

Directors' report

The directors of Westpac Banking Corporation ("Westpac") present their report together with the financial statements of the consolidated group, being Westpac and its controlled entities (collectively referred to as the "Group"), for the financial year ended 30 September 2001.

Directors

The names of the persons who have been directors of Westpac during the period since 1 October 2000 are Leonard Andrew Davis (appointed Chairman from 15 December 2000), John Allen Uhrig (retired 15 December 2000), David Raymond Morgan, Managing Director and Chief Executive Officer, William Barrett Capp, The Hon. Sir Llewellyn Edwards, John Brehmer Fairfax, Roger Patrick Handley (resigned 31 January 2001), Ian Rainy Lance Harper, Professor Warren Pat Hogan, Helen Ann Lynch, Eve Mahlab, John Powell Morschel (resigned 6 July 2001), Peter David Ritchie and Christopher John Stewart (retired 15 December 2000). Particulars of the qualifications, experience and responsibilities of the directors at the date of this report are set out under the headings "Board of Directors" on pages 44 and 45 and "Corporate Governance" on pages 46 to 51 and form part of this report.

In respect of those directors who have retired or resigned, John Uhrig had been a director since November 1989 and Chairman since October 1992, Patrick Handley had been a director since November 1997, John Morschel had been a director since July 1993 and Christopher Stewart had been a director since November 1997.

Principal activities

The principal activities of the Group during the financial year which ended on 30 September 2001 were the provision of financial services including lending, deposit taking, payments services, investment portfolio management and advice, unit trust and superannuation fund management, nominee and custodian facilities, insurance services, consumer finance, leasing, factoring, general finance, foreign exchange dealing and money market services. No significant change in the nature of those activities occurred during the financial year.

Review and results of operations

A review of the operations of the Group for the financial year ended 30 September 2001 is set out on pages 62 through to 71 and forms part of this report.

The operating result of the Group attributable to equity holders for the financial year ended 30 September 2001 was a profit of \$1,903 million after tax.

Dividends

A final dividend for the financial year ended 30 September 2000 of 28 cents per fully paid ordinary share, totalling \$490 million, was paid by Westpac on 2 January 2001, as a fully franked dividend. \$497 million had been provided for in the financial statements for the year ended 30 September 2000.

An interim dividend for the financial year ended 30 September 2001 of 30 cents per fully paid ordinary share, totalling \$520 million, was declared by the directors and paid as a fully franked dividend on 6 July 2001.

A final dividend for the financial year ended 30 September 2001 of 32 cents per fully paid ordinary share, estimated amount \$560 million, has been provided for in the financial statements for that year and will be paid on 21 December 2001. The final dividend will be fully franked.

Details of dividends provided for or paid are set out in note 2 to the Concise Financial Report.

Significant changes in state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

Technology and telecommunications outsourcing

On 12 October 2000, Westpac announced the selection of IBM Global Services Australia Limited as the preferred supplier to manage the Group's core banking technology platforms, with Telstra Corporation Limited providing telecommunications services. This became effective on 3 December 2000.

Capital management

On 21 November 2000, the on-market buy-back scheme announced on 18 April 2000 concluded. 100 million fully paid ordinary shares were repurchased at an average price of \$12.52 per share.

On 22 November 2000, an on-market buy-back scheme to repurchase up to 50 million fully paid ordinary shares was announced. This scheme concluded on 7 June 2001, 32.4 million fully paid ordinary shares being repurchased at an average price of \$13.30 per share.

Directors

Leon Davis was appointed Chairman following the retirement of John Uhrig at the close of the Annual General Meeting held on 15 December 2000. Christopher Stewart retired as a director on 15 December 2000. Patrick Handley resigned as an executive director on 31 January 2001 and John Morschel resigned as a director on 6 July 2001.

Events after end of financial year

Mortgage operations outsourcing

Effective 1 October 2001, Westpac entered into a 10 year agreement with EDS (Business Process Administration) Pty Limited ("EDS") to manage its mortgage operations in Adelaide. EDS will assume responsibility for mortgage processing and servicing operations, while Westpac will retain control of the Mortgage Centre's sales, credit and collection functions.

Directors

Edward Alfred (Ted) Evans was appointed a non-executive director, effective 5 November 2001.

Other than as noted here, the directors are not aware of any matter or circumstance that has arisen since 30 September 2001 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments and expected results

Likely major developments in the operations of the Group in future financial years and the expected results of those operations are referred to in pages 10 through to 43 and form part of this report.

Directors' interests in securities

The following particulars for each director of Westpac are set out on page 54:

- (i) their relevant interests in shares of Westpac or any related body corporate;
- (ii) their relevant interests in debentures of, or interests in any registered managed investment scheme made available by Westpac or any related body corporate;
- (iii) their rights or options over shares in, debentures of, or interests in any registered managed investment scheme made available by Westpac or any related body corporate; and
- (iv) any contracts:
 - (a) to which the director is a party or under which they are entitled to a benefit; and
 - (b) that confer a right to call for or deliver shares in, debentures of, or interests in any registered managed investment scheme made available by Westpac or any related body corporate.

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Directors' holdings of Westpac shares and options as at 2 November 2001

Name	Notes	Number of ordinary fully paid shares and options	Non-beneficial interest
Leon Davis	1	5,000	167,593
David Morgan		559,732	–
	2	675,000	–
	3	3,000,000	–
Barry Capp		14,338	–
Sir Llewellyn Edwards		10,381	–
John Fairfax		103,448	291,943
Ian Harper	1	39,516	167,593
Warren Hogan		12,066	–
Helen Lynch		10,752	–
Eve Mahlab	1	14,654	167,593
Peter Ritchie		15,560	7,201

Notes:

- 1 Certain directors have relevant interests (non-beneficial) in shares, and shares subject to warrants, which are held beneficially by a staff/community related fund of which those directors are trustees.
- 2 Options issued under the Senior Officers' Share Purchase Scheme.
- 3 Options issued under the 1999 Chief Executive Share Option Agreement.

Other disclosable interests as at 2 November 2001

David Morgan – interests in managed investment schemes made available by related bodies corporate: 25,681 units.

Remuneration philosophy and practice

Non-executive directors

Our non-executive directors are remunerated by fees determined by our board of directors within the aggregate directors' fee pool limit of \$1.5 million approved by shareholders in December 1999. The pool limit is not at present fully utilised. In setting directors' fees, account is taken of the responsibilities inherent in the stewardship

of Westpac and the demands made of directors in the discharge of their responsibilities. Advice is taken from independent consultancy sources to ensure remuneration accords with market practice. Income received, or due and receivable by non-executive directors of Westpac for the year ended 30 September 2001 was:

Name	Notes	Fees \$	Superannuation Guarantee Charge \$	Retirement/ Resignation payment \$	Total cost \$
Leon Davis (appointed Chairman 15 December 2000)		300,769	–	–	300,769
John Uhrig (retired 15 December 2000)	3	79,769	–	1,099,862	1,179,631
Barry Capp	1	98,000	8,721	–	106,721
Sir Llewellyn Edwards	1	87,750	7,564	–	95,314
John Fairfax		85,000	7,564	–	92,564
Ian Harper	1	98,000	8,721	–	106,721
Warren Hogan	1	98,000	–	–	98,000
Helen Lynch	1	100,750	8,721	–	109,471
	2	8,000	–	–	8,000
Eve Mahlab		85,000	7,564	–	92,564
John Morschel (resigned 6 July 2001)	1,3	77,646	–	294,660	372,306
Peter Ritchie		85,000	6,800	–	91,800
Christopher Stewart (retired 15 December 2000)	3	19,942	–	130,430	150,372

Note: Remuneration for executive directors is disclosed at page 56.

Notes:

- 1 Includes fees payable to Chairpersons of Board Committees.
- 2 Consultancy fee for service on a Westpac Committee.
- 3 Retirement/resignation payments calculated in accordance with the formula contained in the Directors' Service Agreement approved by shareholders at the January 1989 Annual General Meeting.

Executive directors and senior executives

We have designed our executive remuneration program to support a pay for performance policy that differentiates remuneration amounts based on an evaluation of performance results in three basic areas: group, business unit and individual. Remuneration has four components: base pay, short-term incentive, long-term incentive and other compensation (including superannuation). The program is administered by the Board Remuneration Committee (the “Committee”), which is composed of non-executive directors.

In combination, these four remuneration components comprise total reward. For the better performers, total reward is matched to the upper quartile of the market, reflecting a target mix of fixed and variable pay and a blend of short-term and long-term elements.

The Committee takes into account the recommendations of the Chief Executive Officer with respect to the remuneration of our key executives. In making recommendations, he receives assessments and advice from independent remuneration consultants regarding our compensation practices and those of others.

The Committee’s specific objectives are to:

- provide base pay and benefits to attract and retain key executives who are critical to our long-term success, by providing a secure level of income that recognises the market value of the position as well as internal equities among roles, the individual’s performance, capabilities and experience. Base pay for management typically approximates the median salary for positions of similar responsibility in the peer group. Generally, increases in base pay only occur in response to market

changes or when warranted by an executive’s change in responsibilities. In 2001 a number of executives had a change in responsibilities.

- provide annual short-term incentives that:
 - (i) are tightly linked to measurable key drivers of shareholder value creation, including financial and non-financial components; and
 - (ii) emphasise performance above shareholder expectations, including superior growth in economic profit relative to peer companies.
- align the financial interests of executive officers with those of our shareholders by providing significant equity-based long-term incentives. Share options and other equity-based incentives are awarded to link a significant portion of senior management remuneration to the attainment of sustained growth in shareholder value. Award levels are determined according to the individual’s responsibilities, performance and potential to enhance shareholder value. Share options awarded to senior executives have been issued under the General Management Share Option Plan under which the exercise of options is subject to performance hurdles. Share options are awarded to David Morgan under a Chief Executive Share Option Agreement, approved by shareholders, under which the exercise of options is subject to performance hurdles. The Committee uses the Black-Scholes option-pricing model, adjusted to reflect the performance hurdles, to establish the appropriate value of the long-term incentive.
- emphasise performance-based and equity-based remuneration as executive officer level increases.

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Details of the nature and amount of each element of the emolument of each of our executive directors for the year ended 30 September 2001 are:

Name and position	Compensation				Option grants
	Base pay ¹ \$	Short term incentive ¹ \$	Other ² \$	Total \$	
David Morgan Managing Director and Chief Executive Officer	1,225,000	1,100,000	183,084	2,508,084	–
Patrick Handley Former Executive Director (Resigned 31 January 2001)	285,417	–	4,986,878 ³	5,272,295	–

Notes:

- 1 Base pay has been received in the year to 30 September 2001. Short-term incentive figures reflect annual performance awards accrued but not yet paid in respect of the year ended 30 September 2001.
- 2 Other compensation is determined on the basis of the cost to us and includes all fringe benefits tax and superannuation surchargeable contributions for those executives who are members of our Staff Superannuation Plan, as determined by the Plan's actuary, housing (plus fringe benefits tax), car parking (plus fringe benefits tax) and other benefits, such as commencement incentives and separation payments.
- 3 This amount includes \$4,906,274 representing long term benefits comprised of payments made to offset income tax differences between Australia and the United States accumulated over a seven year period and a long term incentive payment covering performance over a three year period. The balance comprises other compensation described in note 2 above.

Details of the nature and amount of each element of the emolument of each of our six most senior executives, in addition to the executive directors, for the year ended 30 September 2001 are:

Name and position	Compensation				Option grants ³		
	Base pay ¹ \$	Short term incentive ¹ \$	Other ² \$	Total \$	No. of shares	Exercise price \$	Date first exercisable
David Clarke Group Executive, Banking and Financial Solutions	650,000	525,000	9,614	1,184,614	950,000	12.75	5 November 2004
Michael Hawker Group Executive, Business and Consumer Banking	572,916	525,000	51,440	1,149,356	–	–	–
David Willis Group Executive, Westpac Institutional Bank	525,000	570,000	18,086	1,113,086	600,000	14.70	9 January 2005
Philip Chronican Chief Financial Officer	420,834	405,000	53,216	879,050	500,000 200,000	14.70 13.85	9 January 2005 19 March 2004
Ann Sherry Group Executive, People and Performance	382,500	250,000	98,292	730,792	300,000	14.70	9 January 2005
Christopher Skilton Former Group Executive, WestpacTrust, Pacific Banking and PEP (effective 16 March 2001)	205,208	–	1,228,165	1,433,373	–	–	–

Notes:

- 1 and 2 Refer to notes for the executive directors remuneration table above.
- 3 Option grants are a right to buy ordinary shares at an exercise price equal to the market value at the date of the offer determined in accordance with the plan rules. The options are recognised in the table above based on the year in respect of which they are granted. The options will be granted with a ten year term pursuant to the General Management Share Option Plan, under which the number of options exercisable depends on our performance against prescribed performance hurdles. Under our US GAAP disclosures, the fair value of options for the purposes of inclusion in the potential compensation expense has been determined using the Black-Scholes option pricing model. The factors that are considered in the Black-Scholes option pricing model include the term of the option, the risk free interest rate, volatility of the share price, the dividend yield and a discount factor to reflect the probability of reaching the performance hurdle. The notional value of the options first exercisable in March 2004 has been assessed at \$1.97. The grant of options first exercisable in November 2004 and January 2005 have not been issued as at 2 November 2001. The notional value for these grants has been assessed at \$1.81 and \$2.02 respectively.

Note: This table discloses remuneration for the six most highly paid senior executives involved in the management of the affairs of Westpac other than executive directors. Other individuals who are rewarded under incentive-based systems according to results, consistent with market practice within the industry, may within any given year receive remuneration at a level in excess of that received by some executives shown.

Share options

During the financial year ended 30 September 2001 there were, as a result of the 2000 remuneration review, 15,254,500 options granted under the General Management Share Option Plan ("GMSOP") and the Senior Officers' Share Purchase Scheme ("SOSPS") to 502 eligible officers for nil consideration, with exercise dates between October 2003 and August 2011 and a weighted average exercise price of \$13.31. In addition, the following options with exercise dates between January 2005 and January 2012 have been approved but not yet granted to 476 eligible officers as part of the 2001 remuneration review process:

- 6,250,000 options under the GMSOP with an exercise price of \$14.70; and
- 9,241,000 options under the SOSPS with an exercise price of \$14.65.

There were 13,214,637 shares issued during the year due to the exercise of options for a total consideration of \$110,229,982.

There are currently 40,651,737 options outstanding. The latest dates for exercise of these options range between January 2002 and August 2011 and the weighted average exercise price is \$10.86. Options issued under the GMSOP and the 1999 Chief Executive Share Option Agreement totalling 12,981,000 (weighted average exercise price \$11.69) are subject to performance requirements that will determine the particular proportion which may be exercised following the end of the performance period. The performance hurdles compare the total shareholder returns received by Westpac shareholders against those received by shareholders of a peer group over the performance period. The peer group is the 50 largest industrial companies listed on the Australian Stock Exchange Limited at the time of the commencement of the performance period.

No person holding an option has or had, by virtue of the option, a right to participate in a share issue of any other body corporate.

Indemnities and insurance

Unless arising out of conduct involving a lack of good faith, under Westpac's Deed of Settlement (the "Deed") Westpac must indemnify, to the extent permitted by law, each director, secretary, executive officer and employee of members of the Group against:

- (i) any liability incurred by each such person in their capacity as director, secretary, executive officer or employee, as the case may be;
- (ii) any liability incurred:
 - (a) in defending civil or criminal proceedings in which judgment is given in their favour or in which they are acquitted;
 - (b) in connection with any application relating to any such proceedings in which relief is granted to them under the Corporations Act 2001 or the corresponding law of another jurisdiction where Westpac carries on business; or
 - (c) in connection with any investigation of any kind relating to the affairs or conduct of Westpac or any member of the Group in which they are examined or required to give evidence or produce documents.

Each of the directors named on pages 44 and 45 of this report and the secretary of Westpac, Ilana Atlas, has the benefit of this indemnity, which extends to all directors, secretaries, executive officers and employees of each member of the Group.

Following shareholder approval at the 1999 Annual General Meeting, Westpac has entered into a Deed of Access and Indemnity with each of the directors which includes indemnification in identical terms to that provided in the Deed.

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Following shareholder approval at the 2000 Annual General Meeting, Westpac has entered into Deeds of Indemnity with Ian Harper, Leon Davis and Eve Mahlab in their capacity as trustees of The Westpac Foundation, in identical terms to those set out in the 2000 Notice of Meeting.

Auditors of Westpac are also indemnified under the Deed on terms identical to those set out in paragraph (ii) on page 57.

No amount was paid under any of these indemnities during the financial year ended 30 September 2001 or since that date.

The Deed permits Westpac to pay or agree to pay premiums in respect of any contract of insurance, which insures any person who is or has been a director, secretary, executive officer or employee of any member of the Group against any liability incurred by that person in any such capacity and being a liability:

- (i) for costs and expenses in defending proceedings (whether civil or criminal), whatever their outcome; or
- (ii) not arising out of conduct involving a wilful breach of duty or which contravenes sections 182 and 183 of the Corporations Act 2001.

Westpac, on behalf of the Group, for the year ended 30 September 2001 arranged insurance cover in respect of amounts which Westpac may have to pay under any of the indemnities set out above. The insurance policy prohibits disclosure of the premium payable and the nature of the liabilities covered.

Directors' meetings

Each director attended the following meetings of the board of directors and committees of the board during the financial year, which ended on 30 September 2001:

Board meetings

Director	Notes	Regular board meetings		Special board meetings	
		No. of meetings held ¹	No. of meetings attended	No. of meetings held ¹	No. of meetings attended
Leon Davis		10	10	3	3
David Morgan		10	10	3	3
Barry Capp		10	9	3	3
Sir Llewellyn Edwards		10	10	3	3
John Fairfax		10	10	3	2
Patrick Handley	2	3	3	1	1
Ian Harper		10	9	3	2
Warren Hogan		10	10	3	3
Helen Lynch		10	10	3	3
Eve Mahlab		10	10	3	1
John Morschel	3	8	8	2	1
Peter Ritchie		10	8	3	1
Christopher Stewart	4	3	3	1	–
John Uhrig	4	3	3	1	1

Environmental disclosure

The operations of Westpac are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or of any State or Territory of Australia. Westpac may, however, become subject to environmental regulation in enforcing securities over land for the recovery of loans.

Westpac has not incurred any liability (including for rectification costs) under any environmental legislation.

Rounding of amounts

Westpac is an entity to which ASIC Class Order 98/0100 dated 10 July 1998, relating to the rounding of amounts in directors' reports and financial reports, applies. Amounts in this report and the accompanying financial report have been rounded to the nearest million dollars, unless indicated to the contrary.

Political donations

During the financial year ended 30 September 2001, donations and other contributions totalling \$238,630 were made to political parties as follows:

Party	Amount ¹
Australian Labor Party	\$102,200
Liberal Party of Australia	\$100,330
National Party of Australia	\$31,400
Australian Democrats	\$4,700
Total	\$238,630

Note:

¹ Represents aggregate amounts at both Federal and State/Territory levels and includes contributions made to political functions and events.

Board committee meetings

Name	Notes	Board Audit and Compliance Committee		Board Credit and Market Risk Committee		Board Nominations Committee		Board Remuneration Committee		Board Social Responsibility Committee ⁵	
		No. of meetings held ¹	No. of meetings attended	No. of meetings held ¹	No. of meetings attended	No. of meetings held ¹	No. of meetings attended	No. of meetings held ¹	No. of meetings attended	No. of meetings held ¹	No. of meetings attended
Leon Davis	6,7,8,9	–	–	4	4	1	1	2	2	–	–
David Morgan	7	–	–	–	–	–	–	–	–	–	–
Barry Capp	6	–	–	–	–	3	3	7	7	–	–
Sir Llewellyn Edwards	8,10	–	–	–	–	1	1	7	7	–	–
John Fairfax	7	–	–	4	3	–	–	–	–	–	–
Patrick Handley	2	–	–	–	–	–	–	–	–	–	–
Ian Harper		4	3	–	–	–	–	–	–	–	–
Warren Hogan		–	–	4	4	3	2	–	–	–	–
Helen Lynch	11	4	4	–	–	3	3	–	–	–	–
Eve Mahlab		–	–	4	4	–	–	–	–	–	–
John Morschel	3	3	3	–	–	1	1	–	–	–	–
Peter Ritchie	7	4	3	–	–	–	–	7	4	–	–
Christopher Stewart	4	–	–	1	1	–	–	–	–	–	–
John Uhrig	4	1	1	1	–	–	–	2	1	–	–

While not shown above, executive directors and many non-executive directors who are not Committee members also participated in scheduled Board Committee meetings and special Board Committee meetings throughout the year.

Notes to tables:

- 1 Number of meetings held during the period the Director was a member of the Board and/or relevant Committee.
- 2 Patrick Handley resigned on 31 January 2001.
- 3 John Morschel resigned on 6 July 2001.
- 4 Christopher Stewart and John Uhrig retired on 15 December 2000.
- 5 The terms of reference of the Board Social Responsibility Committee were approved and adopted on 12 September 2001 and had its first meeting on 31 October 2001.
- 6 Leon Davis and Barry Capp were appointed to the Board Audit and Compliance Committee on 8 August 2001.
- 7 Leon Davis, David Morgan, John Fairfax and Peter Ritchie were appointed to the Board Social Responsibility Committee on 12 September 2001.
- 8 Leon Davis and Sir Llewellyn Edwards were appointed to the Board Nominations Committee on 8 August 2001.
- 9 Leon Davis was appointed to the Board Remuneration Committee on 8 August 2001.
- 10 Sir Llewellyn Edwards was appointed Chairman of the Board Social Responsibility Committee on 6 July 2001.
- 11 Helen Lynch was appointed Chairman of the Board Audit and Compliance Committee on 6 July 2001.

Signed in accordance with a resolution of the board of directors.



L.A. Davis
Chairman
2 November 2001



D.R. Morgan
Managing Director and
Chief Executive Officer
2 November 2001

Ten year summary

\$m (unless otherwise indicated)	2001	2000	1999	1998	1997
Statement of financial performance – year ended 30 September¹					
Net interest income ²	4,051	3,669	3,476	3,492	3,353
Fully tax equivalent gross up ³	149	169	127	128	127
Net interest income (including gross up)	4,200	3,838	3,603	3,620	3,480
Non-interest income ²	2,537	2,414	2,155	2,003	1,739
Net operating income (including gross up)	6,737	6,252	5,758	5,623	5,219
Total operating expenses	(3,570)	(3,503)	(3,434)	(3,392)	(3,228)
Operating profit before bad and doubtful debts (including gross up)	3,167	2,749	2,324	2,231	1,991
Bad and doubtful debts	(433)	(202)	(171)	(168)	(78)
Profit from ordinary activities before income tax and abnormal items (including gross up)	2,734	2,547	2,153	2,063	1,913
Fully tax equivalent gross up ³	(149)	(169)	(127)	(128)	(127)
Income tax expense	(677)	(660)	(567)	(589)	(493)
Net profit attributable to outside equity interests	(5)	(3)	(3)	(4)	(2)
Profit from ordinary activities before abnormal items (excluding gross up)	1,903	1,715	1,456	1,342	1,291
Abnormal items (net of tax) ⁴	–	–	–	(70)	–
Net profit attributable to equity interests of Westpac Banking Corporation	1,903	1,715	1,456	1,272	1,291
Statement of financial position at 30 September¹					
Total assets	189,845	167,618	140,220	137,319	118,963
Loans	122,250	107,533	97,716	91,738	77,874
Acceptances	15,700	15,665	10,249	10,325	11,242
Deposits and public borrowings	96,157	89,994	85,546	83,164	72,636
Loan capital	4,838	4,892	2,692	2,523	1,895
Total equity	9,705	9,262	8,997	8,611	8,206
Total risk adjusted assets	127,242	114,816	102,592	97,430	87,133
Share information					
Earnings per share (cents):					
Before abnormals	102.8	88.8	77.0	70.1	70.0
After abnormals	102.8	88.8	77.0	66.4	70.0
Dividends per ordinary share (cents)	62.0	54.0	47.0	43.0	39.0
Net tangible assets per ordinary share (\$) ⁵	4.28	3.96	3.71	3.59	3.69
Share price (\$):					
High	14.55	12.97	12.06	11.45	9.10
Low	11.87	9.16	8.36	7.10	6.43
Close	13.29	12.75	9.45	9.28	8.70
Ratios					
Total equity to total assets (%)	5.1	5.5	6.4	6.3	6.9
Net capital ratio (%)	9.9	9.9	9.2	9.3	10.5
Dividend payout ratio (%)	60.3	60.8	61.0	64.8	55.7
Return on average ordinary equity before abnormals (%)	21.1	18.4	16.8	15.5	17.0
Productivity ratio ⁶	4.03	3.53	3.17	3.30	2.97
Expense to income ratio (excluding amortisation of goodwill) (%)	51.5	54.5	57.9	58.4	60.7
Net interest margin	3.11	3.10	3.25	3.44	3.59
Economic profit/(loss) (\$m)	1,198	1,058	669	694	716
Other information					
Points of bank representation (number at year end)	1,347	1,375	1,625	1,832	1,547
Core full time equivalent staff (number at year end) ⁷	27,088	29,510	31,731	33,222	31,608

Notes:

- The above statement of financial position extracts for 2001, 2000 and 1999 and statement of financial performance extracts for 2001 and 2000 are derived from the consolidated financial statements included in this report, and for prior years are derived from consolidated financial statements previously published.
- 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 years ended 30 September 2000 and 1999 by \$46 million and \$16 million respectively. The change had no impact on net profit.
- 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.
- For reporting periods ending on or after 30 June 2001, it is no longer required (under Australian GAAP) to disclose abnormal items on the face of the statement of financial performance. Where a revenue or expense is of such a size, nature or incidence that its disclosure is relevant in explaining our financial performance, we are required to disclose separately its nature and amount.
- After deducting preference share capital and goodwill assets.
- Operating profit (including gross up)/personnel costs excluding restructuring expenses.
- Core full time equivalent staff includes pro-rata part time staff and excludes unpaid absences (e.g. maternity leave) and excludes temporary staff and contractors.

\$m (unless otherwise indicated)	1996	1995	1994	1993	1992
Statement of financial performance – year ended 30 September¹					
Net interest income ²	3,254	2,982	2,761	2,628	2,592
Fully tax equivalent gross up ³	68	45	62	86	88
Net interest income (including gross up)	3,322	3,027	2,823	2,714	2,680
Non-interest income ²	1,472	1,391	1,555	1,841	1,756
Net operating income (including gross up)	4,794	4,418	4,378	4,555	4,436
Total operating expenses	(3,049)	(2,654)	(2,637)	(2,629)	(3,169)
Operating profit before bad and doubtful debts (including gross up)	1,745	1,764	1,741	1,926	1,267
Bad and doubtful debts	(121)	(330)	(695)	(1,292)	(2,802)
Profit/(loss) from ordinary activities before income tax and abnormal items (including gross up)	1,624	1,434	1,046	634	(1,535)
Fully tax equivalent gross up ³	(68)	(45)	(62)	(86)	(88)
Income tax expense	(421)	(371)	(276)	(146)	548
Net profit attributable outside equity interests	(3)	(3)	(3)	(5)	(2)
Profit/(loss) from ordinary activities before abnormal items (including gross up)	1,132	1,015	705	397	(1,077)
Abnormal items (net of tax) ⁴	–	(68)	–	(358)	(485)
Net profit/(loss) attributable to equity interests	1,132	947	705	39	(1,562)
Statement of financial position at 30 September¹					
Total assets	121,513	105,835	93,861	104,712	110,948
Loans	81,201	64,365	61,242	64,601	66,348
Acceptances	11,197	11,656	12,219	12,851	11,166
Deposits and public borrowings	74,886	58,198	54,925	57,669	60,261
Loan capital	2,199	2,881	2,929	3,333	3,261
Total equity	7,891	7,583	7,299	7,129	6,676
Total risk adjusted assets	86,503	74,930	72,567	82,777	94,904
Share information					
Earnings per share (cents):					
Before abnormals	58.9	53.5	36.0	21.1	–
After abnormals	58.9	49.8	36.0	0.9	–
Dividends per ordinary share (cents)	33.0	28.0	18.0	12.0	18.0
Net tangible assets per ordinary share (\$) ⁵	3.39	3.81	3.67	3.51	3.56
Share price (\$):					
High	6.59	5.51	5.55	4.20	5.05
Low	5.20	3.90	3.83	2.39	2.73
Close	6.54	5.36	4.20	3.94	2.85
Ratios					
Total equity to total assets (%)	6.5	7.2	7.8	6.8	6.0
Net capital ratio (%)	10.8	13.9	13.8	12.3	9.7
Dividend payout ratio (%)	56.0	56.2	50.0	large	–
Return on average ordinary equity before abnormals (%)	14.6	13.0	9.8	5.7	–
Productivity ratio ⁶	2.77	n/a	n/a	n/a	n/a
Expense to income ratio (excluding amortisation of goodwill) (%)	62.9	59.9	60.1	57.4	71.2
Net interest margin	3.7	3.8	3.5	3.0	2.9
Economic profit/(loss) (\$m)	554	270	(24)	(581)	(2,148)
Other information					
Points of bank representation (number at year end)	1,788	1,547	1,616	1,827	1,946
Core full time equivalent staff (number at year end) ⁷	33,832	31,416	31,396	33,724	39,253

Notes:

- The above statement of financial position extracts for 2001, 2000 and 1999 and statement of financial performance extracts for 2001 and 2000 are derived from the consolidated financial statements included in this report, and for prior years are derived from consolidated financial statements previously published.
- 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 years ended 30 September 2000 and 1999 by \$46 million and \$16 million respectively. The change had no impact on net profit.
- 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.
- For reporting periods ending on or after 30 June 2001, it is no longer required (under Australian GAAP) to disclose abnormal items on the face of the statement of financial performance. Where a revenue or expense is of such a size, nature or incidence that its disclosure is relevant in explaining our financial performance, we are required to disclose separately its nature and amount.
- After deducting preference share capital and goodwill assets.
- Operating profit (including gross up)/personnel costs excluding restructuring expenses.
- Core full time equivalent staff includes pro-rata part time staff and excludes unpaid absences (e.g. maternity leave) and excludes temporary staff and contractors.

Concise financials

The financial statements and specific disclosures included in this Concise Financial Report have been derived from the Annual Financial Report of Westpac Banking Corporation and its controlled entities (the "Group") and do not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Annual Financial Report for the year ended 30 September 2001.

A copy of Westpac Banking Corporation and its controlled entities 2001 Annual Financial Report including the independent audit report, is available and will be sent to any shareholder without charge upon request. The Annual Financial Report can be requested by phoning Australia (61 2) 9226 3143 and can be accessed via the internet at www.westpac.com.au

Management discussion and analysis of the statement of financial performance

Net profit attributable to equity holders was \$1,903 million for the year ended 30 September 2001. This represents an 11% growth on 2000 from \$1,715 million, which in turn was 18% higher than 1999.

Net interest income increased by \$362 million or 9% from 2000, and \$235 million or 7% from 1999. The increase in 2001 related to strong growth in average interest earning assets while margins remained flat. In 2000, the increase was due to strong growth in interest earnings assets offset by a 15 basis point reduction in interest margin.

Non-interest income increased by \$123 million or 5% on 2000 which in turn increased by 12% on 1999. The 2001 result included a net charge of \$41 million due to tax recoveries on the life insurance policyholders' earnings, compared to a positive contribution of \$68 million in 2000. Adjusting for this item, non-interest income increased by 10% on 2000 and 9% on 1999. The main contributors to growth in 2001 were:

- a \$111 million or 7% increase in net fees and commissions primarily due to increases in loan volumes and transaction activities;
- a \$120 million or 53% increase in financial markets non-interest income; and
- adjusting for tax recoveries, a \$68 million or 12% increase in insurance and fund management income.

2000 was the first year of the new life insurance accounting standard AASB 1038 Life Insurance Business which resulted in recognition of life insurance income and expense on a gross basis. In addition, during February 2000 we restructured part of our financial services group and as a consequence, the financial services distribution business results were brought to account on an embedded value basis. The effect of the consolidation of the life insurance business and of the restructure had been to add \$227 million to non-interest income for 2000.

Operating expenses increased by \$67 million or 2% from 2000. 2000 expenses also increased 2% from 1999, although after adjusting for the application of the life insurance accounting standard, expenses were flat from 1999 to 2000. The 2001 nominal increase includes 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. Expense containment continued to be a key priority as demonstrated by continued improvement in the expense to income ratio (before amortisation of goodwill) from 57.9% in 1999 to 54.5% in 2000 and to 51.5% in 2001.

Bad and doubtful debts increased by \$231 million or 14% from 2000, which in turn increased 18% or \$31 million from 1999. The increase in 2001 was predominantly due to a small number of corporate exposure downgrades and write-offs in consumer and personal lending products.

The company tax rate in 2001 was reduced to 34% from 36% in 2000 and 1999. The Group's effective tax rates in 2001, 2000 and 1999 were below the relevant company tax rate each year due to the impact of lower overseas tax rates and certain non-taxable items. The tax expense included a \$41 million credit in 2001 and a \$68 million charge in 2000 in relation to tax recoveries on life insurance policyholders' earnings, offset in non-interest income in accordance with the requirements of the life insurance business accounting standard.

Statement of financial performance for the years ended 30 September
Westpac Banking Corporation and its controlled entities

	Note	2001 \$m	Consolidated 2000 \$m	1999 \$m
Interest income		10,258	9,390	7,876
Fully tax equivalent gross up ¹		149	169	127
Interest expense		(6,207)	(5,721)	(4,400)
Net interest income (including gross up)		4,200	3,838	3,603
Non-interest income:				
Fees and commissions received		2,090	1,832	1,642
Fees and commissions paid		(485)	(338)	(286)
Proceeds from sale of assets		679	1,966	266
Carrying value of assets sold		(670)	(1,930)	(197)
Life insurance and funds management revenue		575	1,482	283
Life insurance claims and change in policy liabilities		(51)	(915)	–
Other non-interest income		399	317	447
Total non-interest income		2,537	2,414	2,155
Net operating income (including gross up)		6,737	6,252	5,758
Operating expenses:				
Salaries and other staff expenses		(1,744)	(1,815)	(1,830)
Equipment and occupancy expenses		(648)	(632)	(602)
Other expenses		(1,178)	(1,056)	(1,002)
Total operating expenses		(3,570)	(3,503)	(3,434)
Operating profit before bad and doubtful debts (including gross up)		3,167	2,749	2,324
Bad and doubtful debts		(433)	(202)	(171)
Fully tax equivalent gross up ¹		(149)	(169)	(127)
Profit from ordinary activities before income tax expense		2,585	2,378	2,026
Income tax expense		(677)	(660)	(567)
Net profit		1,908	1,718	1,459
Net profit attributable to outside equity interests		(5)	(3)	(3)
Net profit attributable to equity holders of Westpac Banking Corporation		1,903	1,715	1,456
Foreign currency translation reserve adjustment		74	115	(13)
Premises revaluation adjustment		–	(25)	(28)
Total revenues, expenses and valuation adjustments attributable to equity holders of Westpac Banking Corporation recognised directly in equity		74	90	(41)
Total changes in equity other than those resulting from transactions with owners as owners		1,977	1,805	1,415
Earnings (in cents) per ordinary share after deducting distributions on other equity instruments	4			
Basic		102.8	88.8	77.0
Fully diluted		101.9	87.7	76.1

The above statement of financial performance should be read in conjunction with the accompanying notes and discussion and analysis.

¹ The Group has entered into various tax effective financing transactions that derive income that is subject to either a reduced or zero rate of income tax. The impact of this is reflected in lower income tax expense and interest income. In order to provide improved comparability, this income is presented on a fully tax equivalent basis.

Concise financials

Management discussion and analysis of the statement of financial position

Assets increased by \$22 billion to \$190 billion in 2001. This was largely driven by a 12% growth in lending assets.

Significant asset movements in 2001 were:

- loans increased by \$15 billion to \$122 billion in 2001 from 2000. This was primarily due to higher housing loan levels in Australia of \$6 billion and \$2 billion in New Zealand;
- trading securities increased by \$4 billion to \$11 billion in 2001;
- life insurance investment assets were reported for the first time in 2000 and there was minimal net movement in 2001; and
- the increase in other assets of \$2 billion related predominantly to securities sold not yet delivered and to other financial markets assets. The latter was due to an increase in the volume and the revaluation of derivative financial instruments, largely driven by the movement in the value of the Australian dollar against the United States dollar during the year.

The growth in our assets was funded by a \$9 billion growth in debt issues and \$6 billion growth in deposits and public borrowings. In 2000, the growth was funded half by debt issues and half by deposits and public borrowings.

Total equity increased by \$0.4 billion in 2001 from \$9.3 billion in 2000. This movement reflects an increase in accumulated earnings partially offset by share buy-backs and dividends during the year. The Groups' share buy-back program was suspended earlier in the year due to target capital levels being reached.

The Group maintained a strong capital position with tier 1 and net capital ratios being 6.3% and 9.9% respectively (2000 6.6% and 9.9% and 1999 7.0% and 9.2%). The minimum regulatory requirements are 4.0% and 8.0% respectively.

Statement of financial position as at 30 September
Westpac Banking Corporation and its controlled entities

	Note	Consolidated 2001 \$m	2000 \$m
Assets			
Cash and balances with central banks		1,079	836
Due from other financial institutions		5,094	3,325
Trading securities		10,629	7,174
Investment securities		2,960	2,731
Loans		122,250	107,533
Acceptances of customers		15,700	15,665
Life insurance investment assets		7,352	7,547
Regulatory deposits with central banks overseas		482	620
Goodwill		1,501	1,535
Fixed assets		1,034	1,175
Deferred tax assets		441	467
Other assets		21,323	19,010
Total assets		189,845	167,618
Liabilities			
Due to other financial institutions		5,954	3,972
Deposits and public borrowings		96,157	89,994
Debt issues		27,989	19,203
Acceptances		15,700	15,665
Tax liabilities		706	651
Life insurance policy liabilities		7,123	6,991
Provisions		1,038	989
Other liabilities		20,635	15,999
Total liabilities excluding loan capital		175,302	153,464
Loan capital			
Subordinated bonds, notes and debentures		4,045	4,175
Subordinated perpetual notes		793	717
Total loan capital		4,838	4,892
Total liabilities		180,140	158,356
Net assets		9,705	9,262
Equity			
Share capital		2,233	2,258
Trust originated preferred securities (TOPrS sm)		465	465
Reserves		2,819	3,099
Retained profits	3	4,174	3,435
Equity attributable to equity holders of Westpac Banking Corporation		9,691	9,257
Outside equity interests in controlled entities		14	5
Total equity		9,705	9,262

The above statement of financial position should be read in conjunction with the accompanying notes and discussion and analysis.

Concise financials

Statement of cash flows for the years ended 30 September
Westpac Banking Corporation and its controlled entities

	2001 \$m	Consolidated 2000 \$m	1999 \$m
Cash flows from operating activities			
Interest received	10,080	10,135	8,345
Interest paid	(6,461)	(6,232)	(5,018)
Dividends received	51	43	35
Other non-interest income received	3,367	655	2,954
Operating expenses paid	(3,330)	(3,174)	(3,091)
Net (increase)/decrease in trading securities	(143)	764	(2,204)
Income tax paid	(527)	(497)	(520)
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	501
Cash flows from investing activities			
Proceeds from sale of investment securities	508	1,441	147
Proceeds from matured investment securities	139	94	148
Purchase of investment securities	(866)	(1,907)	(444)
Proceeds from securitised loans	202	255	2,568
Net (increase)/decrease in:			
loans	(13,304)	(11,322)	(11,124)
due from other financial institutions	(1,598)	778	(898)
regulatory deposits with central banks overseas	193	(135)	752
life business investment assets	134	(118)	–
other assets	186	410	(554)
Purchase of fixed assets	(299)	(418)	(362)
Proceeds from disposal of fixed assets	171	525	119
Controlled entities acquired, net of cash acquired	5	–	–
Controlled entities disposed, net of cash held	44	139	58
Net cash used in investing activities	(14,485)	(10,258)	(9,590)
Cash flows from financing activities			
Issue of loan capital	350	1,924	460
Redemption of loan capital	(813)	(112)	(147)
Proceeds from issue of shares	110	91	95
Proceeds from issue of New Zealand Class shares (net of issue costs of 2001 Nil, 2000 \$16m)	203	279	–
Buyback of shares	(753)	(1,273)	(933)
Proceeds from issue of TOPrS (net of issue costs of \$20m)	–	–	465
Net increase/(decrease) in:			
due to other financial institutions	1,799	379	(266)
deposits and public borrowings	3,553	3,909	5,113
other liabilities	447	179	419
bonds, notes and commercial paper	7,007	3,962	4,450
Payment of distributions and dividends	(836)	(761)	(627)
Payment of dividends to outside equity interests	(1)	(3)	(4)
Net cash provided by financing activities	11,066	8,574	9,025
Net increase/(decrease) in cash and cash equivalents	232	486	(64)
Effect of exchange rate changes on cash and cash equivalents	11	5	6
Cash and cash equivalents at the beginning of year	836	345	403
Cash and cash equivalents at year end	1,079	836	345

The above statement of cash flows should be read in conjunction with the accompanying notes and discussion and analysis.

Note 1. Summary of significant accounting principles and policies

This Concise Financial Report has been derived from or is consistent with the Annual Financial Report of Westpac Banking Corporation ("Westpac") and its controlled entities ("the Group"), for the year ended 30 September 2001, which complies with Australian Accounting Standards, other mandatory professional reporting requirements, the provisions of the Deed of Settlement and the Bank of New South Wales Act of 1850 (as amended). These requirements have been applied in the Annual Financial Report in a manner authorised for an authorised deposit-taking institution under the Banking Act 1959 (as amended) and, so far as considered appropriate to Westpac Banking Corporation, in accordance with the requirements of the Corporations Act 2001.

This Concise Financial Report has been prepared in accordance with Accounting Standard AASB 1039 Concise Financial Reports and the relevant provisions of the Corporations Act 2001.

A full description of the accounting policies adopted by Westpac is provided in the 2001 Annual Financial Report.

Comparative information is restated where appropriate to enhance comparability. In particular, as a result of applying the revised Accounting Standard AASB 1018 Statement of Financial Performance, revised AASB 1034 Financial Report Presentation and Disclosures and AASB 1040 Statement of Financial Position for the first time, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

Note 2. Dividends and distributions provided for or paid

	2001 \$m	Consolidated 2000 \$m	1999 \$m
Ordinary dividends			
Interim ordinary dividend paid:			
Ordinary shares 30 cents per share; 2000 26 cents per share; 1999 23 cents per share (all fully franked at 30%, 34% and 36% respectively)	520	475	426
New Zealand Class shares 30 cents per share; 2000 26 cents per share (both fully imputed) ¹	16	13	–
Final ordinary dividend provided for:			
Ordinary shares 32 cents per share (fully franked at 30%); 2000 28 cents per share (fully franked at 34%); 1999 24 cents per share (unfranked)	560	497	445
New Zealand Class shares 32 cents per share; 2000 28 cents per share (both fully imputed) ¹	17	15	–
(Over)/under provision of dividend in prior year ²	(7)	13	(5)
Total ordinary dividends provided for or paid	1,106	1,013	866
Distributions on other equity instruments			
Distributions paid or provided for:			
TOPrS	51	43	8
Total distributions on other equity instruments	51	43	8
Franking account balance			
Franking account balance at the end of the financial year at 30% (2000 34%, 1999 36%)	5	(110)	(173)
Franking credits arising from payment of current income tax payable	823	350	102
Franking credits utilised for payment of proposed final dividend	(560)	(497)	–
Adjusted franking account balance at the end of the financial year at 30% (2000 34%, 1999 36%)	268	(257)	(71)

Where dividends are franked in future years these will be met principally out of franking credits arising in each of those subsequent years.

Concise financials

Note 3. Retained profits

	2001 \$m	Consolidated 2000 \$m	1999 \$m
Balance at beginning of year	3,435	2,788	2,241
Aggregate of amounts transferred to reserves	(7)	(12)	(35)
Operating profit after tax attributable to equity holders of Westpac Banking Corporation	1,903	1,715	1,456
Dividends provided for or paid	(1,106)	(1,013)	(866)
Distributions on other equity instruments	(51)	(43)	(8)
Balance at year end	4,174	3,435	2,788

Note 4. Earnings per ordinary share

	2001		Consolidated 2000		1999	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of earnings used in the calculation of earnings per ordinary share (\$million)						
Net profit	1,908	1,908	1,718	1,718	1,459	1,459
add: Potential earnings from the proceeds of exercised options	–	14	–	12	–	6
less: Outside equity interests	(5)	(5)	(3)	(3)	(3)	(3)
TOPRS distribution	(51)	(51)	(43)	(43)	(8)	(8)
Earnings	1,852	1,866	1,672	1,684	1,448	1,454
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares	1,801	1,801	1,883	1,883	1,881	1,881
Potential dilutive adjustment:						
Exercise of options	–	30	–	38	–	29
Total weighted average number of ordinary shares	1,801	1,831	1,883	1,921	1,881	1,910
Earnings per ordinary share (cents)	102.8	101.9	88.8	87.7	77.0	76.1

AASB 1038 Life Insurance Business became operative for the Group from 1 October 1999. The effect for the financial year ended 30 September 2001 has been to increase basic and diluted earnings per share by 2.7 cents (2000 3.1 cents and 3.1 cents respectively) as compared with the earnings per share that would have been determined using the previous accounting policy.

Note 5. Group segment information

The basis of reporting reflects the management of the business within the Group, rather than the legal structure of the Group. The business segment results have been presented on a management reporting basis and consequently internal charges and transfer pricing adjustments have been reflected in the performance of each business segment. Intersegment pricing is determined on an arm's length basis.

The business segments are defined by the customers they service and the services they provide. The Australian Retail Financial Services segment consists of the combined results of Business and Consumer Banking, Banking and Financial Solutions and eBusiness and Information Technology. The Institutional Banking segment represents primarily corporate and government customers providing services including corporate finance and financial markets. The New Zealand Retail segment comprises the retail operations of this region. Other includes the results of Group Treasury, Pacific Banking and Head Office functions.

Note 5. Group segment information (Continued)

Primary reporting – business segments	Consolidated 2001				
	Australian Retail Financial Services \$m	Institutional Banking \$m	New Zealand Retail \$m	Other \$m	Total \$m
Revenue from external customers	8,772	1,703	1,809	1,717	14,001
Internal revenue	268	730	72	(1,070)	–
Total segment revenue	9,040	2,433	1,881	647	14,001
Interest income ¹	6,827	1,555	1,550	475	10,407
Interest expense	(2,176)	(670)	(964)	(2,397)	(6,207)
Internal charges ²	(1,533)	(363)	61	1,835	–
Net interest income	3,118	522	647	(87)	4,200
Net non-interest income	1,540	515	322	160	2,537
Internal charges ²	(47)	(10)	–	57	–
Total operating income	4,611	1,027	969	130	6,737
Depreciation and goodwill amortisation	(241)	(11)	(71)	(70)	(393)
Other non-cash expenses	(125)	(1)	(4)	(19)	(149)
Other operating expenses	(2,141)	(278)	(425)	(184)	(3,028)
Internal charges ²	(127)	(89)	(11)	227	–
Total operating expenses	(2,634)	(379)	(511)	(46)	(3,570)
Bad and doubtful debts	(311)	(114)	(31)	23	(433)
Operating profit before income tax	1,666	534	427	107	2,734
Income tax expense ¹	(524)	(149)	(144)	(9)	(826)
Outside equity interest	–	–	–	(5)	(5)
Net profit	1,142	385	283	93	1,903
Total assets	107,177	51,874	18,509	12,285	189,845
Total liabilities	78,936	37,642	19,301	44,261	180,140
Acquisition of fixed assets and goodwill	107	6	48	148	309

	Consolidated 2000				
Revenue from external customers	8,508	1,488	1,650	3,341	14,987
Internal revenue	219	882	73	(1,174)	–
Total segment revenue	8,727	2,370	1,723	2,167	14,987
Interest income ¹	6,314	1,541	1,375	329	9,559
Interest expense	(1,981)	(608)	(809)	(2,323)	(5,721)
Internal charges ²	(1,477)	(474)	34	1,917	–
Net interest income	2,856	459	600	(77)	3,838
Net non-interest income	1,535	334	297	248	2,414
Internal charges ²	8	30	–	(38)	–
Total operating income	4,399	823	897	133	6,252
Depreciation and goodwill amortisation	(234)	(7)	(69)	(57)	(367)
Other non-cash expenses	(115)	(9)	(4)	(17)	(144)
Other operating expenses	(2,129)	(266)	(417)	(179)	(2,992)
Internal charges ²	(115)	(91)	(7)	213	–
Total operating expenses	(2,593)	(373)	(497)	(40)	(3,503)
Bad and doubtful debts	(184)	6	(26)	2	(202)
Operating profit before income tax	1,622	456	374	95	2,547
Income tax expense ¹	(584)	(140)	(123)	18	(829)
Outside equity interest	–	–	–	(3)	(3)
Net profit	1,038	316	251	110	1,715
Total assets	98,976	48,817	15,951	3,874	167,618
Total liabilities	71,306	31,047	17,454	38,549	158,356
Acquisition of fixed assets and goodwill	158	7	64	189	418

1 Interest income and income tax expense includes fully tax equivalent gross up of \$149 million for 2001 (\$169 million in 2000).

2 Internal charges are eliminated on consolidation.

Concise financials

Note 5. Group segment information (Continued)

Primary reporting – business segments	Consolidated 1999				
	Australian Retail Financial Services \$m	Institutional Banking \$m	New Zealand Retail \$m	Other \$m	Total \$m
Revenue from external customers	6,101	1,193	1,450	1,487	10,231
Internal revenue	215	586	90	(891)	–
Total segment revenue	6,316	1,779	1,540	596	10,231
Interest income ¹	5,217	1,239	1,287	260	8,003
Interest expense	(1,598)	(564)	(584)	(1,654)	(4,400)
Internal charges ²	(938)	(341)	(25)	1,304	–
Net interest income	2,681	334	678	(90)	3,603
Net non-interest income	1,145	453	272	285	2,155
Internal charges ²	60	(5)	(1)	(54)	–
Total operating income	3,886	782	949	141	5,758
Depreciation and goodwill amortisation	(210)	(17)	(67)	(43)	(337)
Other non-cash expenses	(117)	(16)	(9)	38	(104)
Other operating expenses	(1,622)	(249)	(459)	(663)	(2,993)
Internal charges ²	(482)	(103)	(12)	597	–
Total operating expenses	(2,431)	(385)	(547)	(71)	(3,434)
Bad and doubtful debts	(130)	(8)	10	(43)	(171)
Operating profit before income tax	1,325	389	412	27	2,153
Income tax expense ¹	(452)	(137)	(148)	43	(694)
Outside equity interest	–	–	–	(3)	(3)
Net profit	873	252	264	67	1,456
Total assets	79,409	36,473	16,307	8,031	140,220
Total liabilities	60,180	24,081	15,428	31,534	131,223
Acquisition of fixed assets and goodwill	112	7	50	193	362

1 Interest income and income tax expense includes fully tax equivalent gross up of \$127 million.

2 Internal charges are eliminated on consolidation.

Secondary reporting – geographic segments

	2001		2000		1999	
	\$m	%	\$m	%	\$m	%
Operating revenue (excluding gross up)						
Australia	10,432	74.5	10,831	72.3	7,659	74.9
New Zealand	2,382	17.0	1,898	12.7	1,801	17.6
Other ¹	1,187	8.5	2,258	15.0	771	7.5
Total	14,001	100.0	14,987	100.0	10,231	100.0

1 Other includes Pacific Islands, Asia, Americas and Europe.

Note 6. Events subsequent to balance date

Effective 1 October 2001, Westpac entered into a 10 year agreement with EDS (Business Process Administration) Pty Limited (EDS) whereby EDS will provide mortgage and other processing services in connection with Westpac's mortgage loan portfolio. Westpac will continue to perform the sales, credit and collection functions related to the mortgage business.

Directors' Declaration

In accordance with a resolution of the Directors of Westpac Banking Corporation ("the Parent Entity"), the Directors declare that the accompanying Concise Financial Report of the consolidated entity, for the year ended 30 September 2001, set out on pages 62 to 70:

- a) has been derived from or is consistent with the Annual Financial Report for the financial year; and
- b) complies with Accounting Standard AASB 1039 Concise Financial Reports.

Dated at Sydney this 2nd day of November 2001.

For and on behalf of the Board.



L.A. Davis

Chairman



D.R. Morgan

Managing Director and
Chief Executive Officer

Independent Audit Report

to the Shareholders of Westpac Banking Corporation

We have audited the Concise Financial Report of Westpac Banking Corporation ("the Parent Entity") for the year ended 30 September 2001 as set out on pages 62 to 71, in order to express an opinion on it to the shareholders of the Parent Entity. The Parent Entity's Directors are responsible for the Concise Financial Report.

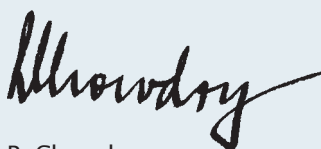
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the Annual Financial Report of the Parent Entity for the year ended 30 September 2001. Our audit report on the Annual Financial Report was signed on 2 November 2001, and was not subject to any qualification.

Our procedures in respect of the audit of the Concise Financial Report included testing that the information included in it is consistent with the Annual Financial Report, and examination, on a test basis, of evidence supporting the amounts, discussion and analysis and other disclosures which were not directly derived from the Annual Financial Report. These procedures have been undertaken to form an opinion as to whether the Concise Financial Report complies with Australian Accounting Standard AASB 1039 Concise Financial Reports in that, in all material respects, it is presented fairly in accordance with that standard.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the Concise Financial Report of the Parent Entity for the year ended 30 September 2001 complies with Accounting Standard AASB 1039 Concise Financial Reports.



R. Chowdry



M.J. Codling

Chartered Accountants
Sydney, Australia

2 November 2001

Information for Shareholders

Annual General Meeting

The meeting will be held in the Harbourside Auditorium, Level 2, Sydney Convention and Exhibition Centre North, Darling Drive, Darling Harbour, Sydney, NSW on 13 December 2001 at 1.30pm.

Shareholders' Calendar

Record Date for final dividend	28 November 2001
Record Date for final dividend (New York)	27 November 2001
Annual General Meeting	13 December 2001
Final dividend payable	21 December 2001
Half year end	31 March 2002
Interim results and dividend announcement	2 May 2002
Record Date for interim dividend	13 June 2002*
Record Date for interim dividend (New York)	12 June 2002*
Interim dividend payable	5 July 2002*
Year end	30 September 2002
Final results and dividend announcement	31 October 2002
Record Date for final dividend	27 November 2002**
Record Date for final dividend (New York)	26 November 2002**
Annual General Meeting	12 December 2002#
Final dividend payable	20 December 2002**

* Dates will be confirmed at the time of announcing 2002 interim results.

** Dates will be confirmed at the time of announcing 2002 final results.

Details regarding the date of this meeting and the business to be dealt with will be contained in the separate Notice of Meeting sent to shareholders in November 2002.

Voting rights

Ordinary shares

On a show of hands, each shareholder present in person, each proxy who is not a shareholder and each duly appointed corporate representative who is not a shareholder, shall have one vote.

On a poll, each shareholder shall have:

- one vote for each fully paid share held; and
- one vote for each one hundred shares held which are paid to one cent.

NZ Class shares

Holders of this class of share are not personally able to vote at a general meeting, but may give voting directions on agenda items in the event of a poll.

Dividends payment

Holders of shares traded on Australian Stock Exchange Limited (ASX) may elect, by written notification to the Share Registry in Sydney, to:

- receive their Westpac ordinary share dividends by cheque or by direct credit to an account with Westpac or any other bank in Australia, New Zealand or the

United Kingdom, or with any building society or credit union in Australia. Any change to direct credit details should be notified to the Share Registry in Sydney, promptly, in writing; or

- if they are resident in, or their address on the register of shareholders is in, Australia or New Zealand, have the dividends on some or all of their ordinary shares automatically reinvested in additional shares by participating in the Dividend Reinvestment Plan. Full details of the Plan can be obtained from the Share Registry in Sydney or at www.westpac.com.au under the "Westpac Info" tab, at "Investor Information" (click on "Dividend Payment Options").

Stock Exchange listings

Westpac ordinary shares are listed on:

Australian Stock Exchange Limited (code WBC), New York Stock Exchange (code WBK), Tokyo Stock Exchange and New Zealand Stock Exchange.

NZ Class shares are listed on the New Zealand Stock Exchange.

Limit on size of shareholdings

Under the Deed of Settlement, no person (including corporations) may hold more than 10% of the total number of ordinary shares allotted unless the Board of Directors is satisfied that it is in the interest of Westpac to allow some greater percentage not exceeding 15% in all and that the person is not precluded by the Financial Sector (Shareholdings) Act 1998 from owning ordinary shares accordingly.

Sources of information for shareholders

Westpac's Internet Site – www.westpac.com.au

The Investor Information section found at the "Westpac Info" tab in www.westpac.com.au provides key information about investing in Westpac Banking Corporation shares, including annual reports, financial results, news and information, contacts, important dates. It also has a link to the Australian share registry for information about your shareholding via "Shareholder Information".

An overview of Westpac's businesses and history can be found under "At Westpac".

Annual report

We are providing our report to shareholders in two parts:

- a Concise Annual Report; and
- an Annual Financial Report.

Both parts will be lodged with the Australian Stock Exchange Limited and the Australian Securities and Investments Commission and are available on www.westpac.com.au under the “Westpac Info” tab, at “Investor Information”.

The main source of information is the Concise Annual Report, available at www.westpac.com.au (as outlined above), or which is mailed to shareholders in November.

Shareholders who do not wish to receive the Concise Annual Report, or who are receiving more than one copy, or who wish to also receive an Annual Financial Report, should notify the Share Registry in Sydney in writing, including the shareholder number with the notification. Irrespective of individual elections regarding receipt of an Annual Report, all shareholders will continue to receive all other shareholder information.

Shareholders can register their email address and receive information electronically. This provides fast access to information and by reducing printing, paper usage and mail delivery, is friendlier to the environment. To register, go to www.westpac.com.au and click on register your email under “Shareholder News”. At the time of registration, you can choose which information you would like to receive by email.

Share Registries

For information about your shareholding you should contact the appropriate share registry. In the case of the Australian registry, this information is also available via a link on www.westpac.com.au under the “Westpac Info” tab and through “Investor Information” to the link at “Shareholder Information”. Any changes to your address should be notified to the registry in writing.

Addresses and phone numbers for the Share Registries can be found on page 76.

Other Information

Other sources of information produced during the year include:

- an annual Summary of Performance published in Japanese for shareholders in Japan;
- a review of the half yearly performance mailed to shareholders with dividend statements in July;
- documents lodged from time to time in the USA to comply with that country’s regulatory requirements (such documents are submitted concurrently to the ASX); and
- annual reports and information booklets produced by controlled entities and operating divisions of Westpac Banking Corporation.

Top twenty ordinary shareholders at 2 October 2001

	No. of fully paid ordinary shares	% held
Chase Manhattan Nominees Limited	320,331,224	18.29
National Nominees Limited	167,742,699	9.58
Westpac Custodian Nominees Limited	158,065,266	9.03
Citicorp Nominees Pty Limited	89,846,314	5.13
RBC Global Services Australia Nominees Pty Limited	42,616,008	2.43
AMP Life Limited	31,960,609	1.83
ANZ Nominees Limited	28,337,186	1.62
Queensland Investment Corporation	26,770,567	1.53
MLC Limited	25,670,999	1.47
Cede & Co.	19,059,885	1.09
HSBC Custody Nominees (Australia) Limited	18,813,412	1.07
Commonwealth Custodial Services Limited	17,253,556	0.98
Cogent Nominees Pty Limited	16,897,568	0.96
ING Life Limited	14,161,466	0.81
NRMA Nominees Pty Limited	12,865,233	0.73
Australian Foundation Investment Company Limited	10,961,616	0.63
Perpetual Trustees Nominees Limited	7,635,327	0.44
Permanent Trustee Australia Limited	6,106,936	0.35
Zurich Australia Limited	5,864,554	0.33
The National Mutual Life Association of Australasia Limited	5,770,060	0.33
	1,026,730,485	58.63

Top twenty shareholders hold 58.63 per cent of total fully paid ordinary shares issued.

Information for Shareholders

Substantial shareholders as at 2 October 2001

Shareholders appearing on the Register of Substantial Shareholders as at 2 October 2001 are:

	No. of shares held	% of shares held
Fully paid ordinary shares		
The Capital Group of Companies (by notice dated 23 August 2001)	105,715,558	6.04

Analysis of holdings at 2 October 2001

By class:

	Ordinary fully paid	%	No. of ordinary shares (000)	%	Ordinary partly paid to 01¢	*Options to subscribe for ordinary shares
1 - 1,000	98,142	51.3	41,047	2.4	-	-
1,001 - 5,000	70,502	36.8	159,228	9.1	-	50
5,001 - 10,000	13,141	6.9	92,745	5.3	-	127
10,001 - 100,000	9,208	4.8	198,530	11.3	1	474
100,001 & over	486	0.2	1,259,647	71.9	-	66
Totals	191,479	100.0	1,751,197	100.0	1	717

*Issued under Senior Officers' Share Purchase Scheme, General Management Share Option Plan or Chief Executive Share Option Agreement.

Percentage of total securities held by

Top 20 holders in each class	58.63	100.00	29.3
Holdings less than a marketable parcel	7,698		

By domicile:

	*No. of holdings	% of holdings	No. of issued shares & options (000)	% of issued shares & options
Australia	179,182	93.23	1,737,667	96.98
New Zealand	8,347	4.34	18,414	1.03
United Kingdom	1,712	0.89	5,445	0.30
Japan	1,316	0.69	3,665	0.20
United States	536	0.28	21,649	1.21
Other Overseas	1,104	0.57	5,022	0.28
Totals	192,197	100.00	1,791,862	100.00

* Some registered holders own more than one class of security.

Top twenty NZ Class shareholders at 2 October 2001

	No. of fully paid NZ Class	% held
New Zealand Central Securities Depository Limited	12,531,193	23.04
Eltub Nominees Limited	1,209,003	2.22
Forbar Custodians Limited	539,460	0.99
ABN Amro Nominees NZ Limited	468,185	0.86
Moturua Properties Limited	283,600	0.52
Yarrow Consulting Limited	213,131	0.39
UBS Warburg Private Clients Nominees Pty Limited	190,800	0.35
Paradise Finance Limited	188,000	0.35
Investment Custodial Services Limited	151,612	0.28
Ace Finance Limited	131,000	0.24
Auckland Medical Research Foundation	129,060	0.24
Surrey Charles Innes Kent	120,000	0.22
Amalgamated Dairies Limited	115,100	0.21
Credit Suisse First Boston NZ Scrip	103,137	0.19
Dublin Nominees Limited	100,000	0.18
Alfred James Wakefield and Susan Mary Wakefield	100,000	0.18
Avalon Investment Trust Limited	86,700	0.16
AMI Insurance Limited	85,878	0.16
Galt Nominees Limited	82,850	0.15
Henry Michael Horton	77,700	0.14
	16,906,409	31.07

Top twenty shareholders hold 31.07 per cent of total NZ Class shares issued.

Analysis of NZ Class holdings at 2 October 2001

By class:

	NZ Class fully paid	%	No. of NZ Class shares (000)	%
1 – 1,000	23,919	75.3	10,193	18.7
1,001 – 5,000	6,784	21.4	15,515	28.5
5,001 – 10,000	700	2.2	5,256	9.7
10,001 – 100,000	312	1.0	7,056	13.0
100,001 & over	15	0.1	16,373	30.1
Totals	31,730	100.0	54,393	100.0
Holdings less than a marketable parcel	1,072			

By domicile:

	Number of holdings	% of holdings	Number of issued shares (000)	% of issued shares
New Zealand	31,471	99.18	53,936	99.17
Australia	146	0.46	349	0.64
United Kingdom	41	0.13	38	0.07
United States	13	0.04	13	0.02
Hong Kong	10	0.03	17	0.03
Other Overseas	49	0.16	40	0.07
Totals	31,730	100.00	54,393	100.00

Useful information

How to contact our share registries and our investor relations team

Share Registries

For information about your shareholding you should contact the appropriate share registry. In the case of the Australian registry, this information is also available via a link on www.westpac.com.au under the 'Westpac Info' tab and through 'Investor Information' to the link at 'Shareholder Information'. Any changes to your address should be notified to the registry in writing.

Australia

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street, Sydney NSW
Postal address: GPO Box 7045, Sydney NSW 1115
Web site: www.computershare.com.au
Shareholder Serviceline:
Telephone: (03) 9611 5711
or 1800 804 255 (toll free in Australia)
Facsimile: (02) 8234 5050

New Zealand

Computershare Registry Services Ltd
Level 2, 159 Hurstmere Road,
Takapuna, North Shore City, New Zealand
Postal address:
Private Bag 92119,
Auckland 1020, New Zealand
Shareholder Enquiries:
Telephone: (64 9) 488 8777
Facsimile: (64 9) 488 8787
Email: enquiry@computershare.co.nz

Depository in USA for American Depository Shares (ADS)* listed on New York Stock Exchange (code WBK – CUSIP 961214301)

Morgan Guaranty Trust Company
60 Wall Street, New York NY 10260-0060, USA
Telephone: (1 212) 648 3213
Facsimile: (1 212) 648 5104
Web site: www.adr.com

* Each ADS equals five, fully paid ordinary shares

Paying and share handling agent in Japan for shares listed on Tokyo Stock Exchange

The Mitsubishi Trust and Banking Corporation
1-7-7 Nishi-Ikebukuro, Toshima-ku
Tokyo 171, Japan
Telephone: (81 3) 5391 7029
Facsimile: (81 3) 5391 1911
Web site: www.mitsubishi-trust.co.jp

Westpac Investor Relations

Information other than that relating to your shareholdings can be obtained from:

Group Investor Relations
Level 25, 60 Martin Place,
Sydney NSW 2000 Australia

In Australia

Telephone: (02) 9226 3143
Facsimile: (02) 9226 1539
Email: westpac@westpac.com.au

From Overseas

Telephone: (61 2) 9226 3143
Facsimile: (61 2) 9226 1539
Email: westpac@westpac.com.au

Where to find us

Australia

Head Office

60 Martin Place
Sydney NSW 2000
Telephone: (02) 9226 3311
Facsimile: (02) 9226 4128

International Payments

Telephone: 1800 063 509
Facsimile: (02) 9806 4152

Bank of Melbourne

360 Collins Street
Melbourne Vic 3000
Telephone: (03) 9608 3222
Facsimile: (03) 9608 3304

Challenge Bank

109 St George's Terrace
Perth WA 6000
Telephone: (08) 9426 2211
Facsimile: (08) 9382 5302

Asia

Hong Kong

Room 3303-05
Two Exchange Square
8 Connaught Place
Central, Hong Kong
Telephone: (852) 2842 9888
Facsimile: (852) 2840 0591

Japan

Level 4
Toranomon Waiko Building ii
5-2-6 Toranomon, Minato-Ku
Tokyo 105-0001, Japan
Telephone: (813) 3438 3080
Facsimile: (813) 3438 3064

People's Republic of China

Suite 2210 SCITECH Tower
22 Jianguomenwai Da Jie
Beijing
People's Republic of China
Telephone: (86 10) 6512 3465
Facsimile: (86 10) 6512 3780

Republic of Indonesia

16th Floor Wisma
Jalan Jend Sudirman Kav 33-A
Jakarta 10220
Indonesia
Telephone: (62 21) 574 3719
Facsimile: (62 21) 574 3720

Republic of Singapore

#19-00 SIA Building
77 Robinson Road
Singapore 068896
Telephone: (65) 530 9898
Facsimile: (65) 532 3781

Thailand

Unit E, 8th Floor,
Kamol Sukosol Building
317 Silom Road
Bangkok 10500, Thailand
Telephone: (66 2) 234 2650
Facsimile: (66 2) 234 2996

Europe

United Kingdom

63 St Mary Axe
London EC3A 8LE
England
Telephone: (44 207) 621 7000
Facsimile: (44 207) 623 9428

New Zealand

WestpacTrust
318-324 Lambton Quay
Wellington New Zealand
Telephone: (64 4) 498 1000
Facsimile: (64 4) 498 1158

Pacific Banking

Cook Islands

Main Road Avarua
Rarotonga, Cook Islands
Telephone: (682) 22014
Facsimile: (682) 20802

Fiji

Chief Manager's Office
2nd Floor Westpac House
73 Gordon Street, Suva Fiji
Telephone: (679) 30 0666
Facsimile: (679) 30 0718

Niue

Main Street Alofi, Niue Island
Telephone: (683) 4221
Facsimile: (683) 4043

Samoa

Westpac Bank Samoa Limited
Beach Road Apia, Samoa
Telephone: (685) 20000
Facsimile: (685) 22848

Solomon Islands

National Provident Fund Building
721 Mendana Avenue
Honiara, Solomon Islands
Telephone: (677) 21222
Facsimile: (677) 23419

Tonga

Bank of Tonga
Railway Road Nuku'alofa, Tonga
Telephone: (676) 23933
Facsimile: (676) 23634

Vanuatu

Kumul Highway Port Vila, Vanuatu
Telephone: (678) 22084
Facsimile: (678) 24773

Papua New Guinea

Westpac Bank-PNG-Limited
5th Floor Mogoru Moto Building
Champion Parade, Port Moresby
Papua New Guinea
Telephone: (675) 322 0800
Facsimile: (675) 321 3367

United States of America

575 Fifth Avenue, 39th Floor
New York, NY 10017-2422, USA
Telephone: (1 212) 551 1800
Facsimile: (1 212) 551 1999

Westpac Financial Services

Level 22, 60 Martin Place
Sydney NSW 2000
Telephone: (02) 9216 0990
Facsimile: (02) 9216 0799

Australian Guarantee Corporation Limited

Level 25, 60 Martin Place
Sydney NSW 2000
Telephone: (02) 9226 0590
Facsimile: (02) 9226 0964

Getting information on-line

Australia

Westpac's internet site www.westpac.com.au provides information for shareholders and customers, and is the gateway to Westpac's internet banking and broking services. The site also provides information on Westpac's products, economic updates, community sponsorships and support activities, media releases, and other information relating to Westpac's 184 year history.

The **Investor Information** section found at the 'Westpac Info' tab on www.westpac.com.au provides key information about investing in Westpac Banking Corporation shares, including annual reports, financial results, news and information, contacts, important dates and also has a link to the Australian share registry for information about your shareholding via 'Shareholder Information'.

An overview of Westpac's businesses and history can be found under 'At Westpac'.

Shareholders can register their email address and receive information electronically. This provides fast access to information and by reducing printing, paper usage and mail delivery, is friendlier to the environment. To register, go to www.westpac.com.au and click on register your email on the 'Westpac Info' tab. At the time of registration, you can choose which information you would like to receive by email.

New Zealand

www.westpactrust.co.nz provides the gateway to WestpacTrust's internet banking services. The site also provides a comprehensive home buying guide and information for customers on a range of WestpacTrust products, economic updates, sponsorships and other community activities.

Contact numbers for our customers

Banking and Financial Services

Australia	Westpac	Bank of Melbourne	Challenge Bank
Account enquiries and general information			
- personal customers	132 032	132 575	131 862
- business customers	132 142	131 919	132 885
Home loan enquiries	131 900	131 575	131 900
Cardholder enquiries and lost and stolen cards	1300 651 089	1300 651 089	1800 061 547
ATM enquiries and service difficulties	1800 022 022	1800 022 022	1800 022 022
Financial Services	131 817	131 817	131 817
Westpac Broking	131 331	131 331	131 331
New Zealand	WestpacTrust		
Account enquiries and general information			
- personal customers	0800 400 600		
- business customers	0800 177 377		
- self service	0800 172 172		
Home loan enquiries	0800 177 277		
Cardholder enquiries and lost and stolen cards	0800 888 111		
ATM enquiries and service difficulties	0800 807 805		
Financial Services	0800 738 641		