
Transfer from/(to) general provision comprising:				
New specific provisions	181	42	223	75
Specific provisions no longer required	(85)	(25)	(110)	(103)
	96	17	113	(28)
Write-offs ¹	(69)	(17)	(86)	(59)
Provisions of controlled entities/businesses acquired/(disposed)	-	2	2	(2)
Exchange rate and other adjustments	1	11	12	25
Balance at period end	307	279	307	266
Total provisions for bad and doubtful debts	1,601	1,565	1,601	1,478
¹ <i>Write-offs from specific provisions comprised:</i>				
Australian Retail Financial Services	(19)	(14)	(33)	(20)
Westpac Institutional Bank	(31)	(2)	(33)	(31)
WestpacTrust and Pacific Banking	(19)	(1)	(20)	(8)
	(69)	(17)	(86)	(59)

4.5 IMPAIRED ASSETS AND RATIOS

As at %	30 Sept 2001	31 March 2001	30 Sept 2000
Total impaired assets to total loans and acceptances	0.6	0.6	0.5
Specific provisions to total impaired assets	34.0	32.5	44.8
Total provisions to total impaired assets	177	182	249
Total provisions to total loans and acceptances	1.1	1.2	1.2
Total impaired assets to equity and total provisions	8.0	8.0	5.5
Net impaired assets to equity and general provisions	5.4	5.6	3.1

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4.6 CHARGE FOR BAD AND DOUBTFUL DEBTS

\$m	Six months to		Twelve months to	
	30 Sept 2001	31 March 2001	30 Sept 2001	30 Sept 2000
GENERAL PROVISION:				
Recoveries of debts previously written off				
Australian Retail Financial Services	(49)	(21)	(70)	(75)
Westpac Institutional Bank	(10)	(2)	(12)	(6)
WestpacTrust and Pacific Banking	(8)	(12)	(20)	(9)
	(67)	(35)	(102)	(90)
Write-offs				
Australian Retail Financial Services	184	122	306	224
Westpac Institutional Bank	14	-	14	15
WestpacTrust and Pacific Banking	24	12	36	32
	222	134	356	271
Dynamic provisioning charge	6	60	66	49
Transfer to specific provisions	96	17	113	(28)
	257	176	433	202
SPECIFIC PROVISIONS:				
New provisions				
Australian Retail Financial Services	55	27	82	43
Westpac Institutional Bank	100	-	100	9
WestpacTrust and Pacific Banking	26	15	41	23
	181	42	223	75
No longer required				
Australian Retail Financial Services	(18)	(9)	(27)	(47)
Westpac Institutional Bank	(19)	(9)	(28)	(39)
WestpacTrust and Pacific Banking	(48)	(7)	(55)	(17)
	(85)	(25)	(110)	(103)
Transfer from general provisions	96	17	113	(28)
Bad and doubtful debts charge to average loans and acceptances annualised (basis points)	37	27	32	18

Year End Profit Announcement 2001

5 CAPITAL ADEQUACY

As at \$m	30 Sept 2001	31 March 2001	30 Sept 2000
Tier 1 capital			
Total equity	9,705	9,124	9,262
Less: Receivable in respect of New Zealand Class shares	-	-	(190)
Premises revaluation reserve	(8)	(19)	(36)
Goodwill assets	(1,501)	(1,548)	(1,535)
Estimated reinvestment under dividend reinvestment plan ¹	75	39	33
Retained earnings, reserves and goodwill in life and general insurance, funds management and securitisation entities ²	(229)	-	-
Equity in captive lenders mortgage insurance entities ²	(21)	-	-
Total Tier 1 capital	8,021	7,596	7,534
Tier 2 capital			
Premises revaluation reserve	8	19	36
Subordinated undated capital notes	793	797	717
General provision for doubtful debts	1,294	1,286	1,212
Future income tax benefit related to general provision	(389)	(403)	(374)
Eligible subordinated bonds, notes and debentures	3,599	3,421	3,310
Total Tier 2 capital	5,305	5,120	4,901
Tier 1 and Tier 2 capital	13,326	12,716	12,435
Deductions:			
Other banks' capital instruments	-	-	(9)
Investments and capital in life insurance, funds management and securitisation activities	(769)	(1,096)	(1,091)
Net qualifying capital	12,557	11,620	11,335
Risk adjusted assets	127,242	124,395	114,816
Tier 1 capital ratio	6.3%	6.1%	6.6%
Tier 2 capital ratio	4.2%	4.1%	4.3%
Deductions	(0.6)%	(0.9)%	(1.0)%
Net capital ratio	9.9%	9.3%	9.9%
Tangible ordinary equity to risk adjusted assets	6.1%	5.7%	6.3%

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

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 not been restated.

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6 BUSINESS GROUP RESULTS

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

The following business results highlight the key business units and do not add to our total result. The remainder of our result includes smaller business units and certain group financial transactions.

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

6.1 AUSTRALIAN RETAIL FINANCIAL SERVICES

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

\$m	12 months to/as at 30 Sept 01	12 months to/as at 30 Sept 00	% Mov't Sept 00 - Sept 01
Net interest income	3,118	2,856	9
Non-interest income	1,493	1,543	(3)
Operating income	4,611	4,399	5
Non-interest expenses (excluding goodwill)	(2,571)	(2,530)	(2)
Core earnings	2,040	1,869	9
Amortisation - goodwill	(63)	(63)	-
Underlying performance	1,977	1,806	9
Charge for bad and doubtful debts	(311)	(184)	(69)
Operating profit before tax	1,666	1,622	3
Tax and outside equity interests	(524)	(584)	10
Profit on operations	1,142	1,038	10
Economic profit ¹	937	802	17
Expense/income (excluding goodwill)	55.8%	57.5%	
	\$bn	\$bn	
Deposits and other public borrowings	57.4	51.6	11
Net loans and acceptances	95.9	84.4	14
Total assets	107.2	99.0	8
Funds under management	22.5	23.0	(2)

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

Financial Performance

Strong contributions across all of our core Australian retail businesses have driven the improved financial performance. Core earnings increased by 9% and this improvement, combined with efficient use of capital has generated economic profit growth of 17% on the prior year.

Adjusting for the impact of tax recoveries¹ our net operating income grew by 7% on the prior year. This improved performance was primarily due to:

- higher sales of lending products;
- higher sales and lower redemptions in funds under management; and
- increased share of the business banking market.

Operating expenses have been contained at 2% growth on the prior year despite significant business volume increases and restructuring costs. Our expense to income ratio improved from 57.5 % to 55.8%.

The charge for bad and doubtful debts has risen in line with increased lending volumes and the deterioration of the current credit environment together with a one-off charge in our finance company due to systems conversion and collection issues.

Business Developments

Customers

We have increased the number of banking customers by over 152,000 to 5.2 million over the year. Relationship managed business customers increased by 15% while the number of priority consumer customers has risen by 21% to over 1.3 million.

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

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Since September 2001, our customer relationship management platform has been rolled out for our relationship managed customers.

This enables us to have a complete view of the customer and their accounts in order to help identify their needs and offer better financial solutions.

We are also developing customised financial solutions, and rolled out the first of our specialised packages developed specifically for the wholesaling and pharmacy industries during the year.

Product Developments

Housing

Our share of owner-occupied new lending increased 70 basis points to 23.2% and housing outstandings grew 14% during the year. Our new 'Rocket' product, designed to save customers up to 40% off their home loan, has captured 17% of all our new Australian home loan lending.

Our mortgage outstandings have increased \$6 billion to \$54 billion over the year with 83% of the book being higher return, variable rate products.

Funds under Management

Better sales performance together with lower redemption rates has resulted in net retail funds inflow increasing from \$691 million in 2000 to \$921 million this year.

Overall funds under management grew by 4% to \$22.5 billion this financial year after taking account of the relinquishment of management rights relating to \$1.4 billion of funds in Westpac Property Funds Management Limited to Investa Property Group in the first half.

Over 64% of our retail funds outperformed the median investment returns in a peer group of open retail funds greater than \$10 million in funds under management.

During the year we were awarded the Federal Government's inaugural 2001 Banksia Environment Foundation Award for socially responsible investments. We also launched two new socially responsible investments, the Westpac Australian Sustainability Share Fund and the Westpac International Sustainability Share Fund.

Credit cards

Credit card outstandings grew by 20% over the year. The number of cards on issue increased by 7% with the value of card purchases increasing by 20%.

Overall market share of outstanding balances of bank issued credit cards has increased from 18.5% as at September 2000 to 21.0%. Our share of cardholder spend also increased from 21.7% to 23.0% over the same period.

On 1 November 2001 we announced details of our new credit card rewards program which includes the offer of Qantas Frequent Flyer points.

Business Products

Our continuing focus on simplifying lending processes has resulted in customers gaining quicker and easier access to lending products and services.

Business lending outstandings rose by 9% to September 2001. Growth has been particularly strong in commercial bills and residential secured lending. We recently won the 'Business Lender of the Year' at the annual 'Personal Investor Magazine' awards.

In the key middle market business we were ranked first for customer satisfaction for the second year in a row with 57% of customers scoring us above our peer average¹.

Savings and Transactions

Over the year our business deposit base increased from \$18 billion to \$20 billion. We have launched a new campaign in relation to the Bonus Saver product, and the average value of these accounts has increased by 15% since September 2000. A new Cash Management Account Investor Option product was also introduced which now has 34,000 accounts and balances totalling over \$4 billion.

The performance of our business and institutional clients has also been strong with volume growth in our AUD and Agency Clearing businesses. Transaction volumes, through our receivables and payables products, also continue to grow with revenues up by 7% on the prior year.

eCommerce Initiatives

As at September 2001, we had over one million online banking customers. This represents a growth of 155% over the year. These customers conducted over 17 million transactions that were previously handled in our branch banking or telephone banking networks. Over 14% of credit cards and 11% of personal loans were originated online this financial year.

Our share of the total online banking market² increased 2.4 percentage points to over 24% during the year. We have 23% share of the consumer online banking market and 31% of the business online market which exceeds our share of the traditional market in these customer segments.

We have over 93,000 broking customers and our broking business is the second largest discount broker by volume of share trading activity.

We achieved the highest frequency of use per customer of all on-line banks in Australia³ and 94% of our customers are either satisfied or extremely satisfied with our service.

In 2001 we have added to our online functionality with future dated payments, a payments template and import facility and online AUD/NZD vostro. In the year ahead we will further personalise our online offering by introducing account aggregation and wealth management functionality. We will also expand functionality for small businesses and introduce electronic bill presentment and payment.

¹ Greenwich and Associates (June 2001)

² Market Intelligence Strategy Centre (June 2001)

³ ACNielsen.consult Australian Online Banking Report (October 2001)

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6.2 WESTPAC INSTITUTIONAL BANK

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

\$m	12 months to/as at 30 Sept 01	12 months to/as at 30 Sept 00	% Mov't Sept 00 - Sept 01
Net interest income	522	459	14
Non-interest income	505	364	39
Operating income	1,027	823	25
Non-interest expenses (excluding goodwill)	(379)	(373)	(2)
Core earnings	648	450	44
Amortisation - goodwill	-	-	-
Underlying performance	648	450	44
Charge for bad and doubtful debts	(114)	6	N/A
Operating profit before tax	534	456	17
Tax and outside equity interests	(149)	(140)	(6)
Profit on operations	385	316	22
Economic profit	267	227	18
Expense/income (excluding goodwill)	36.9%	45.3%	
	\$bn	\$bn	
Deposits and other public borrowings	11.9	9.3	28
Net loans and acceptances	23.1	22.5	3
Total assets	51.9	48.8	6

Financial Performance

Our profit on operations increased 22% with economic profit increasing by 18%.

Net operating income increased by 25% over the prior year, with strong growth in all businesses. Corporate finance revenues were up 16% due to higher transaction volumes and improved margins. Financial markets revenue grew by 31% on increased turnover, and a higher contribution from our risk businesses, which benefited from higher volatility in foreign exchange and interest rate markets. This sees a return to more normal levels after a disappointing 2000.

Operating expenses grew by just 2%. The higher earnings on a relatively flat expense base drove a 44% increase in core earnings.

Our improved underlying performance more than covered the higher bad debt charge, which arose from a small number of provisions booked during the year.

Business Developments

We are regarded as the principal corporate banker¹ by 25% of large Australian companies and Australia's Top Transactional Bank with 35% of the top 500 companies². We are also ranked the No. 1 FX bank for Australasia³ and the No. 1 domestic fixed rate bond dealer in Australia and New Zealand⁴.

¹ Greenwich large corporate banking survey (Sept 2001)

² East & Partners (July 2001)

³ Global Finance Magazine (June 2001)

⁴ Asiamoney Magazine (Sept 2001)

In line with our customer focused strategy we have reorganised our operations into dedicated industry teams, which are supported by specialist product groups. By concentrating on those areas which create better value for customers we are driving further efficiencies in our operations.

Major initiatives completed during the year included:

- enhancing our product manufacturing and distribution capability between the institutional and retail businesses with volumes more than doubling;
- creation of a small to medium enterprise unit focussing on the needs of middle market corporates;
- further development of our advisory and equity business with revenues more than doubling; and
- participation and/or investment in the following eCommerce product portals:
 - Yieldbroker.com (trading live from May 2001);
 - FX Connect (provided pricing from April 2001); and
 - FXall (launched May 2001).
- Sale of our foreign banknote business generating a profit of \$27 million (September 2001).

Notable transactions

During the year, our Institutional Bank;

- was joint advisor to UtiliCorp United Inc. and United Energy Limited for the \$320 million acquisition of the cornerstone shareholding in AtlintaGas Limited and joint lead manager of a \$450 million debt raising by AtlintaGas Limited;
- was joint lead underwriter for a term loan and revolving credit facilities totalling USD\$1 billion for Billiton PLC; and
- arranged a \$700 million credit-wrapped secured note issue by Australia Pacific Airport Corporation.

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6.3 NEW ZEALAND RETAIL

\$m	12 months to/as at 30 Sept 01	12 months to/as at 30 Sept 00	% Mov't Sept 00 - Sept 01	% Mov't in local currency
Net interest income	647	600	8	6
Non-interest income	322	297	8	7
Operating income	969	897	8	6
Non-interest expenses (excluding goodwill)	(476)	(462)	(3)	(2)
Core earnings	493	435	13	10
Amortisation - goodwill	(35)	(35)	-	-
Underlying performance	458	400	15	11
Charge for bad and doubtful debts	(31)	(26)	(19)	(17)
Operating profit before tax	427	374	14	10
Tax and outside equity interests	(144)	(123)	(17)	(15)
Profit on operations	283	251	13	10
Economic profit ¹	142	115	23	
Expense/income (excluding goodwill)	49.1%	51.5%		
	\$bn	\$bn		
Deposits and other public borrowings	12.4	10.4	19	17
Net loans and acceptances	17.5	14.9	17	14
Total assets	18.5	16.0	16	14
Funds under management	1.4	1.4	-	(4)

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 6% on the prior year in local currency terms. The improvement was largely driven by increased loan volumes particularly within the business segment.

Non-interest income growth this year was mainly due to increased activity and growth in funds management inflows. Overall, total non-interest income improved 7% in local currency terms over the prior year.

Operating expense growth has been contained at 2% in local currency terms as the benefits of cost saving initiatives have substantially offset inflationary pressures. Initiatives undertaken included support centre rationalisation and the renegotiation of contracts with major suppliers, including the outsourcing of the IT function.

Bad and doubtful debts have increased only marginally on the prior year.

Balance sheet asset growth continued to be constrained by a sluggish domestic economy. Net loans and acceptances increased 14% due to the success of several packaged products, the introduction of broker-originated business and a greater focus on priority consumer and business customers.

Business Developments

During the past year we restructured our business to provide customers with better service and deliver wealth management solutions. We have continued to be a leader in the sales of managed funds and insurance products.

We had a 27% market share of new retail funds inflows during the year. The value of funds under management at year end has been adversely impacted by the global economic uncertainty.

In October 2000, a dedicated broker channel was introduced to streamline our mortgage origination processes. More recently, a mobile mortgage channel has been launched. Redpac, a banking package centred on the key home loan relationship, has proved highly successful with sales more than double projected levels.

Business banking made strong gains throughout the year, achieving significant volume growth of 11%. This was driven by several business initiatives including a refocus on acquiring new market share and credit process simplifications.

Our online banking business grew strongly throughout the year with total registered users increasing to over 126,000 in September 2001. This figure is growing by more than 1,450 new customers each week.

In September 2001, we launched a joint venture with The Warehouse Ltd, one of New Zealand's leading retail chains. Initially the joint venture will provide a limited range of financial services through The Warehouse network of 74 stores. It is planned to expand the offering of products and services over time.

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7 TRADING DERIVATIVES

Trading Derivatives Outstandings

As at 30 September 2001 \$bn	Notional amount ¹	Regulatory credit equivalent ²	Positive mark- to-market (replacement cost) ³	Negative mark-to- market ⁴
Interest rate				
Futures	21.0	-	-	-
Forwards	55.3	-	-	-
Swaps	195.1	5.3	4.1	(4.0)
Purchased options	17.1	0.1	0.1	-
Sold options	6.8	-	-	(0.1)
Foreign exchange				
Forwards	242.5	8.6	6.5	(4.8)
Swaps	47.7	4.6	2.4	(1.1)
Purchased options	21.1	1.2	1.0	-
Sold options	18.6	-	-	(0.6)
Commodities				
	0.9	0.1	-	-
Equities				
	5.7	1.2	-	-
Gross derivatives	631.8	21.1	14.1	(10.6)
Less: netting benefit		(9.2)	(5.6)	5.6
Net derivatives	631.8	11.9	8.5	(5.0)
As at 31 March 2001	645.6	15.5	11.5	(6.7)
As at 30 September 2000	541.8	13.9	10.6	(7.3)

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 30 September 2001 \$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	0.2	0.7	1.6	1.4	4.1
Foreign exchange							
Forwards	3.1	1.2	1.1	0.3	0.5	0.3	6.5
Swaps	0.1	0.1	0.1	0.4	1.4	0.3	2.4
Purchased options	0.4	0.1	0.2	0.1	0.2	0.1	1.1
Total derivatives	3.7	1.5	1.6	1.5	3.7	2.1	14.1

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 30 September 2001	8.7	2.0	3.6
Six months ended 31 March 2001	8.1	2.6	4.8
Six months ended 30 September 2000	9.2	3.4	5.3

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 30 Sept 2001	Average for the 6 months ended 31 March 2001	Average for the 6 months ended 30 Sept 2000
Interest rate risk	2.3	2.8	3.3
Foreign exchange risk	0.7	1.3	0.9
Volatility risk	0.6	0.7	0.6
Other market risk ¹	1.8	1.6	2.0
Diversification benefit	(1.8)	(1.6)	(1.5)
Aggregate market risk	3.6	4.8	5.3

8 CREDIT RATINGS²

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

9 EXCHANGE RATES

Six months to/as at	30 September 2001		31 March 2001		30 September 2000	
Currency	Average	Spot	Average	Spot	Average	Spot
USD	0.5074	0.4923	0.5323	0.4898	0.6103	0.5442
GBP	0.3470	0.3344	0.3662	0.3431	0.3904	0.3717
NZD	1.2090	1.2093	1.2341	1.2139	1.2643	1.3397

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

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

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10 CHANGES IN ACCOUNTING POLICIES

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

We have elected to adopt a deemed cost basis in respect of premises and sites. Previously premises and sites were carried at cost or Directors' valuation. Since 1995

revaluation increments have not been brought to account, while decrements were recognised whenever the recoverable value of an individual property was determined to be less than its carrying value. Such property was revalued down to its recoverable value with the decrement being taken to the premises revaluation reserve. Under this new accounting policy, any write down to recoverable value will be recognised as an expense in the statement of financial performance. This change in accounting policy has not had a material impact on net profit for the year ended 30 September 2001.

The application of Accounting Standard 1041: Revaluation of Non-Current Assets has not affected any other classes of non-current assets.

11 DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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12 STATEMENTS OF CASH FLOWS

\$m	Twelve months to	
	30 Sept 2001	30 Sept 2000
Cash flows from operating activities		
Interest received	10,080	10,135
Interest paid	(6,461)	(6,232)
Dividends received	51	43
Other non-interest income received	3,367	655
Operating expenses paid	(3,330)	(3,174)
Net (increase)/decrease in trading securities	(143)	764
Income tax paid	(527)	(497)
Life business:		
receipts from policyholders and customers	2,427	3,366
interest and other items of similar nature	138	135
dividends received	362	430
payments to policyholders and suppliers	(2,249)	(3,428)
income tax paid	(64)	(27)
Net cash provided by operating activities	3,651	2,170
Cash flows from investing activities		
Proceeds from sale of investment securities	508	1,441
Proceeds from matured investment securities	139	94
Purchase of investment securities	(866)	(1,907)
Proceeds from securitised loans	202	255
Net (increase)/decrease in:		
loans	(13,304)	(11,322)
due from other financial institutions	(1,598)	778
regulatory deposits with central banks overseas	193	(135)
life business investments	134	(118)
other assets	186	410
Purchase of fixed assets	(299)	(418)
Proceeds from disposal of fixed assets	171	525
Controlled entities acquired, net of cash acquired	5	-
Controlled entities disposed, net of cash held	44	139
Net cash used in investing activities	(14,485)	(10,258)
Cash flows from financing activities		
Issue of loan capital	350	1,924
Redemption of loan capital	(813)	(112)
Proceeds from issue of shares	110	91
Proceeds from issue of New Zealand Class shares, net of issue costs of nil (30 September 2000 - \$16m)	203	279
Buyback of shares	(753)	(1,273)
Net increase/(decrease) in:		
due to other financial institutions	1,799	379
deposits and public borrowings	3,553	3,909
other liabilities	447	179
debt issues	7,007	3,962
Payment of distributions and dividends	(836)	(761)
Payment of dividends to outside equity interests	(1)	(3)
Net cash provided by financing activities	11,066	8,574
Net increase in cash and cash equivalents	232	486
Effect of exchange rate changes on cash and cash equivalents	11	5
Cash and cash equivalents at the beginning of the year ¹	836	345
Cash and cash equivalents at the end of the financial year	1,079	836

¹ Cash and cash equivalents comprise cash and balances with central banks as shown in the statement of financial position.

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12 STATEMENTS OF CASH FLOWS (CONT'D)

\$m	Twelve months to	
	30 Sept 2001	30 Sept 2000
Reconciliation of net cash provided by operating activities to operating profit after income tax		
Net profit attributable to equity holders of Westpac Banking Corporation	1,903	1,715
Adjustments:		
Outside equity interests	5	3
Depreciation and amortisation	393	367
Sundry provisions and other non-cash items	1,566	2,150
Bad and doubtful debts	331	292
(Increase)/decrease in other financial market items	111	(3,148)
(Increase)/decrease in trading securities	(143)	764
Increase in accrued interest receivable	(45)	(156)
Increase/(decrease) in accrued interest payable	(254)	344
Increase in provision for income tax	68	9
Increase/(decrease) in provision for deferred income tax	(13)	98
Decrease in future income tax benefits	26	61
Increase in excess of net market value over net assets of a controlled entity	(133)	(128)
Amounts paid out of sundry provisions	(164)	(201)
Net cash provided by operating activities	3,651	2,170
Controlled entities acquired		
Details of assets and liabilities:		
Due from other financial institutions	16	-
Investment securities	16	-
Statutory deposits	10	-
Loans	79	-
Fixed assets	12	-
Other assets	19	-
Deposits & public borrowings	(101)	-
Due to other financial institutions	(2)	-
Other liabilities	(14)	-
Goodwill	10	-
Minority Interest	(6)	-
Carrying amount of initial investment	(44)	-
Net liabilities	(5)	-
Cash consideration & costs	(21)	-
Cash acquired	26	-
Cash receipts from acquisition (net of cash paid)	5	-
Controlled entities and businesses disposed		
Details of assets and liabilities:		
Due from other financial institutions	3	-
Loans	16	290
Fixed assets	1	-
Other assets	7	3
Deposits & public borrowings	(60)	(156)
Due to other financial institutions	49	-
Other liabilities	(4)	-
Minority interests	(1)	-
Net assets of entities and businesses disposed	11	137
Gain on disposal	33	2
Cash consideration (net of sale costs)	44	139

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13 GROUP FINANCIAL INFORMATION FOR US INVESTORS

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

Twelve months to \$m	30 Sept 2001 US\$ ¹	30 Sept 2000 US\$ ¹	30 Sept 2001 A\$	30 Sept 2000 A\$
Net profit as reported	941	929	1,903	1,715
Premises and sites	27	(29)	54	(54)
Amortisation of goodwill	(8)	(7)	(17)	(13)
Superannuation (pension) expense adjustment	15	4	30	8
Life insurance adjustment (net of tax)	(36)	(32)	(72)	(60)
Start up costs adjustment	2	(11)	4	(21)
Software capitalisation adjustment	(1)	(3)	(3)	(5)
TOPrS distribution	(25)	(23)	(51)	(43)
Effect of initial application of SFAS 133	(28)	-	(57)	-
Derivative instruments ²	66	-	134	-
Executive options ³	(3)	-	(7)	-
Write down of available for sale securities	(74)	-	(149)	-
Adjusted US GAAP net profit	876	828	1,769	1,527
Other comprehensive income				
Foreign currency translation reserve	37	62	74	115
Unrealised net gain/(loss) on available for sale securities	-	(20)	(1)	(37)
Reclassification adjustment for (gains)/losses included in net income	31	(1)	63	(1)
Total other comprehensive income	68	41	136	77
Total comprehensive income according to US GAAP	944	869	1,905	1,604
Equity as reported	4,793	5,013	9,691	9,257
Premises and sites	(43)	(76)	(87)	(141)
Goodwill	(6)	2	(13)	4
Superannuation (pension) expense adjustment	(28)	(47)	(57)	(87)
Life insurance adjustment (net of tax)	(69)	(37)	(140)	(68)
Start up cost adjustment	(8)	(11)	(17)	(21)
Software capitalisation adjustment	(4)	(3)	(8)	(5)
TOPrS	(230)	(252)	(465)	(465)
New Zealand Class shares	-	(103)	-	(190)
Derivative instruments ²	38	-	77	-
Unrealised net gain/(loss) on available for sale securities	(74)	(34)	(150)	(63)
Final dividend provided	285	277	577	512
Adjusted US GAAP equity	4,654	4,729	9,408	8,733

There is no material difference between the level of assets at 30 September 2001 as reported and the level of assets determined in accordance US GAAP.

1 Australian dollars amounts have been translated into United States dollars solely for the convenience of the reader at the rate of A\$1.00 = US\$0.4946, the noon buying rate for cable transfers on 28 September 2001, as published by the Federal Reserve Bank of New York.

2 The requirements of Statement of Financial Standards (SFAS) No. 133 'Accounting for Derivative Instruments and Hedging Activities' requires all derivative instruments to be recognised as either assets or liabilities on the balance sheet, measured at their fair values. The statement permits special hedge accounting for fair value, cash flow and foreign currency hedges providing specific criteria are met. Certain aspects of the required hedge criteria do not allow portfolio hedging. The estimated cost of changing our risk management systems and practices to meet the specific hedge criteria was judged to be prohibitive. For US GAAP purposes, most of our hedging transactions would not qualify for hedge accounting and the hedging derivatives are accounted for at fair value in accordance with SFAS 133. The adjustment for US GAAP reporting for the year ended 30 September 2001 includes an opening cumulative charge of \$57 million after tax, to net income.

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

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14 SHAREHOLDER CALENDAR

Annual General Meeting: 13 December 2001

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

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

Record date for final dividend:

Australian and New Zealand Registers

At 5.00pm, 28 November 2001 (Sydney time) at:

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

Dividends payable to shareholders on the New Zealand register will be converted to local currency at the ruling buying rate for telegraphic transfers at 11.00am on 28 November 2001.

New York

For American Depository Receipts, at 5.00pm, 27 November 2001 (New York time) at:

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

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

Tokyo

At 3.00pm, 28 November 2001 (Tokyo time) for shares registered in the books of Tokyo Stock Exchange Members' securities companies.

Dividends will be converted to local currency at the rate ruling on date of receipt of the funds by the paying agent at;

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

Ex-dividend date: 22 November 2001

Dividend payment date: 21 December 2001

Group Secretary and General Counsel

2 November 2001

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