Westpac Banking Corporation

ARBN 007 457 141

14 November 1995

WESTPAC REPORTS $947 MILLION PROFIT AND A 15¢ FULLY FRANKED FINAL DIVIDEND

Westpac Banking Corporation today announced an after tax, after abnormals profit attributable to shareholders of $947 million for the year ended 30 September 1995, a 34% increase over the $705 million for the previous year. Before abnormal items, 1995 profit was $1,015 million, an increase of 44% over fiscal 1994.

Earnings per ordinary share were 50 cents, an increase of 39% over the 36 cents earned in 1994.

Directors intend declaring an increased final dividend of 15 cents per ordinary share, fully franked, bringing the year's total dividend to 28 cents, a 56% increase on 1994. The total dividend for 1995 represents a 56% payout ratio.

FINANCIAL HIGHLIGHTS

Annualised return before abnormals on equity was 13.4% compared to 9.6% for 1994.

Annualised return before abnormals on assets was 1.04% compared to 0.71% in 1994.

The capital adequacy ratio improved to 13.9%, of which tier 1 is 9.5%, the second highest tier 1 ratio of the major banks in Australia. Total shareholders' equity to assets is 7.2%. These capital ratios make Westpac a strongly capitalised bank by world standards.

Impaired assets have now fallen to 23.1% of the total shareholders' equity plus provisions, compared with 39.2% in 1994 and 30.5% as at 31 March 1995. Westpac has total provisions for bad and doubtful debts at 30 September 1995 equal to 91.3% of total impaired loans (65.7% of total impaired loans in 1994).

The bad and doubtful debt provision charge of $330 million was 0.43% of average loans and acceptances compared with $695 million and 0.90% in 1994. The $330 million charge includes $245 million net addition to the general provision, bringing the total for that provision to $980 million, or 1.3% of risk-adjusted assets.

Net interest income increased by 8% over 1994, on a rising asset base, due to improved portfolio quality as well as an improvement in the net interest margin.

Non-interest expenses were contained, rising by only 1% over 1994. With staff numbers stabilised, the 7.3% increase in salaries and other staff expenses was offset by reduced equipment and occupancy costs, lower expenses for OREO (Other Real Estate Owned) assets and the impact of the revised accounting policy for the superannuation prepayment.

The ratio of operating expenses to income was 60.7%, compared with 61.0% in 1994. This modest improvement in operating efficiency was due principally to the additional cost associated with the implementation of the "Best Bank" program throughout Australia. Operating income per employee has continued to grow to $139,090 from $133,364 in 1994. The average growth rate in this indicator over the last three years has been 8.6% p.a.

BUSINESS HIGHLIGHTS

The results for 1995 reflect Westpac's clear focus upon balancing asset growth in its home markets of Australia and New Zealand with profits. Total assets grew by $12.0 billion or 12.8% over 1994, but approximately $7 billion of this was due to a change in accounting policy for derivatives which are now reported on a gross basis instead of the net basis previously employed. Productive loans grew by $4.2 billion or 7% reflecting the success of Westpac's lending initiatives, particularly in the second half of 1995.

Growth is planned to ensure that it is not achieved at any cost, but only if adequate returns are obtained for shareholders. This is illustrated by the ability of Westpac to maintain interest spread on productive assets, despite intense competition in lending from other banks, financial institutions and intermediaries.

Consistent with that controlled growth, Westpac has received a number of awards in 1995 for its value adding products, including "Bank of the Year" designation from "Personal Investment" magazine and Fujitsu in recognition of the quality of the home lending products and deposit accounts, and "BRW" survey wins in financial markets for both options and interest rate risk management.

As a result of this controlled approach to growth, Westpac earned a return on shareholders' equity before abnormals in the second half of nearly 14%. This return was achieved even after substantial investment in the "Best Bank" program, as well as in the numerous product initiatives mentioned above.

At a time when Westpac enjoys one of the strongest capital ratios of any bank in Australia, it recognises that it must invest that valuable resource wisely. The proposed merger with Challenge Bank Limited is an example of adding value for our shareholders and at the same time achieving one of our goals of being a leading bank in each of our markets in Australia and New Zealand.

Westpac remains focused on using its capital strength to benefit shareholders, especially in relation to the growth of its Australian and New Zealand businesses. The Board is also seeking to have the legislation governing Westpac amended, so that it will have the option of repurchasing a portion of its capital, if in the future, this is seen to be appropriate.

In light of its return to full franking, Westpac expects to maintain fully franked dividends in the foreseeable future. The final dividend of 15 cents provides an annualised dividend yield of 5.12% (excluding any franking benefit), on the closing share price at 13 November 1995. This represents the highest yield achieved since 1992 on a comparable basis.

OUTLOOK

Westpac's clear objective is to deliver consistent and competitive returns to shareholders. This will be achieved through sensible asset and deposit growth together with strong expense management, leading to improving profits and dividends.

The capital strength of Westpac allows it to execute appropriate growth strategies in all local areas in which it serves its customers.

Westpac will continue to focus its capital resources and the talent of its staff in Australia, New Zealand and other selected areas in profitably serving the needs of local customers. By developing low cost strategies, Westpac will be able to offer better value propositions to customers in all of its core markets.

TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS

	Twelve months to/as at		Six months to/as at	
	30 Sept 1995	30 Sept 1994	30 Sept 1995	31 March 1995
Operating profit				
Operating profit after tax				
- before abnormals ($m)	1,015	705	535	480
- after abnormals ($m)	947	705	467	480
Earnings per share (cents)				
- before abnormals	53.5	36.0	28.2	25.2
- after abnormals	49.8	36.0	24.5	25.2
Dividends per share (cents)				
- unfranked	13.0	18.0	-	13.0
- franked	15.0	-	15.0	-
Dividend payout ratio				
- before abnormals	52.4%	50.3%	53.1%	51.6%
- after abnormals	56.3%	50.3%	61.2%	51.6%
Return on equity (annualised)				
- before abnormals	13.4%	9.6%	13.9%	12.8%
- after abnormals	12.5%	9.6%	12.2%	12.8%
Return on assets (annualised)				
- before abnormals	1.04%	0.71%	1.08%	1.00%
- after abnormals	0.97%	0.71%	0.94%	1.00%
Profit on operations (after tax and before abnormals), as a percentage of total operating income	23.2%	16.4%	24.1%	22.3%
Net interest margin	3.8%	3.5%	3.9%	3.8%
Efficiency (expense to income) ratio	60.7%	61.0%	62.1%	59.3%
Non-interest expenses/average assets (annualised)	2.72%	2.64%	2.78%	2.67%
Personnel numbers (average full time equivalent)	31,440	32,295	31,422	31,458
Assets and capital				
Capital adequacy ratio				
- Total	13.9%	13.8%	13.9%	14.2%
- Tier 1	9.5%	8.9%	9.5%	9.2%
Shareholders' equity/assets	7.2%	7.8%	7.2%	7.7%
Group assets ($m)	105,835	93,861	105,835	97,739
Risk-adjusted assets ($m)	74,930	72,567	74,930	73,306
Total provisions/total impaired loans	91.3%	65.7%	91.3%	76.0%
NTA per share ($)	3.81	3.67	3.81	3.77

BALANCE SHEET
(Based on audited results)

$m As at:	30 Sept 1995	31 March 1995	30 Sept 1994	% Movt Mar 95 to Sept 95	% Movt Sept 94 to Sept 95
Assets					
Cash and short-term liquid assets	330	307	324	7.5%	1.9%
Statutory deposits	720	682	753	5.6%	(4.4%)
Due from other banks	4,932	6,176	4,193	(20.1%)	17.6%
Trading securities	6,235	6,087	5,008	2.4%	24.5%
Investment securities	2,172	2,383	2,410	(8.9%)	(9.9%)
Securities sold not yet delivered	1,286	2,405	1,369	(46.5%)	(6.1%)
Securities purchased under agreements to resell	55	50	-	10.0%	-
Other financial markets assets	8,986	1,732	1,735	418.8%	417.9%
Total securities and financial markets assets	18,734	12,657	10,522	48.0%	78.0%
Productive loans	64,347	61,413	60,113	4.8%	7.0%
Acceptances of customers	11,656	11,455	12,219	1.8%	(4.6%)
Impaired assets	1,948	2,666	3,471	(26.5%)	(43.5%)
Less: provisions for bad and doubtful debts	(1,930)	(2,181)	(2,342)	(11.5%)	(17.6%)
Net loans and acceptances	76,021	73,353	73,461	3.6%	3.5%
Fixed assets	1,630	1,719	1,738	(5.2%)	(6.2%)
Future income tax benefits	1,313	1,163	1,320	12.9%	(0.5%)
Superannuation prepayment	728	734	736	(0.8%)	(1.1%)
Other assets	1,427	948	814	50.5%	75.3%
Total assets	**105,835**	**97,739**	**93,861**	**8.3%**	**12.8%**
Liabilities and equity					
Deposits	52,394	51,328	49,783	2.1%	5.2%
Public borrowings	5,804	5,480	5,142	5.9%	12.9%
Bonds, notes and commercial paper	2,916	2,689	2,602	8.4%	12.1%
Acceptances	11,656	11,455	12,219	1.8%	(4.6%)
Securities purchased not yet delivered	1,852	2,047	1,441	(9.5%)	28.5%
Securities sold under agreements to repurchase	151	108	91	39.8%	65.9%
Securities short sold	395	574	310	(31.2%)	27.4%
Due to other banks	7,169	9,121	7,687	(21.4%)	(6.7%)
Other financial markets liabilities	9,778	1,545	1,464	532.9%	567.9%
Provision for income taxes	135	168	92	(19.6%)	46.7%
Deferred income tax liability	862	675	799	27.7%	7.9%
Other liabilities	2,259	2,043	2,003	10.6%	12.8%
Total liabilities excluding loan capital	95,371	87,233	83,633	9.3%	14.0%
Loan capital					
- subordinated bonds, notes and debentures	1,900	1,973	1,929	(3.7%)	(1.5%)
- subordinated undated capital notes	981	1,017	1,000	(3.5%)	(1.9%)
	2,881	2,990	2,929	(3.6%)	(1.6%)
Total liabilities	**98,252**	**90,223**	**86,562**	**8.9%**	**13.5**
Net assets	**7,583**	**7,516**	**7,299**	**0.9%**	**3.9%**
Shareholders' equity					
Share capital	1,906	1,904	1,901	0.1%	0.3%
Reserves	4,830	4,927	4,781	(2.0%)	1.0%
Retained profits	842	679	612	24.0%	37.6%
Outside equity interests	5	6	5	(16.7%)	
Total shareholders' equity	**7,583**	**7,516**	**7,299**	**0.9%**	**3.9**

BALANCE SHEET (cont'd)

Balance sheet movements

Of the $12.0 billion increase in assets and $11.7 billion increase in liabilities, approximately $7 billion was due to a change in accounting policy, whereby in 1995, derivatives have been reported on a gross basis. This change has increased both "other financial markets assets" and "other financial markets liabilities". In 1994 derivatives were reported generally on a net basis, see page 36, "Changes in Accounting Policies".

Productive loans outstandings increased by $4.2 billion or 7.0% to $64.3 billion at 30 September 1995. Growth in lending was subdued in the first half of 1995 but picked up strongly in the latter half of the year, as Westpac implemented a number of product and marketing initiatives.

Major changes in the Group's loan portfolio during the year were:

- an increase in housing loans in Australia (owner occupied and rental) of $3.1 billion, or 14.7% to $24.4 billion;
- an increase of $1.3 billion (14.6%) to $9.9 billion in lending in New Zealand of which nearly half of the increase was due to exchange rate differences on translation;
- an increase in AGC's gross receivables (excluding finance leases) of $1.0 billion (18.5%) to $6.1 billion;
- a decrease of $1.4 billion in own acceptances discounted, the holdings of which fluctuate markedly day by day as part of Westpac's process of managing liquidity; and
- a $0.9 billion, or 42.6% reduction in net impaired assets, from $2.1 billion at 30 September 1994 to $1.2 billion at 30 September 1995.

DIVIDENDS

	Twelve months to		**Six months to**	
	30 Sept 1995	**30 Sept 1994**	**30 Sept 1995**	**31 March 1995**
	c/share	**c/share**	**c/share**	**c/share**
Ordinary dividend				
- interim (unfranked)	13.0	8.0	-	13.0
- final (unfranked)	-	10.0	-	-
- final (franked)	15.0	-	15.0	-
- total	28.0	18.0	15.0	13.0
Total dividend provided for or paid	**$m**	**$m**	**$m**	**$m**
Ordinary	511	326	274	237
Preference	40	57	19	21
	551	383	293	258
Ordinary dividend payout ratio				
- before abnormals	52.4%	50.3%	53.1%	51.6%
- after abnormals	56.3%	50.3%	61.2%	51.6%

PROFIT AND LOSS STATEMENT

(Based on audited results)

$m	Twelve months to 30 Sept 1995	30 Sept 1994	% Movt Sept 94 to Sept 95	Six months to 30 Sept 1995	31 March 1995
Interest income					
- Due from other banks	328	280	17.1%	179	149
- Investment and trading securities	577	503	14.7%	304	273
- Statutory deposits	38	38	-	17	21
- Loans and other receivables	6,230	5,166	20.6%	3,268	2,962
Interest income	**7,173**	**5,987**	**19.8%**	**3,768**	**3,405**
Interest expense					
- Savings deposits	(143)	(154)	(7.1%)	(71)	(72)
- Other deposits	(2,719)	(1,887)	44.1%	(1,475)	(1,244)
- Public borrowings	(432)	(429)	0.7%	(225)	(207)
- Due to other banks	(498)	(432)	15.3%	(269)	(229)
- Loan capital	(193)	(155)	24.4%	(96)	(97)
- Other liabilities	(206)	(169)	21.9%	(106)	(100)
Interest expense	**(4,191)**	**(3,226)**	**29.9%**	**(2,242)**	**(1,949)**
Net interest income	**2,982**	**2,761**	**8.0%**	**1,526**	**1,456**
Provision for bad and doubtful debts	(330)	(695)	(52.5%)	(110)	(220)
Net interest income after provisions for bad and doubtful debts	**2,652**	**2,066**	**28.4%**	**1,416**	**1,236**
Non-interest income					
- Fees and commissions	1,068	1,120	(4.6%)	537	531
- Financial markets income	204	214	(4.7%)	92	112
- Other income	108	136	(20.6%)	62	46
- Income from OREO	11	76	(85.5%)	3	8
Non-interest income	**1,391**	**1,546**	**(10.0%)**	**694**	**697**
Total income net of interest expense and provisions for bad and doubtful debts	**4,043**	**3,612**	**11.9%**	**2,110**	**1,933**
Non-interest expenses					
- Salaries and other staff expenses	(1,467)	(1,367)	7.3%	(765)	(702)
- Superannuation prepayment adjustment	(11)	(66)	(83.3%)	(6)	(5)
- Equipment and occupancy expenses	(449)	(478)	(6.1%)	(227)	(222)
- Other expenses	(727)	(717)	1.4%	(380)	(347)
Non-interest expenses	**(2,654)**	**(2,628)**	**1.0%**	**(1,378)**	**(1,276)**
Operating profit before abnormal items	**1,389**	**984**	**41.2%**	**732**	**657**
Tax expense	(371)	(276)	34.4%	(196)	(175)
Outside equity interests	(3)	(3)	-	(1)	(2)
Profit on operations	**1,015**	**705**	**44.0%**	**535**	**480**
Abnormal items (net of tax)	(68)	-	-	(68)	-
Operating profit after income tax, attributable to shareholders	**947**	**705**	**34.3%**	**467**	**480**

ABNORMAL ITEMS

	Twelve months to				Six months to			
	30 Sept 1995		30 Sept 1994		30 Sept 199531			
March 1995								
$m	Gross	Tax	Gross	Tax	Gross	Tax	Gross	Tax
Net profit on sale of controlled entities and other investments	-	-	162	2	-	-	-	-
Restructuring provisions and costs[1]	(212)	37	(134)	43	(212)	37	-	-
Goodwill written off	-	-	(59)	1	-	-	-	-
Adjustments relating to prior years	-	-	(22)	7	-	-	-	-
	-	-	-	(14)	-	-	-	-
Provision for loss on interest rate swap contracts	-	-	(40)	13	-	-	-	-
Taxation adjustments[2]	-	107	-	41	-	107	-	-
	(212)	144	(93)	93	(212)	144	-	-
Net abnormal items after tax	(68)				(68)			

EXPLANATORY NOTES:

(1) Further restructuring expenditure, amounting to $212 million, of which $98 million relates to Australia and $114 million to overseas, was incurred or provided for in 1995. Such expenditure comprised provisions for losses on leased premises which have become surplus to requirements and employee redundancy costs.

(2) Two taxation adjustments have been made in 1995 as detailed below:

(i) A $67 million write-back of a $106 million tax provision created in 1992 has been made following settlement of prior years' US tax issues with the Internal Revenue Service; and

(ii) future income tax benefit and deferred liability balances at 30 September 1995 have been restated to reflect the change in the Australian company tax rate from 33% to 36% effective from 1 October 1995. This has resulted in a gain of $40 million.

ANALYSIS OF RESULTS BY BUSINESS GROUP

(Management accounting basis - unaudited)

BUSINESS UNIT SUMMARY

$m	Twelve months to 30 Sept 1995	Twelve months to 30 Sept 1994	As at 30 Sept 1995	As at 30 Sept 1994
	Operating profit after tax and before abnormals ($m)		**Spot standard assets ($bn)**	
Retail Banking	413	353	35	32
Institutional Banking	129	172	33	24
New Zealand Retail	106	66	8	8
Regional Offshore Banking	40	28	2	2
Commercial Banking	223	165	13	12
Property Finance	62	46	3	3
Australian Guarantee Corporation	104	101	7	6
Westpac Financial Services	25	37	-	-
Asset Management	63	(259)	1	3
Other (including Operations Group)	24	23	4	4
General Provision	(174)	(27)	-	-
	1,015	**705**	**106**	**94**

The general provision charge reflects the after tax cost of the increase in the centrally held general provision for loan losses. This charge reflects the input from the Dynamic Provisioning model during 1995. This level reflects the requirement of the Group's provisions to adequately cover the risks inherent in the portfolio, due to changes in credit quality, economic cycle trends and portfolio concentrations.

The information in this business unit summary has been presented on a management reporting basis. As such, internal charges and transfer pricing adjustments have been reflected in the performance of each business unit. In addition, the basis of reporting reflects the management of the businesses within the Westpac Group rather than the legal structure of the Group. *Therefore, these results cannot be compared directly to the performance of individual legal entities within the Westpac Group*.

ANALYSIS OF RESULTS BY BUSINESS GROUP (cont'd)
(Management accounting basis - unaudited)

RETAIL BANKING

	Twelve months to/as at 30 Sept 1995	30 Sept 1994	Increase/(decrease)
Underlying performance ($m)	662	632	30
Net profit before abnormals ($m)	413	353	60
Spot risk adjusted assets ($bn)	20	21	(1)
Spot standard assets ($bn)	35	32	3
Expense to income ratio (%)	67	66	1
Full time employees (spot)	15,977	16,816	(839)
Return on assets (%)	1.3	1.2	0.1

Financial review

- Net interest income increased by $157 million (11%) in 1995 over 1994.

- Interest margins improved from 4.84% in 1994 to 5.04% in 1995 due to expanding deposit margins partially offset by contracting asset margins.

- Total lending increased by $2.3 billion (8%).

- Specific lending product area movements from 1994 to 1995 included the following:

	Movement $bn	Movement %	Balance Outstanding $bn
Housing lending	3.2	16%	22.9
Personal loans	0.3	24%	1.5
Credit cards	0.1	14%	1.2

- Total deposits remained steady at $23.6 billion.

- Non-interest income decreased by $46 million (11%) to $373 million in 1995 reflecting lower levels of transaction fees ($8 million) and commissions from the sale of financial services products ($33 million).

- Personnel numbers declined by 839. However, investment was made which resulted in total expenses being up by $81 million (6%) reflecting increased expenditure in:
  - new product initiatives;
  - new projects;
  - higher occupancy costs arising from the establishment of centralised processing sites; and
  - personnel expenses flowing from improved performance and reflecting the agreements under the Enterprise Development Agreement.

ANALYSIS OF RESULTS BY BUSINESS GROUP (cont'd)
(Management accounting basis - unaudited)

RETAIL BANKING (cont'd)

Business review

- Awarded "1995 Bank of the Year" by "Personal Investment" magazine and Fujitsu.

- Introduction of a number of new product initiatives, including:
  - "Special Options" low rate home loan in January 1995;
  - special fixed rate loan offers in June and July;
  - launch of the Equity Access Loan in March;
  - introduction of the Business Tool Kit for business customers and a mortgage-free business lending product; and
  - launch of the GM card from Holden and Westpac in May, Australia's first major co-branded card.

- Telephone Banking Service was launched during the year providing 24 hours, 7 days a week banking services to customers. Over 400,000 subscribers were regularly using the service at year end with access to account balance enquiries, transfers between accounts, transaction details and bill payment services as well as general product and service enquiries.

- The "Best Bank" program was launched in October 1994 involving the removal and centralisation of back office functions from branches. By 31 October 1995 over 40% of branches had been converted. The program will be completed by July 1996 with the exception of Western Australia.

- Dedicated sales forces were also initiated in branch and business banking units following on from the "Best Bank" program. Over 800 branch managers and 40 regional managers have been appointed to new sales roles, with the branch sales force now comprising 25% women compared to the previous branch manager structure with 9% women.

ANALYSIS OF RESULTS BY BUSINESS GROUP (cont'd)
(Management accounting basis - unaudited)

INSTITUTIONAL BANKING

	Twelve months to/as at 30 Sept 1995	Twelve months to/as at 30 Sept 1994	Increase/(decrease)
Underlying performance ($m)	177	297	(120)
Net profit before abnormals ($m)	129	172	(43)
Spot risk adjusted assets ($bn)	20	21	(1)
Spot standard assets ($bn)	33	24	9
Expense to income ratio (%)	70	57	13
Full time employees (spot)	1,916	1,874	42
Return on assets (%)	0.5	0.6	(0.1)

Financial review

- Net interest income fell $82 million (19%) reflecting continued reduction of assets in non strategic businesses offshore and reduced returns on financial markets assets.

- Non-interest income fell $24 million (9%) reflecting continued difficult trading conditions in financial markets, both onshore and offshore, and the full year impact of businesses exited in 1994.

- Expenses increased by $14 million reflecting increased transaction banking business volume ($12 million) and increased personnel expenses.

- Restructuring provisions of $114 million have been charged to abnormal expenses to bring the expense base of offshore operations further in line with the ongoing business base. This charge will allow the realisation of significant annual expense savings by 1997.

- Bad debt expense was reduced by $57 million as a result of improved asset quality in a more stable economic environment, along with recoveries of previously provided for loans offshore.

- The increase in standard assets substantially reflects a change in accounting policy to recognise on a gross basis off balance sheet revaluation amounts.

Business review

- "Euromoney" magazine voted Westpac number one in Australian dollar foreign exchange, interest rate and currency swaps and loan arranging for Australian credits.

- "BRW" magazine voted Westpac number one in financial markets for currency options and interest rate risk management.

- "Risk" magazine voted Westpac number one for Australian dollar interest rate options.

INSTITUTIONAL BANKING (cont'd)

- A review of the offshore operations of the Financial Markets Group was completed and action was taken to move to a single processing centre.

- Westpac's market penetration of the corporate and institutional sector grew solidly over the year, particularly in transaction banking.

- A new client service team model was introduced in Australia to favourable customer response.

- Westpac strengthened its position in the important securitisation market through a number of high profile transactions.

ANALYSIS OF RESULTS BY BUSINESS GROUP (cont'd)
(Management accounting basis - unaudited)

NEW ZEALAND RETAIL

	Twelve months to/as at 30 Sept 1995	30 Sept 1994	Increase/(decrease)
Underlying performance ($m)	198	154	44
Net profit before abnormals ($m)	106	66	40
Spot risk adjusted assets ($bn)	7	6	1
Spot standard assets ($bn)	8	8	-
Expense to income ratio (%)	59	61	(2)
Full time employees (spot)	3,470	3,286	184
Return on assets (%)	1.3	0.9	0.4

Financial review

- All financial data is shown in Australian dollars. A 7% increase in the spot New Zealand dollar between September 1994 and September 1995 is reflected in the above numbers.

- Net Interest Income rose 37% due principally to improved deposit margins.

- Expenses rose 17% as a result of both stronger business volumes and exchange rate impacts.

- Personnel numbers increased reflecting overall increased business levels, particularly in credit cards. However, efficiency improvements contributed to the reduction in the expense to income ratio.

- The bad debt charge fell by 40% in line with improved asset quality and an improved economic climate.

Business review

- Westpac completed conversions of its 173 branches to the "Bank of the Future" model, providing a more customer focused environment.

- New product launches included the "Choices" home loan product, assisting the growth in housing loans of 8% during 1995, and a major private label credit card contributed to a 29% growth in credit card outstandings.

- Westpac Financial Services share of retail funds under management grew by 8% in a difficult market and it was awarded "Fund Manager of the Year" by IPAC for the third year in a row.

ANALYSIS OF RESULTS BY BUSINESS GROUP (cont'd)
(Management accounting basis - unaudited)

REGIONAL OFFSHORE BANKING

	Twelve months to/as at 30 Sept 1995	Twelve months to/as at 30 Sept 1994	Increase/(decrease)
Underlying performance ($m)	68	59	9
Net profit before abnormals ($m)	40	28	12
Spot risk adjusted assets ($bn)	1	2	(1)
Spot standard assets ($bn)	2	2	-
Expense to income ratio (%)	63	69	(6)
Full time employees (spot)	1,869	1,956	(87)
Return on assets (%)	1.8	0.9	0.9

Financial review

- Excluding the impact of asset sales and movements in the exchange rate, income grew by 4%, principally through improved margin income, whilst expenses fell by 4% as a result of substantial improvements in productivity.

Business review

- Established the "Best Bank" project with a range of initiatives aimed at process improvement and introduction of a sales and service culture.

- Electronic Banking, including EFTPOS, introduced successfully in Fiji and Papua New Guinea.

- Industrial relations protocols were established with unions in Fiji and the French Territories to work in a co-operative manner to achieve mutual goals.

- Completed a number of asset sales including the sale of Westpac's 40% share in the National Bank of Tuvalu.

ANALYSIS OF RESULTS BY BUSINESS GROUP (cont'd)
(Management accounting basis - unaudited)

COMMERCIAL BANKING

	Twelve months to/as at 30 Sept 1995	30 Sept 1994	Increase/(decrease)
Underlying performance ($m)	372	350	22
Net profit before abnormals ($m)	223	165	58
Spot risk adjusted assets ($bn)	11	10	1
Spot standard assets ($bn)	13	12	1
Expense to income ratio (%)	40	36	4
Full time employees (spot)	1,462	1,644	(182)
Return on assets (%)	1.7	1.4	0.3

Financial review

- Asset growth of approximately $800 million has been achieved through increases in term loans, business loans and bills of exchange, and as a result of special targeted lending offers.

- Liabilities have increased by $300 million as a result of growth in the business levels of deposit products, through improved selling methods and a greater focus on deposit products.

- Net interest income has increased by $51.9 million due to the growth in levels of assets and liabilities, combined with strong margins on deposit products throughout the period.

- Non-interest income has improved due to growth in both transaction fees and lending fees as a result of the strong growth in business during the year.

Business review

- Commercial Banking has streamlined operations, developed risk management strategies, and focused on better understanding customer needs. Two key initiatives undertaken during the year were:

  - the appointment of specialist risk managers to each Commercial Banking Centre, combined with enhanced credit processes and risk management systems, to improve risk management processes and risk management systems and information; and

  - a sales management platform has been established, providing an improvement in the level of management information available, and allowing sales staff to focus on understanding their market and to better identify and follow through on business opportunities.

ANALYSIS OF RESULTS BY BUSINESS GROUP (cont'd)
(Management accounting basis - unaudited)

PROPERTY FINANCE

	Twelve months to/as at 30 Sept 1995	Twelve months to/as at 30 Sept 1994	Increase/(decrease)
Underlying performance ($m)	50	47	3
Net profit before abnormals ($m)	62	46	16
Spot risk adjusted assets ($bn)	3	3	-
Spot standard assets ($bn)	3	3	-
Expense to income ratio (%)	24	26	(2)
Full time employees (spot)	125	67	58
Return on assets (%)	2.5	1.4	1.1

Financial review

- During 1995 the Property Finance Group reviewed and refocused the portfolio to improve asset quality. As a result, net runoff in assets for 1995 was $312 million.

- Net interest income has decreased slightly over 1994 due to the runoff of assets and tighter margins on some lending products. This decrease has been offset by an increase in the levels of deposits and strong margins on some deposit products.

- Non-interest income has increased by $5.5 million over 1995, due to improvements in collection procedures and receipt of success fees on new lending projects.

- The expense to income ratio improved slightly in 1995 reflecting a reduction in allocated expenses within Westpac and an improvement in operating income.

Business review

- The Property Finance Group commenced operations on 1 October 1994, assuming responsibility for the management of property financing customers. Two specialist units form part of this business: Asian Business and Residential Development. These units have developed specialist knowledge which will assist the Group in further improving the level of customer service, and targeting quality development and investment funding opportunities.

- A Corporate and Structured Finance unit has also been established and commenced operations on 1 October 1995. This unit will focus on the needs of corporate borrowers, contractors and property trusts, delivering the high quality property advice required by these customers.

- The Group has now moved toward a growth strategy, and is continuing to develop its market expertise through appointment of specialist staff and close interaction with the market. The underlying systems have been developed to monitor and respond to market trends, thereby improving risk management.

ANALYSIS OF RESULTS BY BUSINESS GROUP (cont'd)
(Management accounting basis - unaudited)

AUSTRALIAN GUARANTEE CORPORATION

	Twelve months to/as at 30 Sept 1995	30 Sept 1994	Increase/(decrease)
Underlying performance ($m)	219	205	14
Net profit before abnormals ($m)	104	101	3
Spot risk adjusted assets ($bn)	7	6	1
Spot standard assets ($bn)	7	6	1
Expense to income ratio (%)	46	50	(4)
Full time employees (spot)	2,239	2,163	76
Return on assets (%)	1.7	1.7	-

Financial review

- After adjustment for AGC's sale of offshore operations in 1994, the underlying performance increased from $186 million to $219 million (up 18%) while the net profit before abnormals rose from $88 million to $104 million (up 18%).
- Net interest income increased by 6% to $415 million in 1995 over 1994, after adjustment for AGC’s sale of offshore operations in 1994. This increase has been achieved largely through volume growth, with margins showing some decrease.
- Total assets grew by $1.1 billion to $7.0 billion due to growth in productive advances and lower liquidations of net receivables in 1995 over 1994. AGC New Zealand grew by 42%.
- Secured debentures, short-term unsecured notes and deposits increased by over $400 million to $4.9 billion, through successful selling programs implemented during the year including programs through the Westpac branch network.
- Expenses decreased by $8.7 million (5%) after adjustment for the sale of the offshore operations. The expense to income ratio was reduced from 50.0% to 45.7%, reflecting improvements in the level of efficiency and productivity, together with growth in operating income. The number of full time employees increased to support the growth in business in 1995.

Business review

- As a result of AGC’s continued focus on customer service a number of new products were launched during the year including:
  - SureDrive, a motor vehicle financing product with a guaranteed buyback provision;
  - Energy Card - a joint project with the government to assist in the purchase of energy efficient goods;
  - Insurance Premium Funding:
  - Business Line of Credit - a further development of the popular Personal Line of Credit for small business customers;
  - Vendor Rental badged finance to vendors of equipment; and
  - Retail Fixed Rate Superannuation Bonds - a product aimed at the growing superannuation market.

  These products will allow AGC to develop its existing asset base through both market growth and improved market penetration.
- Automated document printing has been implemented into AGC's third party introduced dealer network improving customer service and efficiency in this business.

ANALYSIS OF RESULTS BY BUSINESS GROUP (cont'd)
(Management accounting basis - unaudited)

WESTPAC FINANCIAL SERVICES

	Twelve months to/as at 30 Sept 1995	30 Sept 1994	Increase/(decrease)
Underlying performance ($m)	36	55	(19)
Net profit before abnormals ($m)	25	37	(12)
Funds under management ($bn) (excludes New Zealand)	10	10	-
Funds under custody ($bn)	57	51	6
Expense to income ratio (%)	66	53	13
Full time employees (spot)	661	608	53

Financial review

- Non-interest income decreased by 5% to $102 million. This decrease is due to a reduction in wholesale funds under management and lower average fee rates (net of higher commissions) on retail funds.
- Expenses increased by 11% to $69 million due mainly to additional personnel costs. Increased personnel reflected a continued emphasis on rebuilding the retail and wholesale investment management businesses.

Business review

- Our custodian services business continued to grow strongly with the value of assets under custody increasing by $6 billion to $57 billion. In 1995 Westpac placed a greater focus on the Australian domestic custody and decided to exit the master custody business.
- Enhanced investment processes resulted in improved investment performance with Westpac being ranked in the top quartile of the "InTech" survey for the 12 months to 30 September 1995 and calendar year to date. The number of Westpac retail managed funds rated in the top and second quartile over the year improved to 13 out of the 16. In addition, the pooled superannuation growth fund was ranked 8 this year, as against 17 out of 33 for the 3 years to September 1995.
- New retail products introduced during the year contributed to an 18% growth in funds under management. Products introduced during the year included:
  - Lifetime Superannuation Service;
  - Personal Portfolio Service;
  - ADF December Protected Growth Fund; and
  - Personal Investment Fund - Monthly Income.

  The introduction of these products has assisted in growing the retail unit trust funds during the year.
- Westpac Insurance Services product range was enhanced during the year to better serve the needs of customers and a new on-line insurance broking system was implemented to improve operational efficiency and customer service. Consumer credit insurance products were also revised to meet the needs of consumer loan borrowers.

FINANCIAL HIGHLIGHTS BY GEOGRAPHIC SEGMENTS

	Twelve months to		Six months to		As at		
	30 Sept 1995	30 Sept 1994	30 Sept 1995	31 March 1995	30 Sept 1995	31 March 1995	30 Sept 1994
	Operating profit after tax and before abnormals ($m)				**Spot standard assets ($bn)**		
Australia	799	488	441	358	76.9	71.9	69.9
New Zealand	108	102	55	53	12.1	11.3	10.6
Pacific Islands	32	28	17	15	1.7	1.8	1.8
Asia	10	46	(2)	12	6.1	6.3	5.4
Americas	28	24	9	19	2.9	2.1	2.7
Europe	38	17	15	23	6.1	4.3	3.5
Total	1,015	705	535	480	105.8	97.7	93.9

Operating profit after tax and before abnormals

Australia

Improved result reflects higher net interest income and lower bad and doubtful debts expense.

New Zealand

Result reflects improved net interest and non-interest income, lower bad debts and the strengthening of the New Zealand dollar relative to the Australian dollar.

Pacific Islands

Earnings were up 31% to $12 million in Papua New Guinea and up 14% to $10 million in the French Territories. In other Pacific locations earnings were steady.

Asia

1995 results were impacted by a significant deterioration in financial markets performance in Tokyo, whilst the 1994 results include earnings of $11 million from AGC's Asian operations which were sold during that year. Excluding Tokyo, the 1994 earnings from AGC's Asian operations and other one-off items, 1995 results were in line with those of 1994.

Americas

Foreign exchange trading losses in the second half of 1995 largely negated profits earned in the first half. However, overall result for the 1995 year was ahead of 1994 because of a significant reduction in bad debts.

Europe

Earnings improved in 1995 because of lower bad debts.

Spot standard assets

Australia

Apart from $2.7 billion relating to the reporting of derivatives on a gross basis, the increase over 1994 reflects growth in lending, particularly for housing.

New Zealand

Increase is due to growth in lending as well as the impact of a stronger New Zealand dollar relative to the Australian dollar since 30 September 1994, which added $0.8 billion.

Asia

Increase over 1994 reflects the effect of gross reporting of derivatives (approximately $1 billion), partly offset by the sale or run-down of non-core business activities.

Americas

After allowing for the effect of gross reporting of derivatives (approximately $1 billion) assets have declined from 1994 with the continuing run down of non-core business activities.

Europe

Increase over 1994 is due principally to the effect of the gross reporting of derivatives (approximately $2 billion).

REVENUE DISTRIBUTION STATEMENT

$m	Twelve months to 30 Sept 1995		30 Sept 1994	
Distributable revenue				
Interest income	7,173		5,987	
Non-interest income	1,391		1,546	
Abnormal gain on sale of businesses	-		162	
Revenue from operations	8,564		7,695	
Less/(add) amounts set aside to cover:				
Bad and doubtful debts	330		695	
Non-lending losses	20		40	
Depreciation of fixed assets	149		164	
Amortisation and abnormal write-off of goodwill	7		66	
Abnormal loss on interest rate swap contracts	-		40	
Distributable revenue	**8,058**		**6,690**	
Distributions of revenue		**% of total**		**% of total**
Depositors and other lenders - interest	4,191	52.0%	3,248*	48.5%
Employees - salaries	1,217	15.1%	1,159	17.3%
- other benefits	240*	3.0%	240*	3.6%
Suppliers of goods and services	1,091*	13.5%	1,025*	15.3%
Governments - taxes	368	4.6%	310	4.6%
comprising: - income tax	227*		183*	
- payroll tax	71		65	
- fringe benefits tax	53		40	
- transaction taxes	9		13	
- land tax	8		9	
Shareholders - dividends	551	6.9%	365	5.6%
Outside equity interests	3	-	3	-
Total revenue distributed	7,661	95.1%	6,350	94.9%
Retained for future growth	397	4.9%	340	5.1
Distribution of revenue	**8,058**	**100.0%**	**6,690**	**100.0%**

* *Includes abnormal items*

Westpac provides its customers with a range of financial services and, in the process, contributes to the economies of those countries in which it operates. In 1995, 52.0% of distributable revenue was paid as interest to depositors and other lenders who lent their funds to Westpac. Employees were paid 18.1% of revenue, most of which they spent in their various communities. Westpac spent 13.5% of revenue with suppliers of the vast range of goods and services needed to run a modern, diversified financial institution. This expenditure contributed to the employment of people by these suppliers and other spending in the community by them. Taxes to the various levels of government took 4.6% of revenue. To support future growth, 4.9% of revenue was retained on behalf of shareholders. This left 6.9% of revenue which was paid to our shareholders as dividends.

INTEREST SPREAD AND MARGIN ANALYSIS

	Twelve months to 30 Sept 1995	Twelve months to 30 Sept 1994	Six months to 30 Sept 1995	Six months to 31 March 1995
Spread and margin analysis	**%**	**%**	**%**	**%**
Group				
Interest spread on productive assets	3.0	3.0	2.9	3.0
Impact of non-accrual loans and OREO	(0.2)	(0.2)	(0.1)	(0.2)
Interest spread	2.8	2.8	2.8	2.8
Benefit of net free liabilities and equity	1.0	0.7	1.1	1.0
Interest margin	3.8	3.5	3.9	3.8
Australia				
Interest spread on productive assets	3.5	3.5	3.4	3.6
Impact of non-accrual loans and OREO	(0.2)	(0.3)	(0.2)	(0.3)
Interest spread	3.3	3.2	3.2	3.3
Benefit of net free liabilities and equity	1.1	0.9	1.2	1.1
Interest margin	4.4	4.1	4.4	4.4
Overseas				
Interest spread on productive assets	1.8	2.1	1.9	1.7
Impact of non-accrual loans	(0.1)	(0.1)	(0.1)	(0.1)
Interest spread	1.7	2.0	1.8	1.6
Benefit of net free liabilities and equity	0.8	0.4	0.7	0.9
Interest margin	2.5	2.4	2.5	2.5

See page 37 for definitions

Overall Group interest spread has remained constant at 2.8%. However, the benefit of net free liabilities and equity has increased because of the rising interest rate environment. This resulted in a 0.3 percentage point improvement in the interest margin.

In Australia, interest spread on productive assets was steady from 1994 to 1995 at 3.5%. In the second half of 1995 this spread declined slightly, as significant new fixed rate housing lending occurred at spreads narrower than in the first half. The second half also saw growth in personal lending and various business lending which contributed to the interest spread.

With respect to the overseas interest spread, reduced Treasury and Financial Markets performance resulted in a 0.4 percentage point decline in the first half of 1995 compared with the September 1994 year. However, an improved second half performance held the decline for the full 1995 year to 0.3 percentage points.

AVERAGE BALANCE SHEET AND INTEREST RATES - AUSTRALIA

	Twelve months to 30 September 1995			Twelve months to 30 September 1994		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Assets						
Interest earning assets						
Due from other banks	618	42	6.8%	309	20	6.5%
Investment and trading securities	5,167	352	6.8%	4,934	263	5.3%
Statutory deposits	533	32	6.0%	530	26	4.9%
Loans and other receivables	47,795	4,859	10.2%	46,116	3,991	8.7%
Non-accrual loans	1,917	79	4.1%	2,099	59	2.8%
OREO	135			531		
Total interest earning assets and interest income	**56,165**	**5,364**	**9.6%**	**54,519**	**4,359**	**8.0%**
Non-interest earning assets						
Cash, bullion, due from other banks and statutory deposits	364			351		
Other assets	5,597			5,592		
Provisions for doubtful debts	(1,851)			(2,046)		
Total non-interest earning assets	**4,110**			**3,897**		
Acceptances of customers	11,899			12,266		
Total assets	**72,174**			**70,682**		
Liabilities and shareholders' equity						
Interest bearing liabilities						
Savings deposits	4,225	116	2.7%	4,761	128	2.7%
Other deposits	29,613	1,924	6.5%	28,821	1,340	4.6%
Public borrowings by subsidiary borrowing corporations	5,023	397	7.9%	4,838	385	8.0%
Due to other banks	302	23	7.6%	322	18	5.6%
Loan capital	2,929	193	6.6%	3,017	154	5.1%
Other interest bearing liabilities	1,409	67	4.8%	1,566	57	3.6%
Total interest bearing liabilities and interest expense	**43,501**	**2,720**	**6.3%**	**43,325**	**2,082**	**4.8%**
Non-interest bearing liabilities						
Deposits and due to other banks	3,791			4,146		
Intragroup liabilities	3,393			1,952		
Other liabilities	4,124			3,613		
Total non-interest bearing liabilities	**11,308**			**9,711**		
Acceptances	11,899			12,266		
Total liabilities	**66,708**			**65,302**		
Shareholders' equity	5,466			5,380		
Total liabilities and shareholders' equity	**72,174**			**70,682**		
Interest earning assets	56,165	5,364	9.6%	54,519	4,359	8.0%
Interest bearing liabilities	43,501	2,720	6.3%	43,325	2,082	4.8%
Net interest spread			3.3%			3.2%
Net non-interest bearing liabilities and equity	9,271	-	1.1%	9,242	-	0.9%
Intragroup adjustment	3,393	(177	-)		1,952	(56)
Net interest margin	56,165	2,467	4.4%	54,519	2,221	4.1%

AVERAGE BALANCE SHEET AND INTEREST RATES - OVERSEAS

	Twelve months to 30 September 1995			Twelve months to 30 September 1994		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Assets						
Interest earning assets						
Due from other banks	4,343	286	6.6%	4,244	259	6.1%
Investment and trading securities	3,404	226	6.6%	4,127	240	5.8%
Statutory deposits	96	6	6.3%	217	12	5.5%
Loans and other receivables	13,991	1,311	9.4%	15,885	1,155	7.3%
Non-accrual loans	513	25	4.9%	611	23	3.8%
Total interest earning assets and interest income	**22,347**	**1,854**	**8.3%**	**25,084**	**1,689**	**6.7%**
Non-interest earning assets						
Cash, bullion, due from other banks and statutory deposits	197			312		
Intragroup receivables	3,393			1,952		
Other assets	2,783			3,555		
Provisions for doubtful debts	(297)			(456)		
Total non-interest earning assets	**6,076**			**5,363**		
Acceptances of customers	192			447		
Total assets	**28,615**			**30,894**		
Liabilities and shareholders' equity						
Interest bearing liabilities						
Savings deposits	741	27	3.6%	785	26	3.3%
Other deposits	11,620	795	6.8%	10,873	547	5.0%
Public borrowings by subsidiary borrowing corporations	460	35	7.6%	503	43	8.5%
Due to other banks	7,254	474	6.5%	9,098	415	4.6%
Loan capital	-	-	-	-	-	-
Other interest bearing liabilities	2,195	141	6.4%	2,755	112	4.1%
Total interest bearing liabilities and interest expense	**22,270**	**1,472**	**6.6%**	**24,014**	**1,143**	**4.7%**
Non-interest bearing liabilities						
Deposits and due to other banks	1,194			1,372		
Other liabilities	2,818			3,070		
Total non-interest bearing liabilities	**4,012**			**4,442**		
Acceptances	192			447		
Total liabilities	**26,474**			**28,903**		
Shareholders' equity	2,136			1,974		
Outside equity interests	5			17		
Total liabilities and shareholders' equity	**28,615**			**30,894**		
Interest earning assets	22,347	1,854	8.3%	25,084	1,689	6.7%
Interest bearing liabilities	22,270	1,472	6.6%	24,014	1,143	4.7%
Net interest spread			1.7%			2.0%
Net non-interest bearing liabilities and equity	3,470	-	0.8%	3,022	-	0.4%
Intragroup adjustment	(3,393)	177	-	(1,952)	56	-
Net interest margin	22,347	559	2.5%	25,084	602	2.4%

NON-INTEREST INCOME

$m	Twelve months to 30 Sept 1995	Twelve months to 30 Sept 1994	Six months to 30 Sept 1995	Six months to 31 March 1995
Fees and commissions				
Risk fees: Lending	182	191	96	86
Other	284	310	141	143
Non-risk fees	602	619	300	302
	1,068	1,120	537	531
Financial markets income				
Foreign exchange	177	165	97	80
Other	27	49	(5)	32
	204	214	92	112
Income from OREO (Other Real Estate Owned)	11	76	3	8
Other income				
Dividends received	3	3	2	1
Insurance commissions and premiums, less claims	29	39	14	15
Lease rentals	32	35	16	16
Gains/(losses) on translation of overseas branch balances (net of hedging)	1	(3)	3	(2)
Service and management fees	13	17	6	7
Net profit on sale of premises and investments	10	15	5	5
Other	20	30	16	4
	108	136	62	46
Non-interest income	**1,391**	**1,546**	**694**	**697**

Risk fees, lending *represent primarily fees generated by Australian and New Zealand banking operations.*

Risk fees, other *include banking fees associated with bill issuance, guarantees etc.*

Non-risks fees *incorporate account keeping and transaction fees and Financial Services' revenues.*

Financial markets income *represents primarily foreign exchange income and the revenues derived from the sale of risk management products. It also includes revenues from controlled discretionary trading activities. Movements in interest rates can have a significant impact on the potential to generate this type of income. This can give rise to considerable volatility in income between reporting periods.*

Trends in non-interest income

Non-interest income declined by $155 million, or 10% from 1994.

The most significant factor was the reduced income from OREO, down $65 million to $11 million, reflecting the disposal of substantially all of the OREO portfolio during 1994.

A decline of $35 million in risk fees reflects slower growth in housing and other lending in the first half of 1995, reduced bill acceptance activity in Australia and competitive pressure in New Zealand on loan establishment fees.

Non-risk fees from banking activities have remained steady, but lower revenues were recorded by Westpac Financial Services due to a decline in sales and funds under management.

Westpac's financial markets income declined by $10 million to $204 million. Profit from foreign exchange dealing increased with improved customer demand and marketing initiatives, particularly in the second half of the year. However, uncertainties about interest rate movements made trading in interest rate products difficult. Westpac's financial markets revenues have declined as a result of the unit's refocusing its attention on the core Australian and New Zealand dollar businesses, with a decline from the previous year in Westpac's other international currency transactions. Also, trading losses of $6 million on interest rate products were recorded in Tokyo in 1995 following profitable trading in 1994.

Slower growth in real estate lending is reflected in lower commissions on related insurance products in 1995.

Other income for 1994 included a "one off" gain of $14 million from the close out of an interest rate swap.

Financial markets income in aggregate

Income as reported in the profit and loss statement

Financial markets income includes both non-interest and interest income derived from Westpac's financial markets activities. It does not include any income earned in Westpac's core Australian and New Zealand Treasury activities. In the financial statements, in line with statutory reporting requirements, the non-interest income component is reported under either foreign exchange income or other financial markets income. The net interest income earned on securities and cash balances held in the normal course of business is included in the total net interest income reported by Westpac.

$m	Twelve months to 30 Sept 1995	Twelve months to 30 Sept 1994	Six months to 30 Sept 1995	Six months to 31 March 1995
Foreign exchange	177	165	97	80
Other financial markets income	27	49	(5)	32
Net interest income	94	90	69	25
Total	**298**	**304**	**161**	**137**

Income by business activity

Financial markets activities are managed in line with the nature of the risks in the underlying products (foreign exchange or interest rate). The following reflects this product breakdown:

$m	Twelve months to 30 Sept 1995	Twelve months to 30 Sept 1994	Six months to 30 Sept 1995	Six months to 31 March 1995
Foreign exchange (spot and options)	152	144	82	70
Interest rate (interest rate and currency swaps, options, forward foreign exchange, forward rate agreements, financial futures, debt securities, debt-related financial futures and commodities)	146	160	79	67
Total	**298**	**304**	**161**	**137**

(Forward foreign exchange is included in interest rate activity, given the underlying nature of the risk and how the risk is managed.)

DERIVATIVES COMMENTARY

Derivatives are bilateral contracts or payment exchange agreements whose value derives from the value of an underlying asset, reference rate or index. Derivative financial instruments include forward and futures contracts, swaps and options. Westpac transacts derivatives based on interest rates, exchange rates and commodity prices and enters into derivatives transactions in the normal course of business for trading, primarily as an intermediary to meet customers' needs, and for its own balance sheet management purposes.

Derivatives

Details of derivatives outstanding in terms of notional amount, regulatory credit equivalent and replacement cost (both positive and negative) are shown in the following table:

	As at 30 September 1995				As at 30 September 1994		
Derivatives outstandings ($bn)	Notional amount	Regulatory Credit Equivalent	Replacement cost (+MTM)	Negative mark-to-market	Notional amount	Regulatory Credit Equivalent	Replacement cost (+MTM)
Interest rate							
Futures	50.0	-	-	-	83.6	-	-
Forwards	35.8	0.1	0.1	0.1	71.6	0.2	0.1
Swaps	160.9	4.1	3.7	2.9	163.7	4.1	3.6
Purchased options	23.8	0.1	0.1	-	22.1	0.2	0.1
Sold options	13.6	-	-	-	16.6	-	-
Foreign exchange							
Forwards	214.7	5.5	3.4	3.8	192.0	5.0	2.9
Swaps	18.3	1.7	1.2	2.6	22.2	2.5	1.6
Purchased options	5.4	0.2	0.1	-	4.9	0.1	-
Sold options	5.6	-	-	0.1	4.3	-	-
Commodity	0.3	-	-	-	0.2	-	-
Total derivatives	**528.4**	**11.7**	**8.6**	**9.5**	**581.2**	**12.1**	**8.3**

Replacement cost or positive mark-to-market is the cost of replacing all transactions in a gain position. This measure is the industry standard for the calculation of current credit risk. Total replacement cost represents the loss Westpac would suffer if every counterparty were to default at once, and does not represent actual or expected loss amounts. Conversely, negative mark-to-market represents the amount Westpac owes its counterparts in respect of these types of transactions.

DERIVATIVES COMMENTARY (cont'd)

End-user derivatives

Derivatives positions used in the Group's asset and liability management activities are established by internal transactions with independently managed dealing units within the Group. The dealing units, in turn, cover their position with offsetting transactions in the market place.

The following table shows the notional amount of such internal derivative transactions outstanding at year end. These transactions do not, in themselves, give rise to credit risk as they are arranged entirely within the Westpac Group. Credit risk does arise in respect of the offsetting transactions in the market place by the dealing units and such transactions and the related credit exposure are included in the above table of derivatives outstandings.

Derivatives used for asset and liability management purposes ($bn)	**Notional amount** **30 September 1995**	**30 September 1994**
Interest rate		
Futures	3.9	9.2
Forwards	3.7	9.3
Swaps	26.1	32.4
Purchased options	0.2	0.2
Sold options	-	0.1
Foreign exchange		
Forwards	2.6	6.3
Swaps	4.2	2.9
Purchased options	-	-
Sold options	-	-
Total derivatives	**40.7**	**60.4**

NON-INTEREST EXPENSES

$m	Twelve months to 30 Sept 1995	Twelve months to 30 Sept 1994	Six months to 30 Sept 1995	Six months to 31 March 1995
Salaries and other staff expenses				
Salaries and wages	1,217	1,159	630	587
Provision for long service leave, holiday leave and other staff benefits	45	36	26	19
Superannuation contributions	14	14	7	7
Payroll tax	71	65	36	35
Fringe benefits tax	53	40	26	27
Other staff expenses	67	53	40	27
	1,467	**1,367**	**765**	**702**
Superannuation prepayment adjustment	**11**	**66**	**6**	**5**
Equipment and occupancy expenses				
Operating lease rentals	151	158	77	74
Depreciation and amortisation:				
- premises	15	15	6	9
- leasehold improvements	12	9	7	5
- furniture and equipment	122	140	61	61
Equipment, repairs and maintenance	55	57	29	26
Electricity, water and rates	35	37	17	18
Land tax	8	9	4	4
Other	51	53	26	25
	449	**478**	**227**	**222**
Other expenses				
Amortisation of goodwill	7	7	4	3
Amortisation of deferred expenditure	10	10	5	5
Non-lending losses	20	40	10	10
Consultancy fees, computer software and other purchased services	223	187	121	102
Postage and telecommunications	110	106	56	54
Travel	46	39	27	19
Advertising	61	43	31	30
Stationery, insurance and other expenses	242	220	123	119
OREO (Other Real Estate Owned) expenses	8	65	3	5
	727	**717**	**380**	**347**
Non-interest expenses	**2,654**	**2,628**	**1,378**	**1,276**

NON-INTEREST EXPENSES (cont'd)

	Twelve months to/as at		Six months to/as at	
	30 Sept 1995	**30 Sept 1994**	**30 Sept 1995**	**31 March 1995**
Operating income ($m)	4,373	4,307	2,220	2,153
Efficiency ratio (operating income/expenses)	60.7%	61.0%	62.1%	59.3%
Average standard assets ($bn)	97.4	99.6	99.0	95.7
Non-interest expenses/average assets (annualised)	2.72%	2.64%	2.78%	2.67%
Average full time equivalent staff	31,440	32,295	31,422	31,458
Spot full time equivalent staff	31,416	31,396	31,416	31,461
Per average employee ($'000) (annualised)				
- salaries and other staff expenses	47	42	49	45
- equipment and occupancy expenses	14	15	14	14
- total non-interest expenses	84	81	88	81
- operating income	139	133	141	137
- average assets ($m)	3.1	3.1	3.2	3.0

Comments on expenses

- An increase in salaries and other staff expenses reflects the stabilisation in 1995 of employee numbers following reductions in prior years. The increase in fringe benefits tax was due to the higher rate of tax applicable from 1 April 1994 which affected only the second half of 1994 but the whole of 1995. Short term costs associated with implementing the "Best Bank" program, including some temporary duplication of certain functions and services, have adversely impacted the 1995 year.

- The full impact of salary increases awarded during the 1995 year together with expenses associated with new project and operational initiatives, contributed to the deterioration of the efficiency ratio from 59% to 62% between the first half and second half 1995. New initiatives included the "Best Bank" restructuring in Retail Banking Group, centralisation of mortgage loan servicing, co-branded credit card, Telephone Banking and compliance under UCCL. The efficiency ratio is anticipated to remain at current levels through the first half of 1996, as projects move through to completion with an improvement in the second half.

- The reduction in the superannuation prepayment adjustment reflects the changed methodology in accounting for this expense, see "Changes in Accounting Policies" on page 36.

- Reductions in equipment and occupancy expenses, although related principally to depreciation on equipment, have been spread across all categories and all areas of Westpac.

- The development of new products and services contributed to an increase in consultancy fees, computer software and other purchased services.

- OREO expenses declined with the sale of OREO assets.

ASSET QUALITY

SUMMARY OF IMPAIRED ASSETS

$m	30 September 1995			30 September 1994		
		Specific			Specific	
As at:	**Gross**	**Provisions**	**Net**	**Gross**	**Provisions**	**Net**
Non-accrual assets	1,999	(904)	1,095	3,380	(1,564)	1,816
Restructured assets	115	(46	69)	184	(43)	141
Assets acquired through security enforcement i.e. OREO	82	-	82	216	-	216
Total impaired assets	**2,196***	**(950**	**1,246)**	**3,780***	**(1,607)**	**2,173**

* Includes off balance sheet impaired assets of $248 million ($309 million as at 30 September 1994).

Assets past due 90 days	411	-	411	186	-	186

Under Reserve Bank of Australia guidelines, loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal, interest amounts due and an additional six months interest. These loans are reported as a memorandum item only.

The level of loan assets 90 days or more past due rose by $225 million in the year to 30 September 1995 ($144 million in the first half and $81 million in the second half) and now represents 0.6% of total gross loans and acceptances. No losses are anticipated from these loans as they are well secured, primarily by residential property, and are spread across a range of customer and product groups, including housing, overdraft and bill acceptance facilities.

$m	**30 September 1995**	**30 September 1994**
Estimated interest received on the above non-accrual and restructured assets	104	82
Estimated interest forgone on the above non-accrual and restructured assets	191	296
Interest yield on average non-accrual and restructured assets	4.3%	3.0%

MOVEMENT IN IMPAIRED ASSET PORTFOLIO

Six months to: **$m**	**30 Sept 1995**	**31 March 1995**	**30 Sept 1994**	**31 March 1994**
Opening balance	2,953	3,780	5,500	6,644
Adjustment to conform with RBA guidelines*	-	-	(121)	-
Additions	274	275	408	588
Reductions	(1,023)	(1,132)	(2,005)	(1,642)
Exchange rate adjustment	(8)	30	(2)	(90)
Closing balance	**2,196**	**2,953**	**3,780**	**5,500**
Specific provisions	950	1,295	1,607	1,826
General provision	980	886	735	700
Total provisions	**1,930**	**2,181**	**2,342**	**2,526**

* *This adjustment represents the change to conform with the RBA guidelines for reporting impaired assets. The comparative figures for 31 March 1994 reflect the previous problem assets' classification.*

BAD AND DOUBTFUL DEBT CHARGE

$m	Twelve months to 30 Sept 1995	Twelve months to 30 Sept 1994	Six months to 30 Sept 1995	Six months to 31 March 1995
New specific provisions	416	910	236	180
Specific provisions no longer required	(325)	(297)	(195)	(130)
Specific provisions (net)	**91**	**613**	**41**	**50**
General provision (net)*	239	82	69	170
Total charge for bad debts and provisions	**330**	**695**	**110**	**220**

* *Addition after recognition of write-offs and recoveries.*

PROVISIONS FOR DOUBTFUL DEBTS

$m	Twelve months to 30 Sept 1995	Twelve months to 30 Sept 1994	Six months to 30 Sept 1995	Six months to 31 March 1995
General provision				
Balance at beginning of year	735	700	886	735
Exchange rate and other adjustments	(5)	(9)	(1)	(4)
Write-offs	(178)	(189)	(113)	(65)
Recoveries of debts previously written off	101	151	51	50
Transfer from specific provision	88	-	88	-
Charge to operating profit	239	82	69	170
Balance at year end	980	735	980	886
Specific provisions				
Balance at beginning of period	1,607	1,983	1,295	1,607
Exchange rate and other adjustments	1	(64)	(24)	25
New provisions for loans	416	910	236	180
Transfer to general provision	(88)	-	(88)	-
Provisions no longer required	(325)	(297)	(195)	(130)
Bad debts written off	(661)	(925)	(274)	(387)
Balance at year end	950	1,607	950	1,295

Write-offs direct of $178 million for the year relate primarily to delinquency managed accounts in Australia, New Zealand and AGC, and represent 0.4% of these portfolios.

Of the $661 million bad debts written off against specific provisions, 90% relate to provisions raised in prior years. With the impaired assets portfolio continuing to run off this figure should reduce further in 1995-96.

PROVISIONS FOR DOUBTFUL DEBTS (cont'd)

In 1995 dynamic provisioning was introduced as a tool for guiding management in setting total provisions. Under dynamic provisioning, the level of expected losses which may arise from the existing portfolio of credit exposures is calculated by applying a set of historically derived loss factors, conservatively amended for changes in the underlying business. The resulting level of total provisions should be sufficient to cover loan losses inherent in the current loan portfolios. As the portfolio size, composition, inherent risk and loan loss experience change, the level of total provisions will be adjusted.

IMPAIRED ASSETS AND RATIOS

As at: **$m**	**30 Sept 1995**	**31 March 1995**	**30 Sept 1994**	**31 March 1994***
Total impaired assets (gross)	2,196	2,953	3,780	5,500
Total loans and acceptances (gross)	77,951	75,534	75,803	76,794
Impaired assets/total loans and acceptances	2.8%	3.9%	5.0%	7.2%
Specific provisions	950	1,295	1,607	1,826
Specific provisions to total impaired loans	44.9%	45.1%	45.1%	38.2%
Total provisions	1,930	2,181	2,342	2,526
Total provisions to total impaired loans	91.3%	76.0%	65.7%	52.8%
Total provisions to total loans and acceptances	2.48%	2.89%	3.09%	3.29%
Shareholders' equity	7,583	7,516	7,299	7,185
Total impaired assets to shareholders' equity and total provisions	23.1%	30.5%	39.2%	56.6%
Bad debt charge to average loans and acceptances (annualised)	0.43%	0.58%	0.90%	0.96%
Bad debt charge to total operating income	7.5%	10.2%	16.1%	17.5%

* *The March 1994 column reflects the previous RBA guidelines for classifying and reporting problem assets.*

CAPITAL ADEQUACY

As at: $m	30 Sept 1995	31 March 1995	30 Sept 1994
Tier 1 capital			
Total shareholders' equity	7,583	7,516	7,299
Less: Asset revaluation reserves	(382)	(507)	(514)
Goodwill	(19)	(32)	(35)
Future income tax benefit net of deferred tax liability	(98)	(196)	(290)
Total tier 1 capital	**7,084**	**6,781**	**6,460**
Tier 2 capital			
Asset revaluation reserves	382	507	514
Subordinated undated capital notes	981	1,017	1,000
General provision for doubtful debts	980	886	700*
Less: Future income tax benefit related to general provision	(353)	(292)	(231)
Eligible subordinated bonds, notes and debentures	1,374	1,572	1,563
Total tier 2 capital	**3,364**	**3,690**	**3,546**
Tier 1 and tier 2 capital	**10,448**	**10,471**	**10,006**
Other banks' capital instruments	(50)	(9)	(9)
Net qualifying capital	**10,398**	**10,462**	**9,997**
Risk-adjusted assets	**74,930**	**73,306**	**72,567**
Tier 1 capital ratio	9.5%	9.2%	8.9%
Tier 2 capital ratio	4.5%	5.0%	4.9%
Deduction	(0.1%)	-	-
Net capital ratio	**13.9%**	**14.2%**	**13.8%**

* *Provision for potential rural losses of $35 million at 30 September 1994 is excluded from tier 2 capital.*

CHANGES IN ACCOUNTING POLICIES

1) **Superannuation costs**

Actuarially assessed surpluses in the Group's principal superannuation schemes for employees are recognised in the balance sheet as assets, representing a prepayment of contributions to the schemes. Up until 30 September 1994, movements each financial year in the actuarially assessed surpluses were reflected as a credit or charge to profit and loss for the year in which such movements occurred.

As indicated in the Annual Report for the year ended 30 September 1994, in 1995, the Group changed its policy on accounting for superannuation costs. From 1 October 1994, the superannuation costs are recognised over employees' service lives so that the annual charge to the profit and loss account is an approximately level percentage of current and expected future pensionable pay, less the anticipated benefit accruing from the existing prepayment of contributions. The amount charged to the profit and loss account is based on the advice of a qualified actuary. Variations from the regular cost which result from periodic actuarial valuations will be spread over the average remaining service lives of employees.

Adoption of the new policy resulted in a charge to profit and loss of $11 million in 1995, in respect of the Group's principal superannuation schemes. The charge to profit and loss account for 1994 was $66 million, calculated under the previous method.

2) **Employee entitlements**

As from 1 October 1994, the requirements of accounting standard AASB1028 "Accounting for Employee Entitlements" have been applied by the Group. This necessitated an increase in provisions for long service leave and other deferred employee benefits at 1 October 1994. In addition, recognition of a deferred payroll tax liability in respect of provisions for certain employee benefits has become necessary, where the payment of such benefits attracts payroll tax.

The after tax impact of these adjustments, amounting to $34 million, has been recorded as a deduction from retained profits as at 1 October 1994 in accordance with AASB1028.

3) **Balance sheet netting practices**

In the balance sheet at 30 September 1995, the positive market values of derivative instruments are reported as assets and negative market values of derivative instruments are reported as liabilities on a gross basis in the absence of a legal right of set-off. Previously, in line with industry practice in Australia, market values of derivative instruments were reported generally on a net basis. This change in method of reporting has increased both "other financial markets assets" and "other financial markets liabilities" of the Bank and Group by approximately $7 billion at 30 September 1995. If the change had been made at 30 September 1994, it is estimated that assets and liabilities at that date would have been increased by approximately $6.6 billion. Comparative figures for 30 September 1994 have not been restated.

The reporting of these items on a gross basis is consistent with the requirements of International Accounting Standard IAS32 "Financial Instruments: Disclosure and Presentation" in relation to offsetting.

4) **Rounding of amounts**

In accordance with an Australian Securities Commission class order dated 13 December 1994, all amounts have been rounded to the nearest million dollars, unless otherwise stated.

INTEREST SPREAD AND MARGIN ANALYSIS - DEFINITIONS

Interest spread is the difference between the average yield on all interest earning assets and the average rate paid on all interest bearing liabilities.

Interest spread on productive assets is determined on the basis of this formula after excluding OREO and non-accrual loans, and the interest relating thereto, from the equation.

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 these funds. The calculations for Australia and overseas take into account the interest expense/income of cross border, intragroup borrowing/lending.

Comparatives for previous periods have been recalculated on this basis.

GROUP FINANCIAL INFORMATION FOR US INVESTORS

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

Twelve months to: $m	30.9.95 USD*	30.9.94 USD*	30.9.95 AUD	30.9.94 AUD
Net profit as reported	**703**	**522**	**947**	**705**
Depreciation on buildings	4	6	5	7
Gain on sale of properties (including amortisation of gains on sale of properties subject to lease back arrangements)	25	50	34	67
Gain on sale of investments	-	11	-	15
Adjustment re provision for employee redundancy benefits	22	27	29	37
Amortisation of goodwill based on 20 year life	(12)	(12)	(16)	(15)
Adjustment (for unamortised goodwill) to profit on sale of entities	-	(30)	-	(40)
Superannuation (pension) expense adjustment	64	42	86	56
Initial application of an accounting standard	(25)	-	(34)	-
Adjusted US GAAP net profit/(loss)	**781**	**616**	**1,051**	**832**

* USD amounts are calculated using the following average exchange rates:
Year ended 30 September 1994: AUD1 = USD0.74000
Year ended 30 September 1995: AUD1 = USD0.74280

As at: $m	30.9.95 USD**	30.9.94 USD**	30.9.95 AUD	30.9.94 AUD
Shareholders' equity as reported	**5,720**	**5,401**	**7,583**	**7,299**
Less outside equity interests	(4)	(4)	(5)	(5)
	5,716	5,397	7,578	7,294
Elimination of asset revaluation reserve	(288)	(380)	(382)	(514)
Depreciation on buildings	17	14	23	18
Deferred gains on sale of properties subject to lease back arrangements	(2)	(6)	(3)	(7)
Adjustment re provision for employee redundancy benefits	50	27	66	37
Goodwill not recognised on acquisitions	64	74	85	100
Restoration of previously deducted goodwill less amortisation and amounts written-off	5	5	6	6
Investment securities fair value adjustment	(16)	-	(21)	-
Superannuation (pension) expense adjustment	(142)	(203)	(188)	(274)
Final dividend provided	207	135	274	182
Adjusted US GAAP equity	**5,611**	**5,063**	**7,438**	**6,842**

** USD amounts are calculated using the following spot exchange rates:
30 September 1994: AUD1 = USD0.74000
30 September 1995: AUD1 = USD0.75430

There is no material difference between the level of assets at 30-9-95 and 30-9-94 as reported and the level of assets determined in accordance with US GAAP.

BOOKS CLOSING

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

Books close for determination of dividend entitlement on ordinary shares:

Australian and New Zealand Registers

At 5.00pm, 9 January 1996 (Sydney time) at:

KPMG Peat Marwick, 44 Market 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 9 January 1996).

New York

For American Depositary Receipts, at 5.00pm, 8 January 1996 (New York time) at:

Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, NY 10260, USA

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

Tokyo

At 3.00pm, 9 January 1996 (Tokyo time), for shares registered in the books of Tokyo Stock Exchange Members' securities companies. (Dividends will be converted to local currency at the rate ruling on date of receipt of the funds by the paying agent, The Mitsubishi Trust and Banking Corporation, 7-7, Nishi-Ikebukuro 1-chome, Toshima-ku, Tokyo, 171, Japan.)

Ex-dividend date: 29 December 1995.

The date proposed for the payment of the final dividend is 31 January 1996.

B A McNee
Group Secretary and General Counsel

14 November 1995

For further information contact:

Media:

Ms Glenda Hewitt, Head of Media Relations (02) 226 3510 or Ms Michelle Allen, Manager Media Relations (02) 226 3138

Analysts:

Mr Trevor Berthold, Manager Investor Relations (02) 226 4008