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PROFIT AND LOSS STATEMENTS for the years ended 30 September

Westpac Banking Corporation and its controlled entities	Note	Consolidated 1997 $m	Consolidated 1996 $m	Consolidated 1995 $m	Parent Entity 1997 $m	Parent Entity 1996 $m
Interest income	2	**8,551**	8,520	7,173	**7,206**	6,685
Interest expense	2	**(5,198)**	(5,266)	(4,191)	**(4,796)**	(4,453)
Net interest income		**3,353**	3,254	2,982	**2,410**	2,232
Non-interest income	3	**1,739**	1,472	1,391	**2,307**	1,520
Operating income		**5,092**	4,726	4,373	**4,717**	3,752
Provisions for bad and doubtful debts	1(f),12	**(78)**	(121)	(330)	**(19)**	(47)
Operating income net of provisions for bad and doubtful debts		**5,014**	4,605	4,043	**4,698**	3,705
Non-interest expenses	4	**(3,228)**	(3,049)	(2,654)	**(2,995)**	(2,668)
Operating profit before abnormal items		**1,786**	1,556	1,389	**1,703**	1,037
Abnormal items	5	**–**	–	(212)	**–**	–
Operating profit before income tax		**1,786**	1,556	1,177	**1,703**	1,037
Income tax attributable to operating profit	6	**(493)**	(421)	(371)	**(233)**	(240)
Income tax credit – abnormal items	5,6	**–**	–	144	**–**	–
Operating profit after income tax		**1,293**	1,135	950	**1,470**	797
Outside equity interests in operating profit after income tax		**(2)**	(3)	(3)	**–**	–
Operating profit after income tax attributable to shareholders of Westpac Banking Corporation		**1,291**	1,132	947	**1,470**	797
Retained profit at the beginning of the financial year		**1,366**	842	612	**748**	600
Adjustment due to new accounting standards		**–**	–	(34)	**–**	–
Aggregate of amounts transferred (to)/from reserves		**(53)**	45	(132)	**(77)**	4
Total available for appropriation		**2,604**	2,019	1,393	**2,141**	1,401
Dividends provided for or paid	7	**(731)**	(653)	(551)	**(731)**	(653)
Retained profits at the end of the financial year		**1,873**	1,366	842	**1,410**	748
Earnings (in cents) per ordinary share after deducting preference dividends						
Basic		**70.0**	58.9	49.8		
Fully diluted		**67.8**	57.1	48.1		
Weighted average number of fully paid ordinary shares (millions)		**1,788.6**	1,853.1	1,822.9		

The accompanying notes, numbered 1 to 39, form part of these financial statements for purposes of Australian reporting requirements. A summary of material adjustments to operating profit after income tax (net income) that would be required if US GAAP had been applied is given in note 40.

BALANCE SHEETS as at 30 September

Westpac Banking Corporation and its controlled entities	Note	Consolidated 1997 $m	Consolidated 1996 $m	Parent Entity 1997 $m	Parent Entity 1996 $m
Assets					
Cash and balances with central banks		**321**	408	**311**	343
Due from other banks	8	**4,002**	6,286	**3,577**	5,666
Trading securities	9	**6,243**	5,603	**6,139**	5,459
Investment securities	10	**1,633**	2,080	**994**	1,272
Loans	11	**77,874**	81,201	**68,022**	57,900
Acceptances of customers		**11,242**	11,197	**11,257**	11,465
Statutory deposits	14	**928**	879	**928**	834
Due from controlled entities		**–**	–	**8,070**	7,365
Investments in controlled entities		**–**	–	**5,906**	4,442
Fixed assets	15	**1,672**	1,869	**932**	1,021
Other assets	16	**15,048**	11,990	**13,728**	9,961
Total assets		**118,963**	121,513	**119,864**	105,728
Liabilities					
Due to other banks	17	**4,570**	5,419	**4,568**	5,408
Deposits and public borrowings	18	**72,636**	74,886	**66,077**	58,282
Bonds, notes and commercial paper		**6,273**	7,226	**4,834**	4,508
Acceptances		**11,242**	11,197	**11,257**	11,465
Due to controlled entities		**–**	–	**9,722**	4,322
Other liabilities	19	**14,141**	12,695	**13,311**	11,732
Total liabilities excluding loan capital		**108,862**	111,423	**109,769**	95,717
Loan capital					
Subordinated bonds, notes and debentures	20	**1,200**	1,266	**1,200**	1,193
Subordinated perpetual notes	20	**695**	933	**695**	933
Total loan capital		**1,895**	2,199	**1,895**	2,126
Total liabilities		**110,757**	113,622	**111,664**	97,843
Net assets		**8,206**	7,891	**8,200**	7,885
Shareholders' equity					
Share capital	21	**1,861**	1,887	**1,861**	1,887
Reserves		**4,466**	4,632	**4,929**	5,250
Retained profits		**1,873**	1,366	**1,410**	748
Shareholders' equity attributable to shareholders of Westpac Banking Corporation		**8,200**	7,885	**8,200**	7,885
Outside equity interests in controlled entities		**6**	6	**–**	–
Total shareholders' equity		**8,206**	7,891	**8,200**	7,885

The accompanying notes, numbered 1 to 39, form part of these financial statements for purposes of Australian reporting requirements. A summary of material adjustments to operating profit after income tax (net income) that would be required if US GAAP had been applied is given in note 40.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY for the years ended 30 September

Westpac Banking Corporation and its controlled entities	Note	Consolidated 1997 $m	Consolidated 1996 $m	Consolidated 1995 $m	Parent Entity 1997 $m	Parent Entity 1996 $m
Share capital						
Balance at beginning of year		**1,887**	1,906	1,901	**1,887**	1,906
Shares issued:						
under the Share Rounding Scheme		**–**	–	3	**–**	–
under the Chief Executive Share Option Agreement	21	**2**	–	–	**2**	–
under the Senior Officers' Share Purchase Scheme	21	**6**	3	2	**6**	3
for acquisitions of Trust Bank New Zealand Limited and Challenge Bank Limited		**–**	73	–	**–**	73
Shares previously paid to $0.10 or $0.01, fully paid up	21	**1**	–	–	**1**	–
Shares bought back	21	**(35)**	(95)	–	**(35)**	(95)
Balance at year end		**1,861**	1,887	1,906	**1,861**	1,887
Reserves						
Reserve fund						
Balance at beginning of year		**589**	549	519	**589**	549
Transfer from retained profits		**74**	40	30	**74**	40
Balance at year end		**663**	589	549	**663**	589
Share premium reserve						
Balance at beginning of year		**3,665**	3,779	3,764	**3,665**	3,779
Premium on shares issued	21	**21**	336	16	**21**	336
Share issue expenses		**–**	–	(1)	**–**	–
Premium on shares bought back	21	**(216)**	(450)	–	**(216)**	(450)
Balance at year end		**3,470**	3,665	3,779	**3,470**	3,665
Premises revaluation reserve						
Balance at beginning of year		**260**	382	514	**195**	293
Revaluation of premises	1(n)	**(21)**	(32)	(104)	**(11)**	(16)
Transfer to retained profits of realised revaluation gains on sale of premises		**(31)**	(86)	(28)	**(23)**	(82)
Other adjustments		**(6)**	(4)	–	**–**	–
Balance at year end		**202**	260	382	**161**	195
Investment revaluation reserve						
Balance at beginning of year		**–**	–	–	**711**	335
Revaluation of investments in controlled entities		**–**	–	–	**(183)**	338
Revaluation of shares in other companies		**–**	–	1	**–**	–
Transfer (to)/from retained profits		**–**	–	(1)	**–**	38
Balance at year end		**–**	–	–	**528**	711
Capital redemption reserve						
Balance at beginning of year		**135**	135	3	**131**	131
Transfer from retained profits		**–**	–	131	**–**	–
Other adjustments		**–**	–	1	**–**	–
Balance at year end		**135**	135	135	**131**	131

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED) for the years ended 30 September

Westpac Banking Corporation and its controlled entities	Note	Consolidated 1997 $m	Consolidated 1996 $m	Consolidated 1995 $m	Parent Entity 1997 $m	Parent Entity 1996 $m
Foreign currency translation reserve						
Balance at beginning of year		**(17)**	(15)	(19)	**(41)**	(35)
Transfer from retained profits		**10**	1	–	**26**	–
Other adjustments		**3**	(3)	4	**(9)**	(6)
Balance at year end		**(4)**	(17)	(15)	**(24)**	(41)
Total reserves		**4,466**	4,632	4,830	**4,929**	5,250
Retained profits						
Balance at beginning of year		**1,366**	842	612	**748**	600
Adjustment due to new accounting standard	1(q)	**–**	–	(34)	**–**	–
Aggregate of amounts transferred (to)/from reserves		**(53)**	45	(132)	**(77)**	4
Operating profit after tax attributable to shareholders		**1,291**	1,132	947	**1,470**	797
Dividends provided for or paid	7	**(731)**	(653)	(551)	**(731)**	(653)
Balance at year end		**1,873**	1,366	842	**1,410**	748
Total shareholders' equity attributable to shareholders of Westpac Banking Corporation at year end		**8,200**	7,885	7,578	**8,200**	7,885

Restrictions which limit the payment of dividends

The Parent Entity's Deed of Settlement requires that each year not less than 5% of the net profit of the Parent Entity for the year be transferred to the reserve fund, until the fund is at a level equal to half of the paid-up capital. The reserve fund may not be used for payments of dividends, but may be used to provide for occasional losses.

The share premium reserve, to which all premiums on the issue of new shares are credited, and share issue expenses are debited, may be used for the payment of dividends only if such dividends are satisfied by the issue of shares to the shareholders.

As mentioned in note 1(c) to the financial statements, exchange differences arising on translation of the net investment in overseas branches and controlled entities are reflected in the foreign currency translation reserve. Any offsetting gains or losses on hedging of these balances, together with any tax effect are also reflected in this reserve, which may be either a debit or a credit balance. Any credit balance in this reserve would not normally be regarded as being available for payment of dividends until such gains are realised.

The premises revaluation reserve comprises principally the net of unrealised revaluation increments and decrements for premises and sites. The net unrealised gains reflected in this reserve would not normally be regarded as being available for payment of dividends until such gains are realised.

In accordance with the requirements of the Parent Entity's Deed of Settlement, in 1995, $131 million was transferred from retained profits to the capital redemption reserve upon redemption of 131.2 million preference shares. This reserve may not be used for the payment of dividends.

In addition to the above restrictions, there is an overriding supervisory requirement of the Reserve Bank of Australia (RBA) that aggregate dividend payments by the Parent Entity in any financial year may not exceed, without the approval of the RBA, the consolidated net profit of the Group for the immediately preceding financial year.

STATEMENTS OF CASH FLOWS for years ended 30 September

Westpac Banking Corporation and its controlled entities	Consolidated			Parent Entity	
	1997 $m	1996 $m	1995 $m	**1997 $m**	1996 $m
Cash flows from operating activities					
Interest received	**8,585**	8,505	7,140	**7,194**	6,719
Interest paid	**(5,132)**	(5,183)	(4,017)	**(4,737)**	(4,481)
Dividends received	**38**	16	3	**832**	257
Other non-interest income received	**637**	1,653	2,480	**380**	1,468
Non-interest expenses paid	**(2,833)**	(2,768)	(2,331)	**(2,660)**	(2,442)
(Increase)/decrease in trading securities	**(722)**	1,857	(479)	**(766)**	1,060
Income taxes paid	**(568)**	(198)	(74)	**(408)**	(73)
Net cash provided by/(used in) operating activities	**5**	3,882	2,722	**(165)**	2,508
Cash flows from investing activities					
Proceeds from sale of investment securities	**680**	1,105	286	**471**	1,046
Proceeds from matured investment securities	**1,266**	731	1,231	**772**	183
Purchase of investment securities	**(1,348)**	(1,566)	(1,420)	**(885)**	(1,057)
Net (increase)/decrease in:					
loans	**3,433**	(5,721)	(3,190)	**(9,967)**	(4,172)
due from other banks	**2,483**	(1,338)	(700)	**2,274**	(1,285)
statutory deposits	**(30)**	(120)	25	**(75)**	(126)
investments in controlled entities	**–**	–	–	**(1,647)**	(260)
due from controlled entities	**–**	–	–	**(705)**	(3,048)
other assets	**589**	(179)	(1,477)	**(351)**	(155)
Fixed assets additions	**(318)**	(512)	(197)	**(261)**	(493)
Proceeds from disposal of fixed assets	**300**	200	61	**163**	153
Controlled entities acquired	**(346)**	(1,360)	–	**–**	–
Controlled entities sold (net of cash disposed)	**–**	–	36	**–**	–
Net cash provided by/(used in) investing activities	**6,709**	(8,760)	(5,345)	**(10,211)**	(9,214)
Cash flows from financing activities					
Redemption of preference share capital	**–**	–	(148)	**–**	–
Redemption of loan capital	**(479)**	(450)	–	**(449)**	(450)
Proceeds from issue of shares	**30**	14	21	**30**	14
Buyback of shares	**(251)**	(545)	–	**(251)**	(545)
Net increase/(decrease) in:					
due to other banks	**(1,280)**	(1,553)	(801)	**(1,271)**	(1,413)
deposits and public borrowings	**(2,919)**	5,996	3,327	**7,138**	6,730
bonds, notes and commercial paper	**(1,103)**	2,458	332	**325**	2,673
due to controlled entities	**–**	–	–	**5,401**	1,556
other liabilities	**(113)**	(339)	362	**105**	(1,218)
Payment of dividends	**(684)**	(622)	(463)	**(684)**	(622)
Payment of dividends to outside equity interests	**(2)**	(2)	(2)	**–**	–
Net cash provided by financing activities	**(6,801)**	4,957	2,628	**10,344**	6,725
Net (decrease)/increase in cash and cash equivalents	**(87)**	79	5	**(32)**	19
Effect of exchange rate changes on cash and cash equivalents	**–**	(1)	1	**–**	(1)
Cash and cash equivalents at beginning of year	**408**	330	324	**343**	325
Cash and cash equivalents at year end	**321**	408	330	**311**	343

STATEMENTS OF CASH FLOWS (CONTINUED) for years ended 30 September

Westpac Banking Corporation and its controlled entities	Consolidated 1997 $m	Consolidated 1996 $m	Consolidated 1995 $m	Parent Entity 1997 $m	Parent Entity 1996 $m
Reconciliation of net cash provided by operating activities to operating profit after income tax					
Operating profit after income tax	**1,291**	1,132	947	**1,470**	797
Adjustments:					
Outside equity interests	**2**	3	3	**–**	–
Depreciation	**218**	174	149	**185**	139
Sundry provisions and other non cash items	**(808)**	318	1,565	**(846)**	388
Bad and doubtful debts	**171**	206	431	**81**	134
(Increase)/decrease in trading securities	**(722)**	1,857	(479)	**(766)**	1,060
(Increase)/decrease in accrued interest receivable	**34**	(15)	(33)	**(12)**	34
Increase/(decrease) in accrued interest payable	**66**	83	174	**59**	(28)
Increase/(decrease) in provision for income tax	**(218)**	331	43	**(311)**	229
Increase/(decrease) in provision for deferred income tax	**(409)**	(90)	64	**(405)**	(164)
(Increase)/decrease in future income tax benefits	**521**	32	6	**505**	57
Amounts paid out of sundry provisions	**(141)**	(149)	(148)	**(125)**	(138)
Total adjustments	**(1,286)**	2,750	1,775	**(1,635)**	1,711
Net cash provided by/(used in) operating activities	**5**	3,882	2,722	**(165)**	2,508
Non cash operating, investing and financing activities					
Issuance of 70.4 million $1 ordinary shares fully paid at a premium of $4.45 each as part consideration for acquisition of Challenge Bank and 2.6 million $1 ordinary shares fully paid at a premium of $4.93 each as part consideration for acquisition of Trust Bank New Zealand	**–**	399	–	**–**	399
Entities and businesses disposed of or acquired					
Details of assets and liabilities of controlled entities and businesses disposed of or acquired are as follows:					
Disposals					
Due from other banks	**–**	–	(94)	**–**	–
Investment securities	**–**	–	5	**–**	–
Loans	**–**	–	189	**–**	–
Fixed assets	**–**	–	3	**–**	–
Other assets	**–**	–	15	**–**	–
Deposits and public borrowings	**–**	–	(426)	**–**	–
Due to other banks	**–**	–	372	**–**	–
Other liabilities	**–**	–	(7)	**–**	–
Outside equity interests	**–**	–	–	**–**	–
Loss on disposal	**–**	–	(21)	**–**	–
Cash consideration (net of cash disposed)	**–**	–	36	**–**	–
Cash disposed	**–**	–	1	**–**	–
Cash consideration	**–**	–	37	**–**	–

STATEMENTS OF CASH FLOWS (CONTINUED) for years ended 30 September

Westpac Banking Corporation and its controlled entities	Consolidated **1997 $m**	Consolidated 1996 $m	Consolidated 1995 $m	Parent Entity **1997 $m**	Parent Entity 1996 $m
Acquisitions					
Due from the Westpac Group	**–**	151	–	**–**	–
Due from other banks	**–**	40	–	**–**	–
Trading securities	**–**	1,769	–	**–**	–
Investment securities	**–**	247	–	**–**	–
Statutory deposits	**–**	50	–	**–**	–
Loans	**–**	11,491	–	**–**	–
Acceptances	**–**	133	–	**–**	–
Other investments	**346**	7	–	**–**	–
Fixed assets	**–**	128	–	**–**	–
Other assets	**–**	193	–	**–**	–
Deposits and public borrowings	**–**	(11,069)	–	**–**	–
Bonds, notes and commercial paper	**–**	(1,931)	–	**–**	–
Acceptances	**–**	(133)	–	**–**	–
Loan capital	**–**	(72)	–	**–**	–
Due to other banks	**–**	(42)	–	**–**	–
Due to the Westpac Group	**–**	(108)	–	**–**	–
Other liabilities	**–**	(230)	–	**–**	–
Intangible assets	**–**	1,145	–	**–**	–
	346	1,769	–	**–**	–
Integration costs provided, net of tax benefit	**–**	(56)	–	**–**	–
	346	1,713	–	**–**	–
Issuance of shares as part consideration	**–**	(399)	–	**–**	–
Prior period cash payment for investment	**–**	(41)	–	**–**	–
Current period cash payment for acquisition (net of cash acquired)	**346**	1,273	–	**–**	–
Cash acquired	**–**	87	–	**–**	–
Cash consideration and costs	**346**	1,360	–	**–**	–

Cash and cash equivalents

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

Formal commercial standby facilities have not been obtained as the Group has liquidity controls limiting the extent of cash flow mismatch and has access to central bank facilities in certain locations in the event that market difficulties arise.

The above statements of cash flows comply with International Accounting Standard No.7.

The accompanying notes, numbered 1 to 39, form part of these financial statements for purposes of Australian reporting requirements.

A summary of material adjustments to operating profit after income tax (net income) that would be required if US GAAP had been applied is given in note 40.

NOTE 1. SUMMARY OF THE SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

(a) Bases of accounting

The financial statements are a general purpose financial report which has been drawn up in accordance with applicable Accounting Standards, other mandatory professional reporting requirements, the provisions of and the information required by the Deed of Settlement and the Bank of New South Wales Act of 1850 (as amended), in a manner authorised for a banking corporation under the Banking Act 1959 (as amended) and, so far as considered appropriate to banking entities, in accordance with the requirements of the Corporations Law.

The report is drawn up in accordance with the historical cost convention, except where indicated otherwise.

The accounting policies adopted are consistent with those of the previous year, unless indicated otherwise. Comparative information is reclassified where appropriate to enhance comparability.

The financial statements also include disclosures required by the United States Securities and Exchange Commission in respect of foreign registrants.

(b) Consolidation

The consolidated financial statements comprise the financial statements of Westpac Banking Corporation (the Parent Entity) and all entities it controlled at 30 September 1997. The Parent Entity and controlled entities are referred to collectively as the 'Group'. The effects of all transactions between entities in the Group are eliminated in full. Controlled entities are listed in note 27.

Significant investments in entities which are not controlled by the Parent Entity are listed in note 28 and are included in the balance sheet under 'other assets' as shown in note 16. Dividend income only is included in the results.

Equity accounting has not been adopted as its impact would not be material.

(c) Currency

All amounts are expressed in Australian currency. Assets and liabilities of overseas branches and controlled entities have been translated to Australian dollars at the mid-point rates of exchange current at balance date. Income and expenses of overseas branches and controlled entities have been translated at average daily rates of exchange ruling during the year. In the financial statements of the Parent Entity, exchange differences arising on translation of the Parent Entity's net investment in overseas branches, after allowing for positions covered by foreign exchange hedges, are reflected in the foreign currency translation reserve.

In the consolidated financial statements, the foreign currency translation reserve also reflects exchange differences on translation of the Parent Entity's net investment in overseas controlled entities after allowing for positions covered by foreign exchange hedges (see statement of changes in shareholders' equity).

Exchange differences relating to foreign currency monetary items (other than those used to hedge the net investment in overseas branches and controlled entities and gains and losses arising from foreign exchange dealings) are included in the profit and loss statements as part of the operating results.

Foreign currency liabilities are generally matched by assets in the same currency. The total amounts of unmatched foreign currency assets and liabilities and consequent foreign currency exposures are not material.

(d) Fee income

Front end fees, if material, are segregated between cost recovery and risk margin, with the risk margin being taken to income over the period of the loan or other risk. The balance of front end fees is considered to represent the recovery of costs only and is taken to income upon receipt.

(e) Unearned income

Unearned finance income, arising principally in the Australian Guarantee Corporation Limited ('AGC') group, is calculated using actuarial methods so that income earned over the term of the contract bears a constant relationship to the funds employed.

Unearned general insurance premiums are calculated by spreading net premium income over the period of the risk.

(f) Bad and doubtful debts

The annual charge against profits for provisions for bad and doubtful debts reflects new specific provisions, reversals of specific provisions no longer required, and movements in the general provision.

All known bad debts are written off against the provisions in the year in which they are recognised. Bad debts, in respect of which no specific provisions have been established, are charged against the general provision.

(i) Specific provisions

A specific provision is raised to cover all identified doubtful debts. Specific provisions are raised as soon as a loan has been identified as doubtful and when the estimated repayment realisable from the borrower is likely to fall short of the amount of principal and interest outstanding. Such loans are treated as impaired assets (refer note 1(i) and note 13).

(ii) General provisions

A general provision is maintained for losses that can reasonably be expected to arise, based on historical experience, from the existing overall loan portfolio over its remaining life but which are not yet identifiable. In determining the level of general provision, reference is also made to business conditions, the composition of the portfolio and best industry practices.

(g) Income tax

Tax effect accounting procedures under the liability method have been adopted whereby income tax expense for the year is matched with the accounting results after allowing for permanent differences. The tax effect of cumulative timing differences, which occur where items are included for income tax purposes in a period different from that in the financial statements, is shown in the provision for deferred income tax or future income tax benefit, as applicable, at current taxation rates.

Income tax rates were adjusted in 1995 for an increase in the Australian company tax rate from 33% to 36% and changes in company tax rates overseas (see notes 5, 6, 16 and 19).

The future income tax benefits arising from tax losses have been recognised only where the realisation of such benefits in future years are considered virtually certain (see note 16).

NOTE 1. SUMMARY OF THE SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

(g) Income tax (continued)

The potential future income tax benefits will only be obtained if:

(i) the Group derives future assessable income of a nature and amount sufficient to enable the benefits from the deductions for the losses to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefits from the deductions for the losses.

(h) Trading and investment securities

(i) Trading securities

Trading securities are recorded at market value. Gains and losses realised from the sale of trading securities and unrealised market value adjustments are reflected in the profit and loss statements. Unrealised gains and losses on derivative financial instruments are included in the balance sheet under 'other financial markets assets' and 'other financial markets liabilities' respectively, as shown in notes 16 and 19.

(ii) Investment securities

Investment securities are intended to be held to maturity. They are recorded at cost, or at cost adjusted for premium or discount amortisation.

Premiums and discounts are amortised from the date of purchase, so that the securities will be recorded at redemption value on maturity and the amortisation is accounted for in the profit and loss statement as interest income.

Gains and losses on the sale of investment securities are recorded using the specific identification method.

Any transfers of securities from the trading securities portfolio to the investment securities portfolio are effected at the market value of the securities at the date of transfer. When there is no ready market in certain unlisted semi-government securities, market values are assessed by reference to interest yields.

(iii) Repurchase and reverse repurchase agreements

Where trading and investment securities sold under agreements to repurchase (repurchase agreements) are, in essence, financing arrangements they are retained within the trading or investment portfolio and the obligation to repurchase is included in the balance sheet under 'other liabilities'.

Securities purchased under agreements to resell (reverse repurchase agreements) are included in the balance sheet under 'other assets'.

(iv) Trade date accounting

Trading and investment securities are accounted for on a trade date basis. Amounts receivable for securities sold but not yet delivered are included in the balance sheet under 'other assets' as shown in note 16. Amounts payable for securities purchased but not yet delivered are included in the balance sheet under 'other liabilities' as shown in note 19.

(v) Short sales of securities

Short trading positions are included in the balance sheet under 'other liabilities' as shown in note 19.

(i) Asset quality/Credit assessment/Impaired assets

The Group has disclosed, in note 13, components of its loan portfolio that have been classified as impaired assets. In determining the impairment classification the Group has adopted the RBA's guidelines for classifying impaired assets.

Under these guidelines the Group has classified its impaired assets into the following broad categories:

Non-accrual loans: are items where income may no longer be accrued ahead of its receipt because reasonable doubt exists as to the collectability of principal and interest. This also includes exposures where contractual payments are 90 or more consecutive days in arrears and where security is insufficient to ensure payment and also assets acquired through security enforcement.

Restructured loans: are items where the original contractual terms have been formally modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the customer.

The Group also discloses interest received and estimated interest foregone during the year on the above non-accrual and restructured loans.

Interest relating to impaired loans is recognised as income only when received. When a loan is categorised as non-accrual, unpaid interest accrued since the last reporting date is reversed against income. Unpaid interest relating to prior reporting periods is either written off as a bad debt or specific provision is made as necessary.

Where repayment of a loan is dependent upon the sale of property held as security, the estimated realisable value of the loan is based on the current market value of the security property, being the amount that would be realisable from a willing buyer to a willing seller, allowing a period of up to 12 months from commencement of selling to settlement.

(j) Leasing

Finance leases are accounted for under the finance method whereby income is taken to account progressively over the life of the lease in proportion to the outstanding investment balance. The assets are included in the balance sheet under 'loans' as shown in note 11.

Investments in leveraged lease and equity lease partnerships are included in the balance sheet under 'loans' as shown in note 11. Income recognition is based on a method which yields a constant rate of return on the outstanding lease investment.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between interest, rental expense and reduction of the liability on a straight line basis over the term of the lease. Lease commitments are disclosed in the financial statements prior to the deduction of incentives (refer note 22). Other operating lease payments are charged to the profit and loss statement in the periods in which they are incurred, representing the pattern of benefits derived from the leased assets.

(k) Redeemable preference share finance

The provision of finance to customers by way of redeemable preference shares is included in the balance sheet under 'loans' as shown in note 11. Dividend income recognition is based on a method which yields a constant rate of return on the outstanding balance and is disclosed as part of interest income.

(l) Acceptances

The exposure arising from the acceptance of bills of exchange that are sold into the market is brought to account as a liability. A contra

NOTE 1. SUMMARY OF THE SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

asset 'acceptances of customers' is recognised to reflect the Parent Entity's or Group's claim against each drawer of the bills.

Bills that have been accepted by the Parent Entity or Group and are retained in its own portfolio or have been purchased from the market are included in the balance sheet under 'loans' as shown in note 11.

(m) Investments in controlled entities and other investments
Investments in controlled entities are recorded by the Parent Entity at its share of net assets at book value, plus unamortised intangible assets relating to the investments. Differences between book value of net assets plus unamortised intangible assets and cost of controlled entities are included in the investment revaluation reserve.

Other investments, comprising unlisted shares in other companies, as shown in note 16, are generally held as long-term investments. They are recorded at Directors' valuation which is generally based on the Group's share of net assets at book value. Net unrealised revaluation increments/decrements are reflected in the investment revaluation reserve. Gains and losses on sale are measured as the difference between the carrying value as at the date of sale and the net proceeds, and are reflected in the profit and loss statements.

(n) Fixed assets
The class of assets 'premises and sites' has been revalued regularly and was last revalued at 31 March 1995 by the Directors, supported in the case of major Australian properties and all New Zealand properties, by independent valuers' advice, to reflect current market values. In addition, it is the Group's policy that whenever the recoverable value of any individual property is determined to be less than its carrying value, such property is revalued down to the recoverable value.

Substantially all of the Group's premises to which the premises revaluation reserve relates have been held for many years and are thus outside the scope of Australian capital gains tax legislation. As such, any future liability for capital gains tax which might arise in the event of disposal of any of these premises is not disclosed as it would be immaterial.

Depreciation of buildings is calculated on a straight line basis at rates appropriate to their estimated useful life. The calculation is based on the most recent revaluation prior to year end, or, in respect of buildings acquired subsequent to that revaluation, on cost.

The cost of improvements to leasehold premises is capitalised and amortised over the term of the initial lease, but not exceeding 10 years.

Furniture and equipment are shown at cost less depreciation which is calculated on a straight line basis at rates appropriate to their estimated useful life.

The cost of purchased and internally developed computer software related to major projects is capitalised and amortised over its expected life. The costs related to minor projects are expensed as incurred.

(o) Intangible assets
Intangible assets are amortised on a straight-line basis over the period in which the benefits are expected to arise, but not exceeding 20 years. To the extent that future benefits are no longer probable, material write downs of the unamortised intangible assets are charged to the profit and loss statements as an abnormal item.

(p) Carrying value of non-current assets
The carrying value of all non-current assets does not exceed their recoverable amount. Except where otherwise indicated, recoverable amount is determined as the undiscounted amount expected to be recovered from the net cash flows arising from the assets' continued use and subsequent disposal.

(q) Employee entitlements
Liabilities for wages and salaries and annual leave are recognised and are measured as the amount unpaid at year end at current pay rates in respect of employees' services up to that date.

Liabilities for long service leave and other deferred employee benefits are recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to year end. Consideration is given to expected future wage and salary levels, experience of employee departure and periods of service. Expected future payments are discounted to their net present value using rates on Commonwealth Government securities with terms that match as closely as possible the estimated future cash flows.

A liability is also carried for deferred payroll tax in respect of provisions for certain employee benefits which attract such tax.

(r) Restructuring expenses
Provision for restructuring costs includes provisions for expenses incurred but not yet paid and future expenses that will arise as a direct consequence of decisions already made. This includes the cost of staff retrenchments and net outgoings on certain unoccupied leased premises or sub-let premises where projected rental income falls short of rental expense. The liability for premises costs is determined on the basis of the present value of net future cash flows.

(s) Superannuation costs
Actuarially assessed surpluses in the Group's principal employee superannuation schemes are recognised in the balance sheet as non-current assets, representing a prepayment of contributions to the schemes (see note 16).

Superannuation costs are recognised over employees' service lives so that the annual charge to the profit and loss statement 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 statement is based on the advice of a qualified actuary.

Variations in the value of the surpluses, which result from periodic actuarial valuations, are spread over the average remaining service lives of employees.

(t) Derivative financial instruments
(i) Trading
Foreign exchange and interest rate forwards, futures, swaps, options and forward purchases and sales of securities entered into for trading purposes are valued at prevailing market rates. Interest rate and currency swap agreements are valued at their net present value after allowance for future costs and risk exposure. Both realised and unrealised gains and losses on trading derivative contracts are taken to profit and loss.

NOTE 1. SUMMARY OF THE SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

(t) Derivative financial instruments (continued)

(ii) Hedging

Foreign exchange and interest rate forwards, futures, swaps and options entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged item. To qualify as a hedge, the swap, forward, futures or option position must be designated as a hedge and be effective in reducing the market and interest rate risk of an existing asset, liability, firm commitment, or anticipated transaction where there is a high probability of the transaction occurring and the extent, term and nature of the exposure is capable of being estimated. Effectiveness of the hedge is evaluated on an initial and on-going basis using statistical calculations of correlation. Income or expense on derivative financial instruments used to hedge interest rate exposure is recorded on an accrual basis as an adjustment to the yield of the related interest rate exposures over the periods covered by the contracts. If an interest rate contract that is used to hedge interest rate risk is terminated early, any resulting gain or loss is deferred and amortised as an adjustment to the yield of the underlying interest rate exposure position over the remaining periods originally covered by the terminated contract. If a hedged asset or liability settles before maturity of the corresponding derivative financial instrument hedge contract, the derivative contract is settled or closed out and any resulting unrecognised gains and losses are accounted for as part of the gains or losses on the asset or liability which was hedged.

(iii) Derivatives defined

A **forward** contract obliges one party to buy and the other to sell, a specific underlying product/instrument at a specific price, amount, and date in the future. A **forward rate agreement (FRA)** is an agreement between two parties establishing a contract interest rate on a notional principal over a specified period commencing at a specific future date.

A **futures** contract is similar to a forward contract. A futures contract obliges its owner to buy a specific underlying commodity or financial instrument at a specified price on the contract maturity date (or to settle the value for cash). Futures are exchange traded.

A **swap** transaction obliges the two parties to the contract to exchange a series of cash-flows at specified intervals known as payment or settlement dates.

An **option** contract gives the option holders the right, but not the obligation, to buy or sell a specified amount of a given commodity or financial instrument at a specified price during a certain period or on a specific date. The writer of the option contract is obliged to perform if the holder exercises the right contained therein.

(u) Loan securitisation

The Group, through its loan securitisation program, packages and sells mortgage loans as securities to investors. In such transactions the Group receives fees for various services provided to the program on an arms length basis, including servicing fees, management fees and trustee fees. These fees are recognised over the period in which the relevant costs are borne. The Group also provides arms length interest rate swaps and loan facilities to the program in accordance with the RBA Prudential Guidelines.

In addition the Group is entitled to residual income from the program, comprising mortgage loan interest (net of swap payments) less interest due to investors and other expenses of the securitisation program. The timing and amount of these residual income receipts cannot be reliably measured because of the significant uncertainties inherent in estimating future movements in the repayment rates on the underlying mortgage loans and the mortgage loan interest margins. Consequently, the residual income receivable is not recognised as an asset and no gain is recognised on the transfer of the loans. The residual income is therefore being recognised when receivable.

(v) Funds management and trust activities

The Group conducts investment management and other fiduciary activities through Westpac Financial Services Group Limited and its controlled entities and through certain other controlled entities overseas. These activities result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. At 30 September 1997, the value of such assets under discretionary management by the Group was approximately $16.2 billion (1996 approximately $11.3 billion). These assets are not the property of the Group and are not included in the financial statements.

Where controlled entities, as trustees, incur liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is therefore not probable that the Group companies will be required to settle them, the liabilities are not included in the financial statements.

(w) Life insurance business

The Group conducts life insurance business through its controlled entity Westpac Life Insurance Services Ltd ('Westpac Life'). The Group's interest in the profits of the life insurance statutory funds have been included in the consolidated profit and loss statement. The profits have been determined in accordance with the 'Margin on Services' methodology for the valuation of policy liabilities under Actuarial Standard 1.01 'Valuation of Policy Liabilities' of the Life Insurance Actuarial Standards Board. These profits are transferred to the general reserve in Westpac Life until available for distribution under the requirements of the Life Insurance Act (1995) and Australian GAAP.

The Group's interest in the accumulated retained earnings of the life insurance statutory funds, together with the net assets of the shareholders' funds of Westpac Life are included within the balance sheet of the Group in 'other assets' (note 16).

Due to the provisions of the Life Insurance Act (1995), the assets of the life insurance statutory funds attributable to policy holders of Westpac Life do not form part of the assets to which the Group is entitled and therefore are not consolidated.

(x) Rounding of amounts

In accordance with Australian Securities Commission Class Order 97/1005, all amounts have been rounded to the nearest million dollars unless otherwise stated.

	Consolidated			Parent Entity	
	1997 $m	1996 $m	1995 $m	**1997 $m**	1996 $m
NOTE 2. INTEREST					
Interest income					
Loans	**7,206**	7,235	6,143	**5,885**	5,520
Deposits with banks	**455**	556	328	**444**	525
Investment securities	**118**	167	141	**85**	84
Trading securities	**621**	395	436	**615**	378
Statutory deposits	**24**	23	38	**23**	22
Dividends on redeemable preference share finance	**84**	97	69	**44**	–
Controlled entities	**–**	–	–	**95**	149
Other	**43**	47	18	**15**	7
Total interest income	**8,551**	8,520	7,173	**7,206**	6,685
Interest expense					
Current and term deposits	**3,672**	3,627	2,862	**3,548**	3,318
Deposits from banks	**391**	588	498	**390**	588
Bonds, notes and commercial paper	**396**	340	190	**291**	188
Public borrowings by subsidiary borrowing corporations	**423**	464	432	**–**	–
Loan capital	**162**	169	193	**161**	167
Controlled entities	**–**	–	–	**273**	199
Other	**154**	78	16	**133**	(7)
Total interest expense	**5,198**	5,266	4,191	**4,796**	4,453
NOTE 3. NON-INTEREST INCOME					
Loan fees	**241**	202	182	**241**	187
Other fees and commissions:					
Risk fees	**198**	221	284	**197**	267
Non-risk fees	**755**	685	602	**637**	502
Foreign exchange income	**182**	175	177	**177**	163
Other financial markets income	**56**	43	27	**56**	31
Rental income	**21**	20	32	**11**	20
General insurance commissions and premiums earned (net of claims)	**32**	29	29	**4**	9
Margin on Services profit (before income tax)	**67**	–	–	**–**	–
Dividends from controlled entities	**–**	–	–	**797**	245
Dividends from other entities	**38**	16	3	**35**	12
Net profit on sale of premises	**20**	15	4	**4**	9
Net profit on sale of investment securities	**2**	6	–	**2**	–
Net profit/(loss) on sale of other investments	**73**	–	6	**(30)**	–
(Losses)/gains on translation of overseas branch balances (net of hedging)	**(1)**	14	1	**(3)**	16
Service and management fees	**9**	14	13	**153**	14
Other	**46**	32	31	**26**	45
Total non-interest income	**1,739**	1,472	1,391	**2,307**	1,520

	Consolidated			Parent Entity	
	1997	1996	1995	**1997**	1996
	$m	$m	$m	**$m**	$m
NOTE 4. NON-INTEREST EXPENSES					
Salaries and other staff expenses					
Salaries and wages	**1,428**	1,350	1,217	**1,230**	1,112
Provision for long service leave	**22**	22	21	**19**	21
Provision for holiday leave and other staff benefits	**13**	17	24	**16**	14
Superannuation contributions	**17**	14	14	**14**	9
Superannuation prepayment adjustment	**16**	11	11	**15**	10
Payroll tax	**78**	81	71	**70**	72
Fringe benefits tax	**49**	68	53	**46**	61
Restructuring costs	**–**	63	–	**–**	63
Other	**131**	168	119	**106**	155
Total salaries and other staff expenses	**1,754**	1,794	1,530	**1,516**	1,517
Equipment and occupancy expenses					
Operating lease rentals	**222**	166	151	**255**	171
Depreciation and amortisation:					
Premises	**17**	14	15	**4**	5
Leasehold improvements	**10**	13	12	**10**	9
Furniture and equipment	**51**	60	70	**40**	48
Technology	**140**	87	52	**131**	77
Equipment repairs and maintenance	**65**	54	55	**62**	50
Electricity, water and rates	**33**	36	35	**30**	32
Land tax	**7**	7	8	**6**	7
Other	**38**	46	51	**36**	32
Total equipment and occupancy expenses	**583**	483	449	**574**	431
Other expenses					
Amortisation of intangible assets (note 16)	**62**	34	7	**29**	–
Amortisation of deferred expenditure (note 16)	**21**	10	10	**17**	10
Non-lending losses	**24**	7	20	**25**	13
Consultancy fees, computer software and other professional services	**294**	265	171	**254**	181
Stationery	**84**	73	63	**75**	65
Postage and telecommunication costs	**185**	161	110	**170**	141
Insurance	**12**	16	14	**11**	15
Advertising	**74**	66	61	**67**	48
Transaction taxes	**7**	14	9	**1**	6
Training	**19**	20	16	**15**	17
Travel	**57**	59	46	**48**	52
Other	**52**	47	148	**193**	172
Total other expenses	**891**	772	675	**905**	720
Total non-interest expenses	**3,228**	3,049	2,654	**2,995**	2,668

	Consolidated			Parent Entity	
	1997 $m	1996 $m	1995 $m	**1997 $m**	1996 $m
NOTE 5. ABNORMAL ITEMS					
Abnormal expense item:					
Restructuring expenses	**–**	–	(212)	**–**	–
Total abnormal expense item	**–**	–	(212)	**–**	–
Income tax credit applicable to the above abnormal item:					
Restructuring expenses	**–**	–	37	**–**	–
Income tax credit applicable to abnormal expense item	**–**	–	37	**–**	–
Abnormal tax credit items:					
Tax adjustment relating to prior years [1]	**–**	–	67	**–**	–
Change in income tax rates (note 1(g))	**–**	–	40	**–**	–
Net abnormal tax credit items	**–**	–	107	**–**	–
Total income tax credit – abnormal items (note 6)			144		
Net effect of all abnormal items on operating profit after income tax	**–**	–	(68)	**–**	–

1 The 1995 tax adjustment relating to prior years comprises a $67 million write-back of a $106 million tax provision following settlement of prior years' US tax issues with the Internal Revenue Service.

	Consolidated			Parent Entity	
	1997 $m	1996 $m	1995 $m	**1997 $m**	1996 $m
NOTE 6. INCOME TAX					
Reconciliation of income tax expense shown in the profit and loss statement with prima facie tax payable on pre-tax operating profit after abnormal items					
Operating profit before income tax	**1,786**	1,556	1,177	**1,703**	1,037
Prima facie tax on operating profit based on the company tax rate of 36% in Australia (1995 33%)	**643**	560	388	**613**	373
Add/(deduct) tax effect of permanent reconciling differences:					
Rebatable and exempt dividends	**(75)**	(47)	(34)	**(352)**	(93)
Tax losses (now)/not tax effected	**(33)**	(24)	(10)	**(21)**	4
Non-assessable items:					
Unit trust income	**(8)**	(2)	(7)	**(6)**	–
Capital profits	**–**	(6)	(1)	**–**	(4)
Other	**(20)**	(15)	(6)	**(10)**	(4)
Non-deductible items:					
Depreciation and amortisation	**6**	11	10	**1**	9
Other	**57**	20	10	**31**	5
Abnormal items (see below)	**–**	–	(74)	**–**	–
Adjustment for overseas tax rates	**(47)**	(10)	(4)	**(21)**	(1)
Tax overprovision in prior years	**(5)**	(59)	(14)	**(6)**	(2)
Other items (net)	**(25)**	(7)	(31)	**4**	(47)
	(150)	(139)	(161)	**(380)**	(133)
Total income tax expense attributable to operating profit	**493**	421	227	**233**	240

	Consolidated 1997 $m	Consolidated 1996 $m	Consolidated 1995 $m	Parent Entity 1997 $m	Parent Entity 1996 $m
NOTE 6. INCOME TAX (CONTINUED)					
Income tax attributable to operating profit comprises:					
Income tax attributable to operating profit before abnormal items	**493**	421	371	**233**	240
Income tax on abnormal items	**–**	–	(144)	**–**	–
	493	421	227	**233**	240
Income tax – abnormal items:					
Prima facie tax on abnormal items at 36% (1995 33%)	**–**	–	(70)	**–**	–
Add/(deduct) tax effect of permanent reconciling differences:					
Restructuring expenses (note 5)	**–**	–	33	**–**	–
Tax adjustment relating to prior years (note 5)	**–**	–	(67)	**–**	–
Change in income tax rates (note 5)	**–**	–	(40)	**–**	–
	–	–	(74)	**–**	–
Income tax credit – abnormal items	**–**	–	(144)	**–**	–
Income tax analysis					
Income tax expense attributable to operating profit comprises:					
Current income tax					
Australia	**240**	304	114	**89**	250
Overseas	**110**	102	51	**8**	59
	350	406	165	**97**	309
Deferred income tax					
Australia	**108**	93	116	**103**	(19)
Overseas	**37**	(19)	(40)	**36**	(48)
	145	74	76	**139**	(67)
(Over)/under provision in prior years					
Australia	**(2)**	(52)	(13)	**(3)**	4
Overseas	**–**	(7)	(1)	**–**	(6)
	(2)	(59)	(14)	**(3)**	(2)
Total Australia	**346**	345	217	**189**	235
Total Overseas	**147**	76	10	**44**	5
Total income tax expense attributable to operating profit after abnormals	**493**	421	227	**233**	240

	Consolidated			Parent Entity	
	1997	1996	1995	**1997**	1996
	$m	$m	$m	**$m**	$m
NOTE 7. DIVIDENDS PROVIDED FOR OR PAID					
Redeemable preference dividends provided for or paid (unfranked)	**–**	–	1	**–**	–
Converting preference dividends provided for or paid (fully franked)	**39**	39	39	**39**	39
Total redeemable preference and converting preference dividends provided for or paid	**39**	39	40	**39**	39
Interim ordinary dividend paid:					
1997 19 cents per share (fully franked at 36%); 1996 16 cents per share (fully franked at 36%); 1995 13 cents per share (unfranked)	**338**	297	237	**338**	297
Final 1995 ordinary dividend paid on shares issued to shareholders of Challenge Bank Limited as part consideration for the acquisition of that bank	**–**	10	–	**–**	10
Final ordinary dividend provided for:					
1997 20 cents per share (fully franked at 36%); 1996 17 cents per share (fully franked at 36%); 1995 15 cents per share (fully franked at 33%)	**354**	307	274	**354**	307
Total ordinary dividends provided for or paid	**692**	614	511	**692**	614
Total dividends provided for or paid	**731**	653	551	**731**	653

Franking account balance

Franking account balance as at 30 September 1997	**15**
Franking credits arising from payment of current income tax payable	**181**
Franking credits utilised for payment of final dividends proposed and converting preference dividends payable	**(395)**
Estimated franking credits arising from the payment of income tax instalments and receipt of franked dividends	**237**
Estimated franking account balance as at 30 June 1998 (end of franking account year)	**38**

Franking of dividends for the financial year ending 30 September 1998 and subsequent financial years will be met out of franking credits arising in each of those subsequent franking account years.

	Consolidated		Parent Entity	
	1997	1996	**1997**	1996
	$m	$m	**$m**	$m
NOTE 8. DUE FROM OTHER BANKS				
Australia				
Interest earning	**289**	675	**289**	675
Non-interest earning, repayable at call	**621**	996	**342**	996
Total due from other banks in Australia	**910**	1,671	**631**	1,671
Overseas				
Interest earning	**2,763**	4,341	**2,629**	3,731
Non-interest earning, repayable at call	**329**	274	**317**	264
Total due from other banks overseas	**3,092**	4,615	**2,946**	3,995
Total due from other banks	**4,002**	6,286	**3,577**	5,666

Interest earning balances due from other banks comprise principally short-term placements.

Such balances of the Group at 30 September mature as follows:

	1997		1996	
	Australia	**Overseas**	Australia	Overseas
	$m	**$m**	$m	$m
1 month or less	**276**	**1,770**	658	2,904
Over 1 month to 3 months	**3**	**483**	17	1,101
Over 3 months to 12 months	**10**	**472**	–	282
Over 12 months	**–**	**38**	–	54
Total	**289**	**2,763**	675	4,341

	Consolidated		Parent Entity	
	1997	1996	**1997**	1996
	$m	$m	**$m**	$m
NOTE 9. TRADING SECURITIES				
Listed				
Australian public securities				
Commonwealth securities	**560**	1,124	**560**	1,124
Semi-government securities	**708**	118	**708**	118
Australian other securities	**1,211**	18	**1,211**	18
Overseas public securities	**24**	76	**24**	76
Overseas other securities	**169**	126	**134**	109
Total listed securities	**2,672**	1,462	**2,637**	1,445
Unlisted				
Australian public securities				
Treasury notes	**1,983**	2,433	**1,983**	2,433
Australian other securities	**369**	344	**369**	343
Overseas public securities	**727**	830	**714**	814
Overseas other securities	**492**	534	**436**	424
Total unlisted securities	**3,571**	4,141	**3,502**	4,014
Total trading securities	**6,243**	5,603	**6,139**	5,459

	Consolidated				Parent Entity			
	1997		1996		**1997**		1996	
	Book Value $m	**Market Value $m**	Book Value $m	Market Value $m	**Book Value $m**	**Market Value $m**	Book Value $m	Market Value $m
NOTE 10. INVESTMENT SECURITIES								
Listed								
Australian public securities								
Commonwealth securities	**112**	**110**	721	706	**112**	**110**	721	706
Semi-government securities	**–**	**–**	3	3	**–**	**–**	3	3
Overseas public securities	**17**	**17**	29	29	**17**	**17**	29	29
Overseas other securities	**109**	**109**	194	196	**109**	**109**	193	194
Total listed securities	**238**	**236**	947	934	**238**	**236**	946	932
Unlisted								
Australian public securities								
Semi-government securities	**–**	**–**	45	45	**–**	**–**	45	44
Australian other securities	**2**	**2**	10	10	**–**	**–**	–	–
Overseas public securities	**707**	**697**	617	599	**87**	**87**	53	54
Overseas other securities	**686**	**685**	461	462	**669**	**668**	228	229
Total unlisted securities	**1,395**	**1,384**	1,133	1,116	**756**	**755**	326	327
Total investment securities	**1,633**	**1,620**	2,080	2,050	**994**	**991**	1,272	1,259

	Within 1 year $m	1-5 years $m	5-10 years $m	Over 10 years $m	Total $m
Maturities of the Group's investment securities are as follows:					
1997 Book Value					
Australian Commonwealth securities	**–**	**–**	**112**	**–**	**112**
Australian other securities	**–**	**–**	**–**	**2**	**2**
Overseas public securities	**222**	**502**	**–**	**–**	**724**
Overseas other securities	**110**	**636**	**49**	**–**	**795**
Total book value by maturity	**332**	**1,138**	**161**	**2**	**1,633**
Total market value by maturity	**311**	**1,148**	**159**	**2**	**1,620**
1996 Book Value					
Australian Commonwealth securities	–	610	111	–	721
Australian semi-government securities	3	45	–	–	48
Australian other securities	10	–	–	–	10
Overseas public securities	200	446	–	–	646
Overseas other securities	144	485	20	6	655
Total book value by maturity	357	1,586	131	6	2,080
Total market value by maturity	357	1,563	124	6	2,050

NOTE 10. INVESTMENT SECURITIES (CONTINUED)

The following table provides an analysis of the difference between book value (amortised cost) and market value of the Group's investment securities at 30 September 1997:

	Book Value $m	Gross Unrealised Gains $m	Gross Unrealised Losses $m	Market Value $m
Listed				
Australian public securities				
Commonwealth securities	112	–	(2)	110
Overseas public securities	17	–	–	17
Overseas other securities	109	–	–	109
Total listed securities	238	–	(2)	236
Unlisted				
Australian other securities	2	–	–	2
Overseas public securities	707	–	(10)	697
Overseas other securities	686	–	(1)	685
Total unlisted securities	1,395	–	(11)	1,384
Total listed and unlisted securities	1,633	–	(13)	1,620

	1997 $m	1996 $m
Details of sales of investment securities during the year were as follows:		
Proceeds from sales	**680**	1,105
Gross gains realised on sales	**2**	6

	Consolidated		Parent Entity	
	1997	1996	**1997**	1996
	$m	$m	**$m**	$m
NOTE 11. LOANS				
Loans are classified as Australia or Overseas based on the location of the lending office.				
Australia				
Overdrafts	**2,534**	3,180	**2,534**	3,121
Credit card outstandings	**2,415**	1,940	**1,451**	1,377
Overnight and call money market loans	**80**	112	**80**	18
Own acceptances discounted	**926**	830	**782**	645
Term loans:				
Housing	**26,276**	29,624	**26,273**	26,800
Non-housing	**18,561**	18,509	**13,492**	12,836
Finance leases	**2,347**	2,430	**556**	595
Investments in leveraged lease and equity lease partnerships	**313**	318	**283**	294
Redeemable preference share finance	**1,296**	1,586	**1,253**	–
Other	**2,165**	2,550	**1,366**	537
Total Australia	**56,913**	61,079	**48,070**	46,223
New Zealand				
Overdrafts	**998**	1,004	**998**	890
Credit card outstandings	**510**	450	**464**	269
Overnight and call money market loans	**332**	360	**332**	360
Own acceptances discounted	**76**	157	**60**	141
Term loans:				
Housing	**11,185**	10,535	**10,700**	3,842
Non-housing	**6,334**	7,001	**5,802**	4,970
Finance leases	**29**	35	**–**	27
Redeemable preference share finance	**304**	31	**–**	–
Other	**149**	109	**103**	–
Total New Zealand	**19,917**	19,682	**18,459**	10,499
Other Overseas	**3,800**	3,868	**3,106**	3,040
Total Overseas	**23,717**	23,550	**21,565**	13,539
Total gross loans	**80,630**	84,629	**69,635**	59,762
Unearned income	**(1,168)**	(1,581)	**(166)**	(316)
Provisions for doubtful debts (note 12)	**(1,588)**	(1,847)	**(1,447)**	(1,546)
Total net loans	**77,874**	81,201	**68,022**	57,900

NOTE 11. LOANS (CONTINUED)

Maturities of the Group loans

Total Group loans, net of unearned income, mature as follows:

	Within 1 year $m	1 to 5 years $m	Over 5 years $m	Total $m
1997				
By offices in Australia	**19,054**	**16,355**	**20,116**	**55,525**
By offices Overseas	**7,882**	**4,504**	**11,551**	**23,937**
Total by maturity	**26,936**	**20,859**	**31,667**	**79,462**
1996				
By offices in Australia	20,548	19,107	19,942	59,597
By offices Overseas	7,915	6,021	9,515	23,451
Total by maturity	28,463	25,128	29,457	83,048

Interest rate segmentation of Group loans maturing after one year

	1997			1996		
	Loans at Variable Interest Rates $m	**Loans at Fixed Interest Rates $m**	**Total $m**	Loans at Variable Interest Rates $m	Loans at Fixed Interest Rates $m	Total $m
By offices in Australia	**20,322**	**16,149**	**36,471**	24,521	14,528	39,049
By offices Overseas	**11,925**	**4,130**	**16,055**	8,500	7,036	15,536
Total loans maturing after one year	**32,247**	**20,279**	**52,526**	33,021	21,564	54,585

Securitisation of loans

At 30 September 1997 the Group had sold mortgage loans amounting to $3,227 million (1996 $341 million) via the Westpac Securitisation Trust program ('WST program') and various private placements.

The securities issued by the WST program do not represent deposits or other liabilities of the Group or Parent Entity. Neither the Group or Parent Entity in any way stands behind the capital value and/or performance of the securities or the assets of the WST program except to the limited extent provided in the transaction documents for the WST program through the provision of arms length services and facilities (refer note 1(u)). The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The Group is not obliged to support any losses that may be suffered by the investors and does not intend to provide such support. The Group has no right to repurchase any of the securitised loans and no obligation to do so, other than in certain circumstances where there is a breach of warranty within 120 days of the sale.

	Consolidated 1997 $m	Consolidated 1996 $m
NOTE 11. LOANS (CONTINUED)		
Analysis of Group lending by type of borrower		
Classified by lending office (after deducting unearned income)		
By offices in Australia:		
Government and other public authorities	**472**	730
Agriculture, forestry and fishing[1]	**1,010**	1,103
Commercial and financial[2]	**15,738**	13,801
Real estate – construction	**1,357**	1,128
Real estate – mortgage[1]	**26,223**	31,428
Instalment loans and other personal lending[1]	**8,474**	8,114
	53,274	56,304
Lease financing	**1,477**	2,472
Own acceptances discounted	**774**	821
Total loans by offices in Australia	**55,525**	59,597
By offices Overseas:		
Government and other public authorities	**371**	544
Agriculture, forestry and fishing[1]	**1,474**	1,492
Commercial and financial[2]	**9,280**	8,498
Real estate – construction	**264**	372
Real estate – mortgage[1]	**11,973**	10,999
Instalment loans and other personal lending[1]	**489**	1,257
	23,851	23,162
Lease financing	**86**	132
Own acceptances discounted	**–**	157
Total loans by offices Overseas	**23,937**	23,451
Total loans (net of unearned income)	**79,462**	83,048
Provisions for doubtful debts	**(1,588)**	(1,847)
Net loans	**77,874**	81,201

1 Real estate – mortgage loans, instalment loans and other personal lending at 30 September 1997 include a total of $1.2 billion (1996 $1.5 billion) of personal lending to the agricultural sector. In addition at 30 September 1997 $0.8 billion (1996 $0.9 billion) of finance has been provided to the agricultural sector in the form of acceptances, which are excluded from the above table.

2 A component of lending in the commercial and financial sectors is for the purpose of financing construction of real estate and land development projects which cannot be separately identified from other lending to these borrowers given their conglomerate structure and activities. In these circumstances, the loans have been included in the commercial and financial category.

Significant Group Concentrations of Credit Risk

The diversification and size of the Group is such that its lending and other activities, both on and off balance sheet, involving credit risk are widely spread both geographically and in terms of the types of industries served.

Note 29 provides a geographic segmentation of on-balance sheet assets.

	Consolidated			Parent Entity	
	1997	1996	1995	**1997**	1996
	$m	$m	$m	**$m**	$m
NOTE 12. PROVISIONS FOR DOUBTFUL DEBTS					
General provision					
Balance at beginning of year	**1,316**	980	735	**1,087**	860
Exchange rate and other adjustments	**(15)**	13	(5)	**2**	14
Provisions of controlled entities/businesses acquired	**–**	110	–	**56**	–
Charge to operating profit	**145**	384	239	**87**	255
Transfer from specific provisions	**–**	–	88	**–**	–
Recoveries of debts previously written off	**93**	85	101	**62**	87
Write-offs	**(290)**	(256)	(178)	**(183)**	(129)
Balance at year end	**1,249**	1,316	980	**1,111**	1,087
Specific provisions					
Balance at beginning of year	**531**	950	1,607	**459**	872
Exchange rate and other adjustments	**(1)**	(26)	1	**–**	(23)
Provisions of controlled entities/businesses acquired	**–**	65	–	**10**	–
New specific provisions	**146**	200	416	**131**	133
Transfer to general provisions	**–**	–	(88)	**–**	–
Specific provisions no longer required	**(213)**	(463)	(325)	**(199)**	(338)
Write-offs	**(124)**	(195)	(661)	**(65)**	(185)
Balance at year end	**339**	531	950	**336**	459
Total provisions for doubtful debts	**1,588**	1,847	1,930	**1,447**	1,546
Charge to operating profit for bad and doubtful debts comprises:					
General provision	**145**	384	239	**87**	255
New specific provisions	**146**	200	416	**131**	133
Specific provisions no longer required	**(213)**	(463)	(325)	**(199)**	(338)
New specific provisions – controlled entities	**–**	–	–	**–**	(3)
Total charge to operating profit	**78**	121	330	**19**	47

NOTE 13. IMPAIRED ITEMS

	Consolidated					
	Non-accrual Items		Restructured Items		Total Impaired Items	
	1997 $m	1996 $m	**1997 $m**	1996 $m	**1997 $m**	1996 $m
Australia						
Gross impaired items	**609**	974	**38**	61	**647**	1,035
Less specific provisions	**205**	346	**16**	17	**221**	363
Net impaired items	**404**	628	**22**	44	**426**	672
Overseas						
Gross impaired items	**174**	287	**48**	31	**222**	318
Less specific provisions	**90**	142	**28**	26	**118**	168
Net impaired items	**84**	145	**20**	5	**104**	150
Total Australia and Overseas						
Gross impaired items[1]	**783**	1,261	**86**	92	**869**	1,353
Less specific provisions	**295**	488	**44**	43	**339**	531
Net impaired items	**488**	773	**42**	49	**530**	822

1 Includes off-balance sheet impaired items of $36 million (1996 $61 million).

	Consolidated	
	1997 $m	1996 $m
Accruing items past due 90 days (with adequate security)		
Australia	**312**	398
Overseas	**69**	51
Total	**381**	449
Interest received for the year on the above non-accrual and restructured items	**52**	77
Interest foregone for the year on the above non-accrual and restructured items is estimated at	**102**	177

NOTE 14. STATUTORY DEPOSITS

	Consolidated		Parent Entity	
	1997 $m	1996 $m	**1997 $m**	1996 $m
Interest bearing non-callable deposits with the RBA	**634**	660	**634**	616
Statutory deposits with central banks overseas	**294**	219	**294**	218
Total statutory deposits	**928**	879	**928**	834

	Consolidated 1997 $m	Consolidated 1996 $m	Parent Entity 1997 $m	Parent Entity 1996 $m
NOTE 15. FIXED ASSETS				
Premises and sites (note 1(n))				
At Directors' valuation 1997	**241**	–	**14**	–
At Directors' valuation 1996	**40**	40	**–**	–
At Directors' valuation 1995	**662**	1,042	**299**	336
At cost	**79**	82	**68**	82
Provision for depreciation	**(34)**	(26)	**(15)**	(10)
	988	1,138	**366**	408
Leasehold improvements				
At cost	**148**	165	**106**	118
Accumulated amortisation	**(69)**	(76)	**(44)**	(48)
	79	89	**62**	70
Furniture, equipment and computer software				
At cost	**1,349**	1,675	**1,169**	1,382
Provision for depreciation	**(744)**	(1,033)	**(665)**	(839)
	605	642	**504**	543
Total fixed assets	**1,672**	1,869	**932**	1,021
NOTE 16. OTHER ASSETS				
Accrued interest receivable	**423**	457	**368**	357
Future income tax benefits	**831**	1,352	**549**	1,054
Securities purchased under agreements to resell	**554**	243	**555**	243
Securities sold not delivered	**1,072**	761	**1,072**	761
Other financial markets assets	**9,370**	6,666	**9,392**	6,540
Intangible assets (after accumulated amortisation of $120m, 1996 $58m)	**1,029**	1,156	**666**	–
Deferred expenditure (after accumulated amortisation of $98m, 1996 $77m)	**101**	23	**63**	23
Prepayment of superannuation fund contributions	**701**	717	**632**	647
Investment in Westpac Life	**346**	–	**–**	–
Other investments	**149**	64	**39**	24
Other	**472**	551	**392**	312
Total other assets	**15,048**	11,990	**13,728**	9,961
Future income tax benefits comprise:				
Provisions for doubtful debts	**582**	667	**527**	552
Provision for employee entitlements	**107**	78	**97**	74
Treasury/financial products	**176**	345	**164**	345
Depreciation	**22**	17	**20**	5
Tax losses	**240**	185	**79**	82
Other timing differences	**(296)**	60	**(338)**	(4)
	831	1,352	**549**	1,054
Potential future income tax benefits not brought to account for the reasons set out in note 1(g):				
Related to losses	**30**	19	**23**	31
Other	**96**	133	**93**	135
	126	152	**116**	166

	Consolidated		Parent Entity	
	1997	1996	**1997**	1996
	$m	$m	**$m**	$m
NOTE 17. DUE TO OTHER BANKS				
Australia				
Interest bearing	**212**	43	**212**	43
Non-interest bearing, repayable at call	**288**	324	**288**	314
Total Australia	**500**	367	**500**	357
Overseas				
Interest bearing	**4,001**	4,955	**3,999**	4,954
Non-interest bearing, repayable at call	**69**	97	**69**	97
Total Overseas	**4,070**	5,052	**4,068**	5,051
Total due to other banks	**4,570**	5,419	**4,568**	5,408

The Group's interest bearing balances due to other banks mature as follows:

	1997		1996	
	Australia	**Overseas**	Australia	Overseas
	$m	**$m**	$m	$m
1 month or less	**198**	**1,784**	43	2,508
Over 1 month to 3 months	**12**	**1,350**	–	1,534
Over 3 months to 12 months	**2**	**867**	–	911
Over 12 months	**–**	**–**	–	2
Total interest bearing due to other banks	**212**	**4,001**	43	4,955

	Consolidated		Parent Entity	
	1997	1996	**1997**	1996
	$m	$m	**$m**	$m
NOTE 18. DEPOSITS AND PUBLIC BORROWINGS				
Deposits				
Australia				
Non-interest bearing, repayable at call	**3,206**	3,943	**3,206**	2,582
Certificates of deposit	**2,086**	4,574	**2,086**	4,458
Other interest bearing				
At call	**20,758**	17,996	**20,522**	18,028
Term[1]	**16,017**	16,963	**16,004**	15,898
Total Australia	**42,067**	43,476	**41,818**	40,966
New Zealand				
Non-interest bearing, repayable at call	**1,101**	1,075	**1,101**	640
Certificates of deposit	**2,294**	1,806	**2,294**	1,767
Other interest bearing				
At call	**5,439**	4,462	**5,439**	2,420
Term	**8,383**	9,204	**8,384**	4,277
Total New Zealand	**17,217**	16,547	**17,218**	9,104
Other Overseas				
Non-interest bearing, repayable at call	**478**	438	**370**	342
Certificates of deposit	**1,523**	2,750	**1,523**	2,749
Other interest bearing				
At call	**586**	528	**448**	394
Term	**4,947**	5,030	**4,700**	4,727
Total Other Overseas	**7,534**	8,746	**7,041**	8,212
Total Overseas	**24,751**	25,293	**24,259**	17,316
Total deposits	**66,818**	68,769	**66,077**	58,282
Public borrowings by subsidiary borrowing corporations				
Australia				
Secured[2]	**4,259**	4,435	**–**	–
Unsecured	**1,126**	1,141	**–**	–
Total Australia	**5,385**	5,576	**–**	–
Overseas				
Secured[2]	**396**	492	**–**	–
Unsecured	**37**	49	**–**	–
Total Overseas	**433**	541	**–**	–
Total public borrowings by subsidiary borrowing corporations	**5,818**	6,117	**–**	–
Total deposits and public borrowings	**72,636**	74,886	**66,077**	58,282

1 Includes floating rate depositary receipts of USD 500 million (AUD 695 million) and GBP 250 million (AUD 560 million) maturing in 2001 and 2002, respectively.

2 Secured borrowings relate principally to the AGC group and are secured by floating charges over the assets of AGC and certain of its controlled entities.

NOTE 18. DEPOSITS AND PUBLIC BORROWINGS (CONTINUED)

	Consolidated			
	1997		1996	
	Certificates of Deposits $m	**Interest Bearing Term Deposits $m**	Certificates of Deposits $m	Interest Bearing Term Deposits $m
Certificates of deposit and other interest bearing term deposits of the Group mature as follows:				
Australia				
3 months or less	**1,155**	**10,086**	2,748	9,926
Over 3 months to 6 months	**785**	**2,193**	627	2,963
Over 6 months to 12 months	**144**	**1,818**	1,157	2,471
Over 12 months	**2**	**1,920**	42	1,603
Total Australia	**2,086**	**16,017**	4,574	16,963
Overseas				
3 months or less	**2,541**	**8,196**	2,465	9,977
Over 3 months to 6 months	**680**	**2,302**	997	2,383
Over 6 months to 12 months	**578**	**2,413**	1,034	1,248
Over 12 months	**18**	**419**	60	626
Total Overseas	**3,817**	**13,330**	4,556	14,234

	Consolidated		Parent Entity	
	1997 $m	1996 $m	**1997 $m**	1996 $m
Public borrowings by subsidiary borrowing corporations mature as follows:				
One year or less	**1,866**	3,803	**–**	–
Over one year to two years	**640**	1,289	**–**	–
Over two years to five years	**1,376**	1,025	**–**	–
Over five years	**1,936**	–	**–**	–
Total	**5,818**	6,117	**–**	–

	Consolidated 1997 $m	Consolidated 1996 $m	Parent Entity 1997 $m	Parent Entity 1996 $m
NOTE 19. OTHER LIABILITIES				
Provision for:				
proposed dividends	**366**	317	**366**	317
income taxes	**150**	368	**–**	311
deferred income tax	**369**	778	**169**	574
long service leave	**140**	143	**129**	129
holiday leave and other staff benefits	**155**	153	**140**	133
non-lending losses	**24**	33	**20**	24
restructuring expenses (note 1(r))	**211**	313	**196**	249
subsidiary integration costs	**3**	15	**3**	15
Unearned general insurance premiums	**45**	32	**–**	–
Outstanding general insurance claims	**17**	17	**–**	–
Accrued interest payable	**711**	645	**589**	530
Securities sold under agreements to repurchase	**214**	147	**214**	147
Securities short sold	**1,115**	296	**1,115**	296
Securities purchased not delivered	**260**	931	**260**	931
Other financial markets liabilities	**9,276**	7,405	**9,235**	7,395
Other	**1,085**	1,102	**875**	681
Total other liabilities	**14,141**	12,695	**13,311**	11,732
Provision for deferred income tax comprises:				
Leverage lease transactions	**316**	308	**310**	255
Finance lease transactions	**107**	117	**49**	97
Treasury/financial products	**21**	166	**20**	165
Depreciation	**43**	23	**25**	5
Other timing differences	**(118)**	164	**(235)**	52
	369	778	**169**	574
NOTE 20. LOAN CAPITAL				
Subordinated bonds, notes and debentures				
Nil (1996 USD 106 million) floating rate subordinated notes due 1997	**–**	133	**–**	133
JPY 10 billion dual currency subordinated bonds due 1999[1]	**114**	114	**114**	114
USD 400 million 9.125% subordinated debentures due 2001[2]	**556**	505	**556**	505
USD 350 million 7.875% subordinated debentures due 2002[2]	**486**	441	**486**	441
Nil (1996 AUD 10 million) subordinated bonds due 2001	**–**	10	**–**	–
Nil (1996 USD 15 million) floating rate subordinated bonds due 2002	**–**	19	**–**	–
NZD 50 million subordinated bonds due 2005	**44**	44	**44**	–
Total subordinated bonds, notes and debentures	**1,200**	1,266	**1,200**	1,193

1 Swap arrangements (to US currency at a floating interest rate) have been entered into in respect of these bonds.
2 Swap arrangements (to floating interest rate) have been entered into in respect of these debentures.

NOTE 20. LOAN CAPITAL (CONTINUED)

Premiums and discounts, and fees and commissions paid on each issue have been deferred and are being amortised to income over the life of the respective bonds or notes. Net unamortised expenses at 30 September 1997 amounted to $6 million (30 September 1996 $8 million)

Within certain limits, subordinated bonds, notes and debentures with an original maturity of at least seven years constitute tier 2 capital as defined by the RBA for capital adequacy purposes.

	Consolidated		Parent Entity	
	1997 $m	1996 $m	**1997 $m**	1996 $m
Subordinated perpetual notes				
USD 500 million (1996 USD 740 million) subordinated perpetual floating rate notes	**695**	933	**695**	933

These notes have no final maturity but may, subject to the approval of the RBA and subject to certain other conditions, be redeemed at par at the option of the Parent Entity. The rights of the noteholders will, in the event of the winding up of the Parent Entity, be subordinated in right of payment to the claims of depositors and all other creditors of the Parent Entity including other subordinated bond and noteholders.

The notes constitute tier 2 capital as defined by the RBA for capital adequacy purposes.

	Parent Entity	
	1997 $m	1996 $m
NOTE 21. SHARE CAPITAL		
Authorised capital 3,100 million ordinary shares of $1 each	**3,100**	3,100
Issued and paid up capital		
1,780,618,312 (1996 1,807,250,422) ordinary shares of $1 each fully paid	**1,781**	1,807
50,000 (1996 122,000) ordinary shares of $1 each paid to $0.10	**–**	–
277,000 (1996 673,000) ordinary shares of $1 each paid to $0.01	**–**	–
80,000,000 (1996 80,000,000) 6.5% cumulative non-redeemable converting preference shares of $1 each fully paid[1]	**80**	80
Total issued and paid up capital	**1,861**	1,887

1 These shares were issued at a premium of $6.50 per share and are not redeemable, but are convertible into ordinary shares in the Parent Entity on or before 30 June 1998. The ratio of new ordinary shares to converting preference shares to be issued on conversion is linked to the weighted average sale price of the ordinary shares sold through the Australian Stock Exchange Limited during the 20 trading days immediately before conversion date, discounted by 5%.

During the year the following shares were issued:

To the Chief Executive under the Chief Executive Share Option Agreement upon exercise of options: 1,666,667 ordinary shares of $1 each fully paid at a premium of $1.85.

To senior officers under the Senior Officers' Share Purchase Scheme upon exercise of options: 6,088,000 ordinary shares of $1 each fully paid at an average premium of $3.06.

In addition, 468,000 shares issued in terms of the Senior Officers' Share Purchase Scheme previously paid to $0.01 or $0.10 were fully paid up at an average premium of $3.22.

During the year 34,854,777 ordinary shares of $1 each were bought back at an average premium of $6.19.

NOTE 21. SHARE CAPITAL (CONTINUED)

Options

The following table relates to options granted to senior officers under the Senior Officers' Share Purchase Scheme ('SOSPS') to take up ordinary shares in the Parent Entity:

		Number of Options				
Latest Date for Exercise of Options	Exercise Price	At 1 October 1996	Issued During the Year	Exercised During the Year	Lapsed During the Year	**At 30 September 1997**
1 July 1998	$3.73	2,750,000	–	2,145,000	10,000	**595,000**
11 October 1998	$4.18	2,433,000	–	1,643,000	20,000	**770,000**
8 November 1998	$4.10	1,000,000	–	–	–	**1,000,000**
1 February 1999	$4.46	10,000	–	–	10,000	**Nil**
2 February 1999	$4.21	2,515,000	–	1,675,000	150,000	**690,000**
22 February 1999	$4.79	150,000	–	–	–	**150,000**
5 April 1999	$4.75	250,000	–	–	–	**250,000**
16 May 1999	$4.57	700,000	–	–	–	**700,000**
16 May 1999	$4.65	360,000	–	160,000	–	**200,000**
30 May 1999	$4.65	50,000	–	50,000	–	**Nil**
27 July 1999	$4.20	150,000	–	–	–	**150,000**
19 September 1999	$4.41	50,000	–	–	–	**50,000**
22 September 1999	$4.36	150,000	–	–	–	**150,000**
10 October 1999	$4.30	50,000	–	–	–	**50,000**
31 October 1999	$4.07	250,000	–	–	–	**250,000**
19 December 1999	$4.20	555,000	–	–	–	**555,000**
20 December 1999	$4.05	185,000	–	–	–	**185,000**
24 January 2000	$4.20	18,727,000	–	360,000	1,480,000	**16,887,000**
25 January 2000	$4.22	50,000	–	–	50,000	**Nil**
7 February 2000	$4.35	100,000	–	–	–	**100,000**
14 February 2000	$4.37	30,000	–	–	–	**30,000**
2 March 2000	$4.50	20,000	–	–	–	**20,000**
16 March 2000	$4.63	1,200,000	–	–	–	**1,200,000**
5 June 2000	$5.17	80,000	–	–	–	**80,000**
20 June 2000	$5.17	1,970,000	–	–	335,000	**1,635,000**
10 July 2000	$4.94	30,000	–	–	–	**30,000**
17 July 2000	$4.87	25,000	–	–	–	**25,000**
28 August 2000	$5.07	425,000	–	–	–	**425,000**
25 September 2000	$4.95	150,000	–	–	–	**150,000**
3 October 2000	$5.10	170,000	–	–	–	**170,000**
23 October 2000	$5.34	180,000	–	–	–	**180,000**
13 November 2000	$5.42	40,000	–	–	40,000	**Nil**
4 December 2000	$5.48	50,000	–	–	–	**50,000**
19 December 2000	$5.51	250,000	–	–	–	**250,000**
21 December 2000	$5.47	100,000	–	–	–	**100,000**
29 January 2001	$5.51	13,568,000	–	55,000	725,000	**12,788,000**
1 February 2001	$5.94	50,000	–	–	–	**50,000**
19 February 2001	$5.69	460,000	–	–	–	**460,000**
15 April 2001	$5.58	630,000	–	–	–	**630,000**
15 April 2001	$5.95	100,000	–	–	–	**100,000**
29 April 2001	$6.00	225,000	–	–	–	**225,000**
24 July 2001	$5.64	445,000	–	–	75,000	**370,000**
27 August 2001	$5.80	350,000	–	–	–	**350,000**
28 January 2002	$7.10	–	12,484,000	–	160,000	**12,324,000**
7 April 2002	$7.05	–	315,000	–	–	**315,000**
14 April 2002	$7.08	–	250,000	–	–	**250,000**
14 April 2002	$7.05	–	100,000	–	–	**100,000**
19 May 2002	$6.85	–	100,000	–	–	**100,000**
5 August 2002	$7.84	–	115,000	–	–	**115,000**
29 September 2002	$7.89	–	1,800,000	–	–	**1,800,000**
		51,033,000	15,164,000	6,088,000	3,055,000	**57,054,000**

NOTE 21. SHARE CAPITAL (CONTINUED)

Under the SOSPS, senior officers had been able to purchase a limited number of new ordinary shares issued by the Parent Entity at market price, but paid up initially to only $0.10 or $0.01. The residual is payable when called by the Parent Entity. Only fully paid ordinary shares qualify for the payment of dividends.

Pursuant to amendments to the SOSPS rules, approved by the shareholders in January 1988, the Parent Entity has granted options to purchase ordinary shares. The option term is five years. Options are exercisable during the last two years of the term.

The aggregate par value of shares covered by the SOSPS shall not exceed 5% of the Parent Entity's issued capital.

The consideration payable for grant of an option is 1 cent per share. The exercise price is equal to the closing market price of the Parent Entity's ordinary shares on the day before the option is offered to the officer. Upon exercising an option, the officer has the right to take up his or her entitlement in whole or in part (but in multiples of 1,000) as fully paid shares, in which event the whole of the exercise price (less the 1 cent per share paid upon grant of the option) becomes payable.

If the option is not exercised, it lapses and the 1 cent per share is forfeited by the officer.

Eligibility for participation in SOSPS, as now constituted, is restricted to full-time Group employees and Executive Directors designated by the Directors from time to time to have achieved the status equal to or above senior officer. At 30 September 1997, 782 officers held partly paid ordinary shares or options under the SOSPS.

Pursuant to a resolution passed at a special general meeting of the Parent Entity on 15 July 1993, Managing Director Mr. R.L. Joss holds three tranches of non-transferable options, each enabling him to subscribe for 1,666,667 ordinary shares at a price of $2.85 per share. The first tranche was exercised during the year as advised in note 21. The second tranche is exercisable between 19 January 1997 and 19 January 1999, but only if the Parent Entity's ordinary shares are trading on the Australian Stock Exchange at $3.90 per share or more. The third tranche is exercisable between 17 January 1998 and 17 January 2000, but only if the Parent Entity's ordinary shares are trading on the Australian Stock Exchange at $4.41 per share or more.

Pursuant to a resolution passed at the Annual General Meeting of the Parent Entity on 24 January 1996, Executive Director Mr. J.P. Morschel holds an option to subscribe for 600,000 ordinary shares at a price of $5.12 per share, exercisable during a two year period from 24 January 1999.

The names of all persons who hold options currently on issue are entered in the Parent Entity's register of option holders which may be inspected at Corporate Registry Services Pty Limited, 55 Hunter Street, Sydney, New South Wales.

Information in this note has been prepared by reference to relief granted by Class Order 97/1011 issued by the Australian Securities Commission on 9 July 1997.

	Consolidated		Parent Entity	
	1997	1996	**1997**	1996
	$m	$m	**$m**	$m
NOTE 22. EXPENDITURE COMMITMENTS				
Commitments for capital expenditure not provided for in the financial statements				
Payable within one year	**25**	85	**21**	84
Payable within 1-2 years	**–**	9	**–**	9
Payable within 2-5 years	**–**	16	**–**	16
Total commitments for capital expenditure not provided for in the financial statements	**25**	110	**21**	109
Lease commitments (all leases are classified as operating leases)				
Land and buildings	**852**	755	**782**	666
Plant and equipment	**22**	1	**22**	–
Total lease commitments	**874**	756	**804**	666
Due within one year	**184**	143	**164**	122
Due within 1-2 years	**156**	125	**134**	106
Due within 2-5 years	**235**	211	**214**	178
Due after 5 years	**299**	277	**292**	260
Total lease commitments	**874**	756	**804**	666

NOTE 23. SUPERANNUATION COMMITMENTS

Numerous superannuation schemes are operated throughout the Group. Contributions to the various schemes are at rates, reviewed from time to time, sufficient to keep the schemes solvent based on actuarial assessments.

The Group's two principal schemes for employees in Australia, the Westpac Staff Superannuation Plan ('WSSP') and the AGC Staff Retirement Fund ('AGCSRF') are defined benefit schemes and provide lump sum and pension benefits. As both schemes are in surplus, the Group's contributions for the years ended 30 September 1997, 1996 and 1995 were nominal.

The continued existence of surpluses in the two principal schemes in Australia at 30 September 1994 was previously confirmed by actuarial reviews as at that date carried out by independent actuaries; Mr G.B.K. Trahair, FIA, FIAA, in respect of the WSSP and in respect of the AGCSRF, Mr D. Drysdale, FIA, FIAA. See also notes 1(s), 4 and 16.

The financial status of the WSSP, the AGCSRF and the principal defined-benefit schemes overseas is as follows:

	WSSP $m	AGCSRF $m	Overseas Schemes $m	Total $m
Present value of employees' accrued benefits	1,304	101	269	1,674
Net market value of assets held by the scheme to meet future benefit payments	2,203	185	393	2,781
Excess of assets held to meet future benefit payments over present value of employees' accrued benefits	899	84	124	1,107
Vested benefits	1,219	97	254	1,570

The above amounts were measured as at:

WSSP and AGCSRF	30 June 1997 (interim actuarial valuation)
Overseas Schemes	Various dates between 1 January 1994 and 5 April 1997

A full actuarial valuation of WSSP and AGCSRF, as at 30 June 1997, is currently in progress. The actuaries to each scheme have confirmed that the excess of assets held to meet the future benefit payments over present value of employees' accrued benefits have increased, although the final report to the Plan Trustees is not yet available.

The Group has no material obligations in respect of post-retirement employee benefits other than pensions.

NOTE 24. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

The Group is a party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, bill endorsements, financial guarantees, standby letters of credit and underwriting facilities.

The Group's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract or notional amount of those instruments. However, some commitments to extend credit and provide underwriting facilities can be cancelled or revoked at any time at the Group's option.

The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The Group takes collateral where it is considered necessary to support financial instruments with credit risk both on and off balance sheet. The Group evaluates each customer's credit–worthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, on the provision of a financial facility is based on management's credit evaluation of the counterparty. The collateral taken varies but may include cash deposits, receivables, inventory, plant and equipment, real estate and investments.

NOTE 24. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (CONTINUED)

Off-balance sheet credit-risk-related financial instruments are as follows:

	Consolidated				Parent Entity			
	1997		1996		**1997**		1996	
	Contract or Notional Amount $m	**Credit Equivalent[1] $m**	Contract or Notional Amount $m	Credit Equivalent[1] $m	**Contract or Notional Amount $m**	**Credit Equivalent[1] $m**	Contract or Notional Amount $m	Credit Equivalent[1] $m
Credit-risk related instruments								
Bill endorsements	**28**	**28**	149	149	**28**	**28**	149	149
Standby letters of credit and financial guarantees	**2,351**	**2,351**	1,566	1,566	**2,213**	**2,213**	1,391	1,391
Trade letters of credit[2]	**368**	**115**	224	45	**362**	**113**	209	42
Non-financial guarantees[3]	**2,790**	**1,395**	2,203	1,101	**2,782**	**1,391**	2,167	1,084
Commitments to extend credit:								
Residual maturity less than 1 year[4]	**13,299**	**–**	22,990	–	**13,299**	**–**	21,587	–
Residual maturity 1 year or more	**6,486**	**3,243**	5,870	2,935	**6,482**	**3,241**	5,816	2,908
Other commitments[5]	**5,037**	**4,950**	4,186	4,093	**5,186**	**4,953**	4,018	3,931
Total credit-risk-related instruments	**30,359**	**12,082**	37,188	9,889	**30,352**	**11,939**	35,337	9,505

1 Credit equivalents are determined in accordance with the RBA's risk-weighted capital adequacy guidelines.

2 Trade letters of credit are for terms up to 1 year secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

3 Non-financial guarantees include other trade related letters of credit and obligations backing the performance of commercial contracts.

4 The credit conversion factor is 0% for credit commitments with a residual maturity of less than one year or which can be unconditionally cancelled by the Group at any time without notice.

5 Other commitments include forward purchases of assets, forward forward deposits and underwriting commitments.

Additional liabilities and commitments

(i) An assessed liability of $1 million (1996 $1 million) based on an actuarial assessment as at 30 September 1997, as a self-insurer under the Accident Compensation Act, 1985 (Victoria) and an assessed liability of $9 million (1996 $7 million) based on an actuarial assessment as at 30 September 1997, as a self-insurer under the Workers' Compensation Act, 1987 (New South Wales). Adequate provision has been made for these liabilities in the provision for holiday leave and other staff benefits (note 19).

(ii) A contingent liability in respect of actual and potential claims and proceedings which at the date of adoption of these financial statements has not been determined. An assessment of the Group's likely loss has been made on a case-by-case basis and provision has been made where appropriate within the provisions for doubtful debts (note 12) or provision for non-lending losses (note 19).

(iii) A contingent liability for termination benefits under service agreements with certain Group executives. The maximum amount of such contingent liability at 30 September 1997 was $12 million (1996 $11 million).

(iv) A commitment, in accordance with the Regulations and Procedures governing the Australian Paper Clearing System, to provide liquidity support to any other member financial institution which is unable to provide settlement for cheques and other paper payment items exchanged at the Clearing House. Any such liquidity support provided would be temporary in nature with full reimbursement expected within the ensuing few days.

Parent Entity guarantees and undertakings

Excluded from the consolidated amounts disclosed above are the following guarantees and undertakings extended to entities in the Group by the Parent Entity:

(i) Guarantee of commercial paper issued by Westpac Capital Corporation, a company incorporated in the United States of America;

(ii) Issue of letters of comfort in respect of certain controlled entities in the normal course of business. The letters recognise that the Parent Entity has a responsibility to ensure that those controlled entities continue to meet their obligations;

(iii) Guarantee of the repayment of loans made by Westpac Bank-PNG-Limited to the extent that they exceed a prescribed limit;

(iv) Guarantee of certain liabilities of Westpac Investment Management Pty Limited to the extent of $25 million;

(v) The party to an agreement with Westpac Property Investments Pty Limited ('WPI') which effectively guarantees the value of certain assets held by WPI. Full provision has been made for a probable loss in respect of this agreement; and

(vi) Guarantee of the performance of lessees under certain finance leases entered into by AGC as lessor.

NOTE 25. DERIVATIVE FINANCIAL INSTRUMENTS

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. The Group engages in derivatives transactions 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.

Details of the Group's trading derivatives outstanding in terms of notional amount, regulatory credit equivalent and mark-to-market values (both positive and negative) as at 30 September are shown in the following tables:

Trading Derivatives Outstanding	Notional Amount $m	Regulatory Credit Equivalent $m	Positive Mark-to-market (replacement cost) $m	Negative Mark-to-market $m
1997				
Interest rate				
Futures	**20,091**	**–**	**1**	**5**
Forwards	**23,593**	**87**	**12**	**14**
Swaps	**127,537**	**3,458**	**3,072**	**2,889**
Purchased options	**26,708**	**46**	**44**	**24**
Sold options	**3,243**	**1,141**	**–**	**20**
Foreign exchange				
Forwards	**241,546**	**6,955**	**4,425**	**4,446**
Swaps	**21,149**	**1,722**	**912**	**1,244**
Purchased options	**9,676**	**342**	**187**	**–**
Sold options	**10,953**	**–**	**–**	**177**
Commodity	**1,069**	**94**	**56**	**55**
Equities	**1,313**	**54**	**–**	**28**
Total trading derivatives outstanding	**486,878**	**13,899**	**8,709**	**8,902**
1996				
Interest rate				
Futures	30,607	–	–	–
Forwards	26,052	35	20	17
Swaps	131,419	3,170	2,702	2,261
Purchased options	14,364	53	12	2
Sold options	3,920	257	34	19
Foreign exchange				
Forwards	218,625	4,817	2,636	3,078
Swaps	18,906	1,512	832	1,842
Purchased options	5,193	134	74	–
Sold options	5,857	–	–	113
Commodity	303	23	13	12
Total trading derivatives outstanding	455,246	10,001	6,323	7,344

NOTE 25. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Positive mark-to-market value or replacement cost represents the cost to the Group of replacing all transactions in a gain position if all the Group's counterparties were to default. This measure is the industry standard for the calculation of current credit exposure. Negative mark-to-market value represents the cost to the Group's counterparties of replacing all the Group's transactions in a loss position if the Group were to default.

The total positive and negative mark-to-market values are included in the balance sheet as part of 'Other financial markets assets' and 'Other financial markets liabilities' respectively.

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. The notional amounts do not represent direct credit exposures. 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 trading derivatives.

	Notional Amount	
Derivatives Used for Asset and Liability Management Purposes	**1997 $m**	1996 $m
Interest rate		
Futures	**14,464**	8,717
Forwards	**1,088**	3,351
Swaps	**30,757**	24,708
Purchased options	**61**	171
Sold options	**–**	–
Foreign exchange		
Forwards	**3,271**	2,388
Swaps	**13,290**	7,100
Purchased options	**–**	–
Sold options	**–**	–
Total derivatives used for asset and liability management purposes	**62,931**	46,435

NOTE 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following information is presented pursuant to the requirements of US accounting standard SFAS No. 107, 'Disclosures about Fair Value of Financial Instruments'. SFAS No. 107 requires disclosure of fair value information about financial instruments, for which it is practicable to estimate the value, whether or not recognised on the balance sheet. Quoted market prices, when available, are used as the measure of fair values. However, for a significant portion of the Group's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using net present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amount the Group could have realised in a sales transaction at 30 September 1997.

The fair value estimates were determined by application of the methods and assumptions described below.

Certain short-term financial instruments
For cash and cash at bank, loans to dealers in the Australian short term money market, amounts due from other banks with maturities of less than three months, and other types of short-term financial instruments recognised in the balance sheet under 'Other assets' or 'Other liabilities', the carrying amount is a reasonable estimate of fair value.

Floating rate financial instruments
For floating rate financial instruments, the carrying amount is generally a reasonable estimate of fair value.

Trading and investment securities
For trading securities, the estimated fair values, which are also the carrying amounts, are generally based on quoted market prices or dealer quotes. For investment securities, fair values are also based on quoted market prices or dealer quotes, or, where there is no ready market in certain securities, fair values have been assessed by reference to interest yields.

NOTE 26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Statutory deposits

The Group is required by law, in Australia and in several other countries in which it operates, to lodge regulatory deposits with the local central bank at a rate of interest below that generally prevailing in that market. As the Group's ability to carry on the business of banking is conditional upon the maintenance of these deposits, their fair value is assumed to be equal to their carrying value, notwithstanding the below market rate of interest being earned thereon.

Due from other banks and loans

For amounts due from other banks with maturities of three months or more and fully-performing fixed-rate loans, fair values have been estimated by reference to current rates at which similar advances would be made to banks and other borrowers with a similar credit rating and the same remaining maturities.

For variable-rate loans, excluding impaired loans, the carrying amount is generally a reasonable estimate of fair value.

The fair values of impaired loans are estimated by discounting the estimated future cash flows using current market interest rates incorporating an appropriate risk factor or, where such loans are collateralised and have been written down to the current market value of the collateral, the estimated fair-value is based on the written-down carrying value.

In arriving at the fair values for loans on the above bases, the total fair value of the entire loan portfolio has been reduced by $1,249 million (1996: $1,316 million) being the carrying value of the general provisions for doubtful debts which covers unidentified losses inherent in the portfolio.

Acceptances of customers

For acceptances of customers and the contra liability acceptances, the carrying value has been discounted using current lending rates and a weighted-average period to maturity to arrive at an estimated fair value.

Other investments

For shares in companies, the estimated fair values, which are also the carrying amounts, are based on quoted market prices or on the Group's share of net assets at book value.

Deposits and public borrowings; due to other banks; bonds, notes and commercial paper; and subordinated debt

The fair value of demand deposits is the amount payable on demand at the reporting date. For other liabilities with maturities of less than three months, the carrying amount is a reasonable estimate of fair value.

For liabilities with maturities of three months or longer, fair values have been based on quoted market prices, where such prices exist. Otherwise, fair values have been estimated using the rates currently offered for similar liabilities of similar remaining maturities.

Commitments to extend credit, financial guarantees, letters of credit and bill endorsements

A nil fair value has been ascribed to commitments (contractual value 1997: $24.8 billion, 1996: $33.0 billion) and financial guarantees, letters of credit and bill endorsements (combined contractual value 1997: $5.5 billion, 1996: $4.1 billion) on the basis that these financial instruments generate ongoing fees at the Group's current pricing levels which are in line with general market prices.

Exchange-rate and interest-rate contracts and commodity-swap agreements

The fair value of exchange-rate and interest-rate contracts and commodity-swap agreements (used for hedging purposes) is the estimated amount the Group would receive or pay to terminate the contracts at the reporting date.

NOTE 26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Estimated fair value of the Group's financial instruments at 30 September are as follows:

	1997		1996	
	Carrying Amount $m	Estimated Fair Value $m	Carrying Amount $m	Estimated Fair Value $m
Financial assets				
Cash and short term liquid assets	**321**	**321**	408	408
Due from other banks	**4,002**	**4,002**	6,286	6,278
Trading securities	**6,243**	**6,243**	5,603	5,603
Investment securities	**1,633**	**1,620**	2,080	2,050
Statutory deposits	**928**	**928**	879	879
Loans (net of unearned income)				
Loans and other receivables	**76,986**		80,444	
Specific provisions for doubtful debts	**(334)**		(522)	
General provisions for doubtful debts	**(1,249)**		(1,316)	
	75,403	**74,569**	78,606	78,682
Finance and leverage leases	**2,476**		2,604	
Specific provisions for doubtful debts	**(5)**		(9)	
	2,471	**2,527**	2,595	2,585
Acceptances of customers	**11,242**	**11,185**	11,197	11,144
Other assets				
Accrued interest receivable	**423**	**423**	457	457
Securities purchased under agreement to resell	**554**	**554**	243	243
Securities sold not delivered	**1,072**	**1,072**	761	761
Other financial markets assets	**9,370**	**9,370**	6,666	6,666
Other investments	**495**	**495**	64	64
Financial Liabilities				
Due to other banks	**4,570**	**4,570**	5,419	5,419
Deposits and public borrowings	**72,636**	**72,552**	74,886	74,944
Bonds, notes and commercial paper	**6,273**	**6,254**	7,226	7,199
Acceptances	**11,242**	**11,185**	11,197	11,144
Other liabilities				
Accrued interest payable	**711**	**711**	645	645
Securities sold under agreement to repurchase	**214**	**214**	147	147
Securities short sold	**1,115**	**1,115**	296	296
Securities purchased not delivered	**260**	**260**	931	931
Other financial markets liabilities	**9,276**	**9,276**	7,405	7,405
Subordinated bonds, notes and debentures	**1,200**	**1,163**	1,266	1,293
Subordinated perpetual notes	**695**	**689**	933	984
Unrecognised derivative financial instruments				
Exchange-rate and interest-rate contracts used for hedging purposes in a net receivable position	**–**	**344**	–	18

NOTE 27. GROUP ENTITIES

Name	Notes	Country of Incorporation (b)
Westpac Banking Corporation	(a),(c)	Australia
A.G.C. (Advances) Limited		Australia
General Credits Holdings Limited		Australia
General Credits Limited		Australia
G.C.L. Investments Limited		Australia
Island Princess Holdings Pty Limited		Australia
The Airlie Trust		Australia
Reef International Pty Limited		Australia
Australian Guarantee Corporation Limited		Australia
Acorus Pty Limited		Australia
A.G.C. (Commercial) Limited		Australia
M.A.C. Nominees Pty Limited		Australia
Mazbond Pty Limited		Australia
Palaver Pty Limited		Australia
Reveille Pty Limited		Australia
Mutual Acceptance (Insurance) Limited (in voluntary liquidation)		Australia
Runkelli Pty Limited		Australia
S.C.F. (No. 5) Limited		Australia
S.C.F. (No. 6) Limited		Australia
A.G.C. (Developments) Limited (in liquidation)		Australia
A.G.C. (Finance) Limited		Australia
A.G.C. Finance (S.I.) Limited		Solomon Islands
A.G.C. (General Finance) Limited		Australia
A.G.C. (Industrial) Limited		Australia
A.G.C. (Industrial) Leasing Pty Limited		Australia
A.G.C. (Industrial) Victoria Limited (in liquidation)		Australia
A.G.C (Insurance Premium Funding) Limited		Australia
A.G.C. (Properties) Limited		Australia
A.G.C. House Limited		Australia
A.G.C. (Investments) Limited		Australia
A.G.C. (Leasing) Limited		Australia
A.G.C. Overseas Holdings Limited		Australia
A.G.C. (Pacific) Limited		Papua New Guinea
A.G.C. Finance (Vanuatu) Limited		Vanuatu
A.G.C. Projects Pty Limited		Australia
A.G.C. (Securities) Limited		Australia
AOC Holdings Limited		Australia
Autodirect Pty Ltd (formerly Fitzroy Finance Company Pty Limited)		Australia
Fitzroy Leasing Pty Limited (in liquidation)		Australia

Name	Notes	Country of Incorporation (b)
Colmso Pty Limited		Australia
Colmtea Pty Limited		Australia
Como Properties Pty Limited		Australia
Como Properties No. 2 Pty Limited		Australia
Midland Credit Limited (in liquidation)		Australia
Ormiston Pty Limited		Australia
Broadbeach International Holding Trust		Australia
Pranbrooke Pty Limited		Australia
Hesse Pty Limited		Australia
Howlong Pty Limited		Australia
Piccadilly of Sydney Pty Limited	(f)	Australia
Jaunty Pty Limited		Australia
Piccadilly Plaza Trust		Australia
Promenade Foodhall Pty Limited		Australia
Sarnia Pty Limited	(f)	Australia
The Swan Trust		Australia
Tarval Pty Limited		Australia
Traders Finance Corporation Limited		Australia
Vicpac Chatswood Pty Limited	(f)	Australia
Vicpac Unit Trust		Australia
Bank of Kiribati Limited	(i)	Kiribati
Bill Acceptance Corporation Limited		Australia
B.A.C. Financial Services Limited (in liquidation)		Australia
Bill Acceptance Corporation (Securities) Limited (in liquidation)		Australia
Central Bill Clearances Limited (in liquidation)		Australia
Mortgage Management Limited		Australia
Biralo Pty Limited	(d)	Australia
BLE Capital Limited		Australia
BLE Capital Investment Pty Limited		Australia
BLE Development Pty Limited		Australia
BLE Holdings Pty Limited		Australia
BLE Capital (NZ) Limited		New Zealand
C.B.A. Limited		Australia
Belliston Pty Limited		Australia
Westpac Properties-Vic-Limited		Australia
Westpac Properties-NSW-Pty Limited		Australia
Carseldine Pty Limited		Australia
Challenge Limited (formerly Challenge Bank Ltd)		Australia
CBL Securities Limited		Australia
Challenge Finance Limited		Australia
Trioba Pty Limited		Australia
Challenge Funds Management Limited		Australia

NOTE 27. GROUP ENTITIES (CONTINUED)

Name	Notes	Country of Incorporation (b)
Challenge Information Technology Pty Limited		Australia
Challenge Insurance Services (Agency) Pty Limited		Australia
Cold Storage Construction Pty Limited		Australia
Herston Pty Limited		Australia
National Permanent Management Services Pty Limited		Australia
Westman Enterprises Pty Limited		Australia
Credit Caledonie et Tahitien	(i)	New Caledonia
Credit Foncier et Immobilier de la Nouvelle Caledonie et de la Polynesie		New Caledonia
Huben Holdings Pty Limited		Australia
Hull 4381 and 4382 Leasing Pty Limited		Australia
International Business Analysis Pty Limited		Australia
Partnership Pacific Limited		Australia
Baroren Pty Limited		Australia
Glenunga Pty Limited		Australia
Harlaxton Pty Limited		Australia
Maliny Pty Limited		Australia
Mooloolah Pty Limited		Australia
Operating Lease Trust No. 4	(i)	Australia
Partnership Pacific Nominees Pty Limited (In liquidation)		Australia
Partnership Pacific Securities Limited		Australia
Partnership Pacific (Vic.) Pty Limited (In liquidation)		Australia
Wistow Pty Limited		Australia
Pitco Pty Limited	(d)	Australia
The Pitco Trust	(d)	Australia
Sixty Martin Place (Holdings) Pty Limited		Australia
Baffsky Pty Limited		Australia
Brooklyn Amber Pty Limited		Australia
Claremont Bond Pty Limited		Australia
Comserv (No 3011) Pty Limited		Australia
Enfield Downs Pty Limited		Australia
Exchange Plaza Trust		Australia
Faraday Arch Pty Limited		Australia
Florida Banner Pty Limited		Australia
Infrastructure (No 1) Limited		Australia
Infrastructure (No 2) Limited		Australia
Infrastructure (No 3) Limited		Australia
Infrastructure (No 4) Limited	(g)	Australia
Ivaness Pty Limited		Australia
Loy Yang B Agencies Pty Limited		Australia
Mayne Finance Limited	(i)	Australia
Oakjet Pty Limited		Australia
Selbourne Pty Limited		Australia
Teuton Pty Limited		Australia
Westpac Asian Lending Pty Limited		Australia
Westpac Debt Securities Pty Limited (formerly Westpac Fixed Interest Securities Pty Ltd)		Australia
Westpac Equipment Finance Limited		Australia
Westpac Equipment Finance (Vic) Pty Limited		Australia
The Mortgage Company Pty Limited		Australia
Westpac Bank-PNG-Limited	(i)	Papua New Guinea
Westpac Capital Corporation		U.S.A.
Westpac Derivative Products Limited		Australia
Westpac Employee Assistance Foundation Pty Limited (formerly Rousell Pty Limited)		Australia
Westpac Equity Holdings Pty Limited		Australia
Westpac Development Capital Limited		Australia
Westpac Financial Consultants Limited		Australia
Westpac Financial Services Group Limited		Australia
Westpac Financial Services Limited		Australia
Westpac Managed Funds Limited (in liquidation)		Australia
Westpac Insurance Services (Brokers) Limited		Australia
Westpac Equity Pty Limited		Australia
A.F.G. Insurance Limited		Australia
Westpac General Insurance Limited		Australia
Westpac Lenders Mortgage Insurance Limited		Australia
Westpac Investment Management Pty Limited		Australia
Westpac Life Insurance Services Limited	(g)	Australia
Westpac Securities Administration Limited		Australia
The Wales Nominees (Vic.) Pty Limited		Australia
Westpac Custodian Nominees Limited		Australia
Westpac Insurance Services Superannuation Fund Ltd		Australia
Westpac Nominees-Canberra-Pty Limited		Australia
Westpac Nominees-SA-Pty Limited		Australia
Westpac Information Technology Services Pty Limited		Australia
Westpac Retirement Plan Pty Limited		Australia
Westpac Training Services Pty Limited		Australia

NOTE 27. GROUP ENTITIES (CONTINUED)

Name	Notes	Country of Incorporation (b)
Westpac Finance Pty Limited		Australia
Westpac Investment Holdings Pty Limited		Australia
Westpac Leasing (UK) No.2 Limited		Australia
Westpac Leasing Nominees Pty Limited		Australia
Westpac Leasing Nominees-Vic.- Pty Limited		Australia
Westpac Leasing Pty Limited		Australia
Westpac OMG Holdings Pty Limited		Australia
Westpac Overseas Holdings Pty Limited		Australia
Westpac Americas Inc.		U.S.A.
Westpac Investment Capital Corporation		U.S.A.
Westpac USA Inc.		U.S.A.
Southern Cross Inc.		U.S.A.
Westpac Banking Corporation (Jersey) Limited		Jersey
Westpac Finance Asia Limited		Hong Kong
Westpac Asia (Securities) Limited		Hong Kong
Westpac Fund Managers (Jersey) Limited		Jersey
Westpac Group Investment-NZ-Limited		New Zealand
Westpac Holdings-NZ-Limited		New Zealand
Australian Guarantee Corporation (N.Z.) Limited		New Zealand
A.G.C. Flexiloan Limited		New Zealand
Mortgage Services Limited		New Zealand
TBNZ Limited (formerly Trust Bank New Zealand Limited)		New Zealand
The Home Mortgage Company Limited		New Zealand
Westpac Equity-NZ-Limited		New Zealand
Aotearoa Financial Services Ltd	(i)	New Zealand
Ballig Investments Limited		New Zealand
Bewley Holdings Limited		New Zealand
C.B.A. Finance Nominees Limited		New Zealand
Central Number One Limited		New Zealand
Golanga Investments Limited		New Zealand
Greenwood Tauranga Limited		New Zealand
Piesse Properties Limited		New Zealand
Rustwell One Hundred & Twenty Limited		New Zealand
Sfaka Investments Limited		New Zealand
TBNZ Finance Limited		New Zealand
The Retirement Savings Plan Limited		New Zealand
Trust Bank Central Travel Limited		New Zealand
Trust Bank Investment Administration Limited		New Zealand
Trust Bank Property Holdings Limited		New Zealand
Trust Bank Systems and Technology Limited		New Zealand
Westpac Communications -NZ-Limited		New Zealand
Westpac Developments Limited		New Zealand
Westpac Energy-NZ-Limited		New Zealand
Westpac Fund Acceptances -NZ-Limited		New Zealand
Westpac Investments Limited		New Zealand
Westpac Lease Discounting -NZ-Limited		New Zealand
Toliman Investments Limited (formerly New Zealand Unit Investment Limited)		New Zealand
Westpac Preference-NZ-Limited		New Zealand
Westpac Financial Services -NZ-Limited		New Zealand
Westpac Investment Management -NZ-Limited		New Zealand
Westpac Life-NZ-Limited		New Zealand
Westpac Nominees-NZ-Limited		New Zealand
Westpac Superannuation Nominees -NZ-Limited		New Zealand
Westpac Unit Investments -New Zealand		New Zealand
Westpac Merchant Finance Limited		New Zealand
Westpac Finance Limited		New Zealand
Westpac Securities Limited		New Zealand
Ngauranga Gorge Ltd		New Zealand
Westpac Properties-NZ-Limited		New Zealand
Blue & Gold Holdings Limited		New Zealand
Camden Properties Limited		New Zealand
Canterbury Centre Holdings Limited		New Zealand
Central Number Two Limited		New Zealand
Don Investments Limited		New Zealand
Pukerua Investments Limited		New Zealand
Ridings Investments Limited		New Zealand
Riverland Investments Limited		New Zealand
Trust Bank Realty Limited		New Zealand
Westpac Group Investment Trust		New Zealand
Westpac Singapore Limited		Singapore
Westpac Overseas Funding Pty Limited		Australia
Westpac Properties Limited		Australia
Collins Wales Pty Limited		Australia
Westpac Property Investments Pty Limited	(e)	Australia
Westpac Syndications Management Pty Limited		Australia
Westpac Unit Trust		Australia

NOTE 27. GROUP ENTITIES (CONTINUED)

Notes

(a) Controlled entities shown in bold type are owned directly by the Parent Entity.

(b) Overseas companies carry on business in the country of incorporation. For unincorporated entities, 'Country of Incorporation' refers to the country where business is carried on.

(c) Westpac Banking Corporation carries on business in various countries throughout the world.

(d) 50% of equity or issued units in Pitco Pty Limited, Biralo Pty Limited and The Pitco Trust is held directly by Westpac Property Investments Pty Limited. The other 50% is held directly by the Parent Entity.

(e) 50% of equity in Westpac Property Investments Pty Limited is held directly by Westpac Properties Limited. The other 50% is held directly by the Parent Entity.

(f) 50% of equity or issued units in Piccadilly of Sydney Pty Limited, Sarnia Pty Limited, Vicpac Chatswood Pty Limited is held directly by Australian Guarantee Corporation Limited. The other 50% is held directly by the Parent Entity.

(g) During the year, Westpac Life Insurance Services Limited was acquired for $346 million and Infrastructure (No 4) Limited was acquired for a nominal $5.

(h) Entities were disposed of or liquidated during the year. These entities had no or nominal assets upon disposal/liquidation.

(i) All entities listed in note 27 are wholly owned controlled entities except the following:

	Percentage Owned 1997	Percentage Owned 1996
Aotearoa Financial Services Limited	**76.0%**	50.1%
Bank of Kiribati Limited	**51.0%**	51.0%
Credit Caledonie et Tahitien	**87.0%**	86.4%
Mayne Finance Limited	**70.0%**	70.0%
Operating Lease Trust No. 4	**99.0%**	99.0%
Westpac Bank-PNG-Limited	**89.9%**	89.9%

(j) The auditors of the Parent Entity have not acted as auditors of other Group entities, which were audited by Coopers & Lybrand and its member firms, with the exception of Bank of Kiribati Limited, which was audited by another firm of accountants. See Independent Audit Report to the Shareholders.

NOTE 28. OTHER GROUP INVESTMENTS

The Group has a significant non-controlling shareholding in the following entities:

	Country where Business is Carried On	Westpac Banking Corporation Beneficial Interest	Nature of Business
Austraclear Limited	Australia	17.8%	Clearing house for bill transactions
Bank of Tonga	Tonga	30.0%	Banking
Electronic Transaction Services Limited	New Zealand	25.0%	Credit card processing
Pacific Commercial Bank Limited	Western Samoa	42.7%	Banking
Colobus Pty Limited	Australia	50.0%	Corporate Trustee
Krava Nominees Pty Ltd	Australia	50.0%	Corporate Trustee
Lawrence Collateral Indemnity Pty Ltd	Australia	50.0%	Corporate Trustee
Eraring Power Company of NSW Ltd	Australia	20.0%	Nominee
Mondex Australia Pty Ltd	Australia	25.0%	Smart card operations
Abrotar Ltd	Australia	47.0%	Property Investment
Havenmaze Ltd	Australia	47.0%	Property owner
MLM (Properties) Ltd	Australia	47.0%	Property owner
Societe Caledonienne de Monetique et de Services Bancaires	New Caledonia	20.0%	Banking
Somersby Park Pty Ltd	Australia	25.0%	Property owner
Westpac Staff Superannuation Plan Pty Ltd	Australia	50.0%	Corporate Trustee
Cardlink Services Limited	Australia	16.0%	Computer bureau & authorisation centre

In terms of the amount of the Group's interest and their contribution to the results of the Group, the above investments are not material either individually or in aggregate.

NOTE 29. GROUP SEGMENT INFORMATION

Segmentation of assets, revenue and profit is based on the location of the office in which these items are booked. The Group operates predominantly in the financial services industry.

	1997		1996	
	$m	%	$m	%
Geographic segments				
Assets				
Australia	**85,123**	**71.4**	86,365	71.1
New Zealand	**24,157**	**20.4**	23,328	19.2
Pacific Islands	**1,629**	**1.4**	1,560	1.3
Asia	**3,736**	**3.2**	4,598	3.8
Americas	**1,746**	**1.5**	2,580	2.1
Europe	**2,572**	**2.1**	3,082	2.5
Total	**118,963**	**100.0**	121,513	100.0
Operating revenue from outside the Group				
Australia	**6,889**	**66.9**	7,246	72.6
New Zealand	**2,578**	**25.1**	1,764	17.6
Pacific Islands	**199**	**1.9**	234	2.3
Asia	**296**	**2.9**	382	3.8
Americas	**181**	**1.8**	170	1.7
Europe	**147**	**1.4**	196	2.0
Total	**10,290**	**100.0**	9,992	100.0
Intersegment operating revenue				
Australia	**313**	**21.8**	295	21.3
New Zealand	**173**	**12.0**	195	14.1
Pacific Islands	**23**	**1.6**	34	2.5
Asia	**284**	**19.7**	513	37.1
Americas	**488**	**33.9**	253	18.3
Europe	**159**	**11.0**	93	6.7
Total	**1,440**	**100.0**	1,383	100.0
Operating profit before income tax				
Australia	**1,198**	**67.1**	1,208	77.6
New Zealand	**407**	**22.8**	172	11.1
Pacific Islands	**52**	**2.9**	53	3.4
Asia	**25**	**1.4**	24	1.5
Americas	**50**	**2.8**	40	2.6
Europe	**54**	**3.0**	59	3.8
Total	**1,786**	**100.0**	1,556	100.0
Operating profit after income tax attributable to shareholders of Westpac Banking Corporation				
Australia	**849**	**65.8**	869	76.8
New Zealand	**277**	**21.5**	114	10.1
Pacific Islands	**37**	**2.9**	37	3.2
Asia	**24**	**1.9**	16	1.5
Americas	**50**	**3.8**	37	3.2
Europe	**54**	**4.1**	59	5.2
Total	**1,291**	**100.0**	1,132	100.0

	Consolidated			Parent Entity	
	1997 $'000	1996 $'000	1995 $'000	**1997 $'000**	1996 $'000
NOTE 30. AUDITORS' REMUNERATION					
Remuneration for audit or review of the financial statements					
Auditors of the Parent Entity[1]					
Messrs Lynn and Chowdry	**2,134**	1,440	1,566	**2,134**	1,440
Coopers & Lybrand	**1,029**	1,070	744	**–**	–
Other auditors of controlled entities	**27**	16	26	**–**	–
	3,190	2,526	2,336	**2,134**	1,440
Remuneration for other services by the Parent Entity auditors[1 2 3 4]					
Messrs Lynn and Chowdry	**202**	151	220	**202**	151
Coopers & Lybrand	**2,595**	2,117	2,205	**1,881**	1,849
	2,797	2,268	2,425	**2,083**	2,000

1 The auditors of the Parent Entity are Messrs Lynn and Chowdry. Their firm, Coopers & Lybrand, audited the controlled entities.

2 Other services includes $671,000 (1996 $632,000; 1995 $765,000) for regulatory and other statutory reporting requirements.

3 Prior years comparatives have been restated to exclude firms other than the Parent Entity's auditors, in accordance with the requirements of AASB 1034, 'Information to be disclosed in financial reports'.

4 In addition, Coopers & Lybrand LLP (USA firm) provided consultancy services of $4,706,000 to the Group in 1997. The USA firm does not provide any auditing services to the Group.

NOTE 31. RETIREMENT BENEFITS

The aggregate amount of 'prescribed benefits' (as defined by Section 237 of the Corporations Law) given by the Group and the Parent Entity in connection with the retirement of persons from a prescribed office in the Parent Entity or its controlled entities was:

	Consolidated		Parent Entity	
	1997 $'000	1996 $'000	**1997 $'000**	1996 $'000
Aggregate amount of prescribed benefits	**947**	1,418	**295**	102

The benefits not pertaining to the Parent Entity were entitlements paid to employees of the Group who, coincidentally, upon leaving service were Directors of its controlled entities. The entitlements accrued to those persons in their capacity as employees and were not related in any way to their directorships. In the circumstances, the Directors consider that it would be unreasonable to provide full particulars of those benefits.

NOTE 32. DIRECTORS

Directors of the Parent Entity during the year ended 30 September 1997 were:

Mr J.A. Uhrig (Chairman)

Mr P.L. Baillieu (retired 20 January 1997)

The Hon. Sir Llewellyn Edwards

Mr I.R.L. Harper

Ms E. Mahlab

Mr P.D. Ritchie

Mr R.L. Joss (Managing Director)

Mr W.B. Capp

Mr J.B. Fairfax (appointed 5 December 1996)

Professor W.P. Hogan

Mr J.P. Morschel (Executive Director)

NOTE 33. DIRECTORS' LOANS

Loans made to Directors of the Parent Entity and controlled entities and to parties related to them are made in the ordinary course of business on normal terms and conditions. In respect of loans to Executive Directors, loans are made on the same terms and conditions as apply to other employees of the Group in accordance with established policy.

	Consolidated 1997 $'000	Consolidated 1996 $'000	Parent Entity 1997 $'000	Parent Entity 1996 $'000
Aggregate amount of loans to Directors	**976**	1,540	**596**	1,186
Loans advanced during the year	**9**	30	**–**	–
Loan repayments received during the year	**34**	255	**–**	237

The directors of the Parent Entity and other controlled entities concerned in the relevant loans made and repayments received during 1997 and 1996 were:

	1997	1996
P.L. Baillieu	**5**	2,3
N.J. Bayliss	**4**	4
A.W. Brown	**5**	2,4
W.B. Capp	**1,2,3**	1,2,3
P.E. Evans	**2,4**	4
J.B. Fairfax	**1,2,3**	–
I.R.L Harper	**1,2,3**	1,2,3
J.J. Moses	**2,4**	1,4
D. Weston	**2,4**	–
R.J. Zubielevitch	**1,2,4**	2,4

1 Loan made to this person during the year.
2 Repayment made by this person during the year.
3 Ordinary course of business and normal terms and conditions apply, including fluctuating overdraft facilities.
4 Employee terms and conditions apply.
5 Ceased to be a Director during the year.

NOTE 34. DIRECTORS' REMUNERATION

Income received, or due and receivable, from the Parent Entity and related entities by Directors of the Parent Entity was:

	1997 Base Fee/ Salary $	1997 Bonus $	1997 Total Cash Compensation $	1997 Other Compensation $	1997 Total $	1997 FBT on Other Compensation $	1997 Total Cost $	1996 Total Compensation $	1996 FBT $	1996 Total Cost $
Non-executive Directors										
J.A. Uhrig (Chairman)	**260,000**	**–**	**260,000**	**–**	**260,000**	**–**	**260,000**	237,765	–	237,765
W.B. Capp	**75,000**	**–**	**75,000**	**5,005**	**80,005**	**–**	**80,005**	76,474	–	76,474
Sir Llewellyn Edwards	**65,000**	**–**	**65,000**	**4,338**	**69,338**	**–**	**69,338**	66,560	–	66,560
J.B. Fairfax[1]	**53,558**	**–**	**53,558**	**2,490**	**56,048**	**–**	**56,048**	–	–	–
I.R.L. Harper	**75,000**	**–**	**75,000**	**2,578**	**77,578**	**–**	**77,578**	76,474	–	76,474
W.P. Hogan	**65,000**	**–**	**65,000**	**–**	**65,000**	**–**	**65,000**	63,185	–	63,185
E. Mahlab	**65,000**	**–**	**65,000**	**4,338**	**69,338**	**–**	**69,338**	66,560	–	66,560
P.D. Ritchie	**65,000**	**–**	**65,000**	**4,338**	**69,338**	**–**	**69,338**	66,560	–	66,560
P.L Baillieu[2]	**22,860**	**–**	**22,860**	**–**	**22,860**	**–**	**22,860**	72,618	–	72,618
S.G. Hornery[3]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	57,124	–	57,124
Executive Directors[4]										
R.L Joss	**750,000**	**750,000**	**1,500,000**	**428,745**	**1,928,745**	**217,997**	**2,146,742**	1,898,692	240,930	2,139,622
J.P Morschel	**550,000**	**425,000**	**975,000**	**6,824**	**981,824**	**1,712**	**983,536**	882,055	1,712	883,767

1 Appointed 5 December 1996.
2 Retired 20 January 1997.
3 Resigned 8 August 1996.
4 Options granted to executive Directors have been reflected in notes 21 and 37. No options have been granted to any non-executive Directors.

NOTE 34. DIRECTORS' REMUNERATION (CONTINUED)

	1997 $'000	1996 $'000
Income received, or due and receivable, from the Parent Entity and related entities by Directors of Group companies.	**5,452**	4,793

To comply with the revised Australian Accounting Standard AASB 1017 'Related Party Disclosures', Directors' remuneration has been determined on the basis of the cost of the remuneration to the Group. Where non-monetary benefits are provided to a Director, the amount of remuneration includes the total cost to the Group of providing the benefits, including fringe benefits tax. 1996 comparatives have been re-stated. Additional information for executive Directors is contained in the executive team compensation summary shown in note 37.

NOTE 35. TRANSACTIONS WITH RELATED PARTIES

(a) Related party financial instrument transactions

Australian banks and their parent and controlled entities have been exempted under the ASC Class Order 97/1016 dated 9 July 1997 from the requirement to disclose in the financial statements regular transactions and balances with related parties (other than directors of the company) in the ordinary course of business and either on an arms length basis or with the approval of the shareholders of the relevant entity and its ultimate parent entity (if any). The exemption does not cover transactions which relate to the supply of goods and services to a bank, other than financial assets or services.

The Class Order does not apply to a loan or financial instrument transaction which any director of the relevant entity should be reasonably aware that if not disclosed would have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources.

A condition of the Class Order is that the Parent Entity must lodge a statutory declaration, signed by two Directors, with the Australian Securities Commission confirming that the Parent Entity has a system of internal controls and procedures which provide assurance that any financial instrument transactions with related parties of the Parent Entity are drawn to the attention of the Directors so that they may be disclosed.

The Directors of the Parent Entity are of the opinion that there were no financial instrument transactions during the year ended 30 September 1997 which are required so to be disclosed.

(b) Share and share option transactions

Details of share options issued to the Managing Director Mr R.L. Joss and Executive Director Mr J.P. Morschel are set out in note 21.

	1997	1996
(i) Shares issued during the year		
The aggregate number of shares issued by the Parent Entity to the Directors of the Parent Entity and their Director-related entities during the year ended September were:		
Ordinary shares	**1,666,667** [1]	Nil
(ii) Shares disposed of during the year	**Nil**	Nil
(iii) Shares held at the end of the year		
The aggregate number of shares of the Parent Entity held directly, indirectly or beneficially by directors of the Parent Entity and their Director related entities at September were:		
Ordinary shares	**2,613,918** [2]	1,197,762 [3]

1 Issued under the Chief Executive Share Option Agreement.
2 Includes 671,527 owned by staff-related benefit fund of which Directors are trustees.
3 Includes 998,888 owned by staff-related benefit fund of which Directors are trustees.

NOTE 36. OTHER RELATED PARTY DISCLOSURES

Transactions between the Parent Entity and its controlled entities during the year have included the provision of a wide range of banking and other financial facilities, some of which have been on commercial terms and conditions, others have been on terms and conditions which represented a concession to the controlled entities. Other intra-Group transactions, which may or may not be on commercial terms, include the provision of management and administration services, staff training, data processing facilities and leasing of properties, plant and equipment.

Similar transactions between Group entities and other related parties have been almost invariably on commercial terms and conditions as agreed between the parties. Such transactions are not considered to be material, either individually or in aggregate.

NOTE 37. EXECUTIVES' REMUNERATION

Executive team compensation

Name & Position	Year	Base Pay $	Bonus $	Total Cash Compensation $	Other Compensation[1] $	Total Compensation[2] $	Option Grant[3]	Exercise Price $	Date First Exercisable
R.L. Joss	**1997**	**750,000**	**750,000**	**1,500,000**	**428,745**	**1,928,745**	**–**	**–**	**–**
Managing Director & CEO[a]	1996	750,000	700,000	1,450,000	448,692	1,898,692	–	–	–
R.P. Handley	**1997**	**574,270**	**350,000**	**924,270**	**65,525**	**989,795**	**500,000**	**7.89**	**29/9/00**
Group Executive & Chief Financial Officer[b]	1996	500,600	250,000	750,600	259,134	1,009,734	200,000	5.51	29/1/99
D.R. Morgan	**1997**	**509,603**	**375,000**	**884,603**	**7,402**	**892,005**	**500,000**	**7.89**	**29/9/00**
Group Executive, IIBG[c]							**175,000**	**7.10**	**28/1/00**
	1996	500,000	350,000	850,000	47,953	897,953	200,000	5.51	29/1/99
J.P. Morschel	**1997**	**550,000**	**425,000**	**975,000**	**6,824**	**981,824**	**–**	**–**	**–**
Executive Director & Group Executive, ABG[d]	1996	550,000	325,000	875,000	6,693	881,693	600,000	5.12	25/1/99
R.W. Nimmo	**1997**	**493,210**	**180,000**	**673,210**	**110,169**	**783,379**	**360,000**	**7.10**	**28/1/00**
Group Executive & Chief Credit Officer[e]	1996	356,000	170,000	526,000	158,807	684,807	100,000	5.51	29/1/99

1 Other compensation includes (in either or both years) contractual obligations such as:
   a Superannuation, personal and family travel, health insurance and housing (executive incurs unreimbursed personal housing expenses for a foreign residence).
   b Superannuation, motor vehicles, health insurance, personal and family travel and housing allowance (executive incurs unreimbursed housing expenses for a foreign residence).
   c FBT on concessional lending and housing allowance.
   d Car parking.
   e Superannuation, FBT on concessional lending, motor vehicle and housing allowance.

2 Figures do not include fringe benefits tax, other than for those individuals whose remuneration is calculated on a 'total employment cost' basis.

3 Option grants are a right to buy ordinary shares at an exercise price equal to the market value at the date of grant. The options have a maximum term of five years, and are exercisable after three years (refer note 21).

NOTE 37. EXECUTIVES' REMUNERATION (CONTINUED)

The following table shows the number of executives of the Parent Entity and Group in Australia whose income received, or due and receivable, from the Parent Entity and related entities fell within the stated bands. In accordance with the requirements of AASB 1034, remuneration includes any money, consideration or benefit, but does not include fringe benefits tax, other than for those individuals whose remuneration is calculated on a 'total employment cost' basis. 1996 comparatives have been restated.

	Consolidated		Parent Entity	
	1997	1996	**1997**	1996
$150,001 – 160,000	**–**	1 [1]	**–**	1 [1]
220,001 – 230,000	**–**	1 [1]	**–**	1 [1]
250,001 – 260,000	**1**	–	**1**	–
270,001 – 280,000	**1**	1	**1**	1
280,001 – 290,000	**–**	1	**–**	1
290,001 – 300,000	**1**	1	**1**	1
300,001 – 310,000	**1**	1	**1**	1
310,001 – 320,000	**1** [1]	–	**1** [1]	–
320,001 – 330,000	**1**	–	**1**	–
330,001 – 340,000	**1**	2	**1**	2
350,001 – 360,000	**–**	1	**–**	1
360,001 – 370,000	**–**	1	**–**	1
370,001 – 380,000	**–**	1	**–**	1
380,001 – 390,000	**2**	1	**2**	1
390,001 – 400,000	**–**	1	**–**	1
400,001 – 410,000	**2**	1	**2**	1
410,001 – 420,000	**1**	1	**1**	1
420,001 – 430,000	**1**	–	**–**	–
430,001 – 440,000	**–**	2	**–**	1
440,001 – 450,000	**1**	–	**1**	–
450,001 – 460,000	**2**	3	**2**	3
460,001 – 470,000	**1**	1	**1**	1
470,001 – 480,000	**3**	1	**3**	1
480,001 – 490,000	**1**	1	**–**	1
490,001 – 500,000	**1**	–	**1**	–
500,001 – 510,000	**1**	1	**1**	1
510,001 – 520,000	**–**	1	**–**	1
520,001 – 530,000	**–**	2	**–**	2
560,001 – 570,000	**–**	1	**–**	1
580,001 – 590,000	**2**	–	**2**	–
600,001 – 610,000	**1**	–	**1**	–
620,001 – 630,000	**1**	–	**1**	–
650,001 – 660,000	**–**	2	**–**	2
660,001 – 670,000	**–**	1	**–**	1
670,001 – 680,000	**1** [1]	–	**1** [1]	–
680,001 – 690,000	**–**	2	**–**	2
690,001 – 700,000	**1**	–	**1**	–
710,001 – 720,000	**1**	–	**1**	–
720,001 – 730,000	**1**	–	**1**	–
730,001 – 740,000	**–**	1	**–**	1
780,001 – 790,000	**1**	–	**1**	–
820,001 – 830,000	**1**	–	**1**	–
840,001 – 850,000	**1**	–	**1**	–
880,001 – 890,000	**–**	1	**–**	1
890,001 – 900,000	**1**	1	**1**	1
910,001 – 920,000	**–**	1	**–**	1
980,001 – 990,000	**2**	–	**2**	–
1,009,001 – 1,010,000	**–**	1	**–**	1
1,440,001 – 1,450,000	**1**	–	**1**	–
1,890,001 – 1,900,000	**–**	1	**–**	1
1,920,001 – 1,930,000	**1**	–	**1**	–
Total	**39**	39	**37**	38

1 Includes payments (other than those included in note 31) to one or more executives in this remuneration band who retired/resigned during the year.

	Consolidated		Parent Entity	
	1997 **$000**	1996 $000	**1997** **$000**	1996 $000
Total income received, or due and receivable, from the Parent Entity and related entities by Executive Officers whose income exceeded $100,000	**23,152**	20,890	**22,245**	20,458

The above table discloses data in respect of only those officers who are responsible for the strategic direction and operational management ('Executive Officers') of the Parent Entity and related entities. No value has been ascribed to any options issued to any of those officers. Of the Executive Officers referred to in the above table, 26 are represented on a consistent basis as occupants of the same role in both years.
Their income has, on average, increased by 2.7% year on year.

There are also 74 (1996 85) other employees whose remuneration individually exceeds $100,000 per annum who are not Executive Officers but who, in the discharge of their duties in Australia as employees of the Parent Entity, serve as directors of wholly-owned Australian controlled entities. Total income received, or due and receivable, by these employees amounted to $15,786,000 (1996 $17,279,000).

NOTE 38. BALANCE SHEET FORMAT

Class Order 97/1017 issued by the Australian Securities Commission in August 1997 provides any Australian bank that is a parent entity with interim relief from the requirements of Australian Accounting Standard AASB 1034: 'Information to be Disclosed in Financial Reports' which require entities to group assets and liabilities as to whether they are current or non-current and to be described as such in the consolidated balance sheet of the entity. The provisions of this Class Order expire on 30 December 1997, after which the provisions of Accounting Standard AASB 1032 'Specific Disclosures by Financial Institutions' must be applied.

This relief has been granted on the condition that:

(i) the disclosure requirements of International Accounting Standard 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' (IAS 30) are complied with; and

(ii) the total assets and liabilities included in the consolidated balance sheet that relate to controlled entities which are not prescribed corporations are disclosed.

The Group's practice is in accordance with these conditions.

NOTE 39. EVENTS SUBSEQUENT TO BALANCE DATE

(i) Westpac Banking Corporation has acquired the Bank of Melbourne Limited (BML) from its shareholders for $1,435 million. The acquisition, effected by a scheme of arrangement, was accepted by the BML shareholders on 29 September 1997.

As at the date of final determination, shareholders representing 95% of BML shares elected to receive the cash and Westpac shares combination, resulting in the issue of 142 million Westpac shares on 7 November 1997. These shareholders received a fully franked dividend of 19 cents per Westpac share on the allotment date and are entitled to all subsequent Westpac dividends, starting with the 1997 final dividend of 20 cents per share. No financial impact for any of the above transactions has been reflected in these financial statements.

(ii) On 3 November 1997 Westpac announced that it would undertake a buyback of up to 85 million (approximately 5%) fully paid ordinary shares, conducted as a normal on-market transaction through the Australian Stock Exchange Limited. The buyback is to be conducted over a period of up to six months commencing on 17 November 1997.

NOTE 40. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP)

The consolidated financial statements of the Group are prepared in accordance with accounting principles and policies as summarised in note 1. These principles and policies differ in some respects from generally accepted accounting principles applicable in the United States (US GAAP).

The following are reconciliations of the consolidated financial statements, for any significant adjustments, to comply with US GAAP:

	1997 $m	1996 $m	1995 $m
Profit and Loss Statement			
Net profit as reported	**1,291**	1,132	947
Adjustments: (see following commentary for details)			
Item No.			
1. Depreciation on buildings	**10**	7	5
2. Gains on sale of properties (including amortisation of gains on sale of properties subject to leaseback arrangements)	**52**	25	34
3. Amortisation of goodwill	**(15)**	(16)	(16)
4. Superannuation (pension) expense adjustment	**58**	80	111
Related income tax expense	**(21)**	(32)	(25)
6. Adjustment re provision for employee redundancy benefits	**–**	(98)	43
Related income tax expense	**–**	35	(14)
7. Initial application of an accounting standard	**–**	–	(51)
Related income tax expense	**–**	–	17
8. Life insurance adjustment (net of tax)	**(12)**	–	–
Adjusted net income according to US GAAP	**1,363**	1,133	1,051
Adjusted net income per share (both primary and fully diluted – in cents)	**71.5**	57.1	53.3
Weighted average number of fully diluted shares (in millions)	**1,920.2**	2,002.6	1,979.2

All income is derived from continuing operations.

NOTE 40. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)

	1997 $m	1996 $m	1995 $m
Non-interest expenses as reported	**3,228**	3,049	2,654
Adjustments: (see following commentary for details)			
Item No.			
1. Depreciation on buildings	**(10)**	(7)	(5)
3. Amortisation of goodwill	**15**	16	16
4. Superannuation benefit	**(42)**	(69)	(100)
4. Superannuation prepayment adjustment	**(16)**	(11)	(11)
6. Adjustment re provision for redundancy benefits	**–**	98	(43)
7. Initial application of an accounting standard	**–**	–	51
12. Abnormal items	**–**	–	212
Non-interest expenses according to US GAAP	**3,175**	3,076	2,774
Shareholders' equity as reported	**8,200**	7,885	7,578
Adjustments: (see following commentary for details)			
Item No.			
1. Elimination of asset revaluation reserves	**(202)**	(260)	(382)
1. Depreciation on buildings	**40**	30	23
2. Deferred gains on sale of properties subject to leaseback arrangements	**(40)**	(64)	(3)
3. Goodwill not recognised on acquisitions (less amortisation)	**55**	70	85
3. Restoration of previously deducted goodwill (less amortisation and amounts written-off)	**5**	5	6
4. Superannuation (pension) expense adjustment	**(103)**	(140)	(188)
6. Adjustment re provision for employee redundancy benefits	**–**	3	66
8. Life insurance adjustment (net of tax)	**(12)**	–	–
9. Investment securities fair value adjustment (including life company investment)	**(1)**	(19)	(21)
10. Final dividend provided	**354**	307	274
Adjusted equity according to US GAAP	**8,296**	7,817	7,438

The following is a summary of the significant adjustments made to consolidated net profit and shareholders' equity to reconcile the Australian GAAP results with US GAAP.

1. Premises and sites and certain equity investments have been revalued and the amount of such revaluation is included in the Group's reserves. Depreciation of buildings is based on revalued amounts. Under US GAAP, such revaluations are not permitted and depreciation is based on historical cost.
2. Where properties and equity investments are sold, the Group's policy of periodically revaluing such assets results in only the difference between net sale proceeds and the revalued amount of the assets sold being recorded in the profit and loss statement. Under US GAAP, the profit on sale of such assets to be reflected in the profit and loss statement (income statement) is calculated by reference to cost (less depreciation in respect of properties). Also under US GAAP, where properties are sold with a leaseback arrangement, the profit on sale is spread over the term of the initial lease.
3. Contrary to US GAAP, Westpac did not assign market values to the shares it issued in respect of certain acquisitions prior to 1982. The adjusted profit and loss statement and adjusted shareholders' equity statement reflect the assignment of market values to the shares issued by Westpac and the goodwill which emerges as a consequence.

   Up until 1987, goodwill arising in connection with the acquisition of entities was written off as an extraordinary item in the year the acquisition took place. US GAAP requires goodwill to be amortised on the basis of its estimated life but not exceeding 25 years for financial institutions. For the purposes of the US GAAP reconciliation, a write-off period of 20 years has been assumed.

   Since 1987, the Group's accounting policies have complied with Australian accounting standards in relation to goodwill which are similar to US GAAP except that the maximum amortisation period is restricted to 20 years.

NOTE 40. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)

4. Surpluses in the Group's principal pension plans for employees have been recognised as assets of the Group.

   Under US GAAP, such surpluses are not recognised immediately as assets. SFAS No. 87 'Employers' Accounting for Pensions' requires, upon its initial application, such previously unrecognised surpluses to be amortised to income, as an adjustment to pension expense, on a straight-line basis over the average remaining service period of members of the plans. If this period is less than 15 years, a 15 year amortisation period may be adopted.

5. Future income tax benefits have been recognised where realisation of the benefits through future income is virtually certain. US GAAP (SFAS No. 109 'Accounting for Income Taxes') is not materially different from Australian GAAP except that in relation to the criteria for recognition of future income tax benefits, Australian GAAP requires a 'virtual certainty' test, while SFAS No. 109 adopts a lower level of probability, namely a 'more likely than not' threshold. Application of SFAS No. 109 does not materially impact Westpac and no adjustment is required to either shareholders' equity or to net profit.

   At 30 September, net deferred tax assets under US GAAP comprise:

	1997 $m	1996 $m
Total deferred tax assets	**957**	1,504
Total valuation allowances recognised for deferred tax assets[1]	**(126)**	(152)
Deferred tax assets (future income tax benefits as per note 16)	**831**	1,352
Total deferred tax liabilities (note 19)	**(369)**	(778)
Net deferred tax assets	**462**	574
Net decrease in the total valuation allowance during the year	**26**	43

1 This item comprises potential future income tax benefits not brought to account under Australian GAAP because realisation is uncertain. See footnote to note 16.

6. In 1995 provision was made for expected employee redundancy benefits, pursuant to Westpac's restructuring program. In those years, US GAAP required that a liability in respect of such benefits be recognised only when the terms of the redundancy were communicated to the potentially affected individual employees so that each individual employee knew that he or she might become redundant and, if so, what benefits he or she would receive. From 1996 US GAAP requires that the plan of termination specifically identifies the number of employees to be terminated, their job classifications or functions, and their locations. The provisions have therefore been recognised as a US GAAP expense in 1996.

7. Under Australian GAAP, where the requirements of an accounting standard are first applied and such application gives rise to initial revenue or expense adjustments, the net amount of those adjustments is adjusted against retained profits or accumulated losses at the beginning of the financial year to which the standard is first applied. Under US GAAP such adjustments are generally treated as adjustments to the profit or loss for the current financial period.

8. For Australian GAAP the assets of the statutory funds of Westpac Life and the liabilities of the funds to the policy holders are excluded from the consolidated balance sheet. Under US GAAP, the amount of these funds and the related liabilities are included in consolidated assets and liabilities of the Group. The amount of the statutory funds and their related liabilities at 30 September 1997 is $5,353 million which includes the shareholders' interest in these funds of $249 million. This amount forms part of the Group's investment in the life company. All related investments in the funds are reflected at market value.

   Under Australian GAAP, in accordance with the applicable Insurance Commissioner's rules, both fixed and variable acquisition costs can be deferred and recognised over the estimated life of the policy. US GAAP limits the deferral of acquisition costs to direct variable costs. Additionally, under Australian GAAP, investments included in shareholders' funds are reflected at market value with the corresponding gain or loss recognised in income under the applicable Insurance Commissioner's rules. In accordance with US GAAP, these investments would be classified as available for sale and the unrealised gain or loss reflected as a separate component of shareholder's equity.

9. Subject to the constraints of prudential and regulatory requirements, Westpac's investment securities are generally available-for-sale securities as defined by US GAAP (SFAS No. 115 'Accounting for Certain Investments in Debt and Equity Securities'). Such securities have been reported at cost, adjusted for premium or discount amortisation. SFAS No. 115 requires that such securities be reported at fair value, with unrealised gains and losses, net of tax effects, excluded from earnings and reported as a separate component of equity.

NOTE 40. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)

10. Dividends proposed after the end of each financial year are recorded in the period to which they relate. Under US GAAP, dividends are recorded in the period in which they are declared.

11. Other Real Estate Owned is included on the balance sheet as other loans (note 11). Under US GAAP such assets would be classified on the balance sheet separately as 'Other Real Estate Owned' or included with Other Assets.

12. In accordance with Australian GAAP, abnormal items (defined as items of revenue and expense included in operating profit or loss, which are considered abnormal by reason of their size and effect on the results for the financial period) are disclosed separately (note 5) and are included in the profit and loss statement after income before abnormal items and income tax. While such abnormal items do not meet the criteria for extraordinary treatment pursuant to US GAAP, there is no effect on net income or shareholders' equity.

13. Westpac has not attributed any cost to options granted to senior officers under the Senior Officers' Share Purchase Scheme (see note 21) in either its profit and loss statement prepared in accordance with Australian GAAP or in the statement reconciled to US GAAP. Had Westpac adopted the requirements of US accounting standard SFAS No. 123, 'Accounting for Stock-Based Compensation', net income according to US GAAP in 1997, would have reduced by $7 million or 0.4 cents per share. (1996: $3 million or 0.2 cents per share).

14. In accordance with US accounting standard SFAS 114 'Accounting by Creditors for Impairment of a Loan' the measurement of impaired loans is to be based on the present value of expected future cash flows discounted at the loan's effective interest rate; or based on a loan's observable market price; or on the fair value of the collateral if the loan is collateral dependent, that is, repayment of the loan is expected to be provided solely by the underlying collateral.

    A significant portion of Westpac's portfolio of impaired loans is collateral dependent and the net carrying value, after deducting specific provisions, is based on the estimated market value of the collateral. Moreover, to the extent that the carrying value of non-collateral dependent impaired loans, after deduction of specific provisions, may exceed the present value of expected future cash flows relating to such loans, adequate provision has been made for the shortfall within the general provisions for doubtful debts. Accordingly, application of SFAS No. 114 does not give rise to a US GAAP reconciliation adjustment.

Consolidated statement of Changes in US GAAP Shareholders' Equity

	1997 $m	1996 $m	1995 $m
Balance at beginning of year	**7,817**	7,438	6,842
(Decrease)/increase in share capital	**(26)**	(18)	5
Premium on shares issued	**21**	336	16
Premium on shares bought back	**(216)**	(450)	–
Share issue expenses	**–**	–	(1)
Currency translation adjustments (net of hedging gains/losses)	**3**	(3)	5
Net income	**1,363**	1,133	1,051
Dividends provided for or paid	**(731)**	(653)	(551)
US GAAP adjustments for:			
Final dividend proposed	**354**	307	274
Final dividend for prior year	**(307)**	(274)	(182)
Investment securities fair value adjustment (including life company investment)	**18**	1	(21)
Balance at year end	**8,296**	7,817	7,438

NOTE 40. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)

Superannuation (Pension) Expense

For the purpose of calculating net income in accordance with US GAAP, the Group has adopted SFAS No. 87 in respect of the Group's two principal pension plans for employees of the Parent Entity and AGC in Australia. Other pension plans operated by the Group are not material.

In accordance with SFAS No. 87, the amount by which assets of the pension plans exceeded the actuarial present value of projected benefit obligations is being applied as a reduction of net pension cost over fifteen years.

The reconciliation of net income calculated in accordance with Australian GAAP to net income calculated in accordance with US GAAP for the years ended 30 September 1997, 1996 and 1995 includes superannuation (pension) expense adjustments after tax of $37 million (credit), $48 million (credit) and $86 million (credit) respectively.

	1997 $m	1996 $m	1995 $m
These adjustments comprise:			
Elimination of superannuation expense for Australian accounting purposes	**16**	11	11
Income tax applicable	**(6)**	(4)	(4)
	10	7	7
Recognition of a pension benefit calculated in accordance with US GAAP	**42**	69	100
Income tax applicable	**(15)**	(25)	(33)
	27	44	67
Adjustment to reflect change in the Australian company income tax rate	**–**	(3)	12
Net adjustment	**37**	48	86
The pension benefit calculated in accordance with SFAS No.87 comprises:			
Service cost	**(102)**	(90)	(78)
Interest cost	**(126)**	(133)	(116)
Return on assets	**483**	242	204
Net amortisation and deferral	**(235)**	30	70
Net periodic pension benefit	**20**	49	80
Employee contributions	**22**	20	20
Net Group periodic pension benefit	**42**	69	100
The following table presents the estimated status of the Group's two principal pension plans at 30 September			
Accumulated benefit obligation:			
Vested	**1,438**	1,406	1,392
Non-vested	**62**	10	10
Total accumulated benefit obligation	**1,500**	1,416	1,402

	1997 $m	1996 $m	1995 $m
NOTE 40. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)			
Projected benefit obligation	**1,600**	1,541	1,456
Market value of plan assets [1]	**2,387**	2,246	2,229
Plan assets in excess of projected benefit obligation	**787**	705	773
Amounts not yet recognised:			
Balance of transitional asset	**669**	765	861
Prior service cost	**(86)**	(112)	(138)
Net loss	**(336)**	(446)	(379)
Total amounts not yet recognised	**247**	207	344
Prepaid pension contributions at 30 September for the purposes of US GAAP	**540**	498	429
Reconciliation of prepaid pension contributions:			
Prepaid pension contributions at beginning of year	**498**	429	329
Pension benefit for the year	**42**	69	100
Prepaid pension contributions	**540**	498	429

1 Plan assets are invested primarily in fixed-interest securities, listed Australian and overseas stocks and real estate. Included in the plan assets at 30 September 1997 are deposits with Westpac Banking Corporation totalling $15 million (1996 $5 million) and 4.1 million (1996 5.8 million) Westpac Banking Corporation ordinary shares having a total market value at that date of $36 million (1996 $38 million).

Assumptions used in determining the projected benefit obligation at 30 September 1997, 1996 and 1995 and in determining the pension benefit for the year ended on those dates included the following:

	1997	1996	1995
Pension benefit			
Assumed rate of return on plan assets	**8.5%**	9.0%	10.0%
Projected benefit obligation			
Average increase in future compensation levels [1]	**4.5%**	5.0%	5.0%
Discount rate	**6.5%**	8.0%	9.0%

1 Includes allowance for promotional scales equivalent to approximately 1.5%.

The Group has no material obligations in respect of post-retirement employee benefits other than pensions.

Statutory statements

DIRECTORS' STATEMENT

In accordance with a resolution of the Directors of Westpac Banking Corporation ('the Parent Entity'), in the opinion of the Directors:

(a) the financial statements of the Parent Entity and consolidated financial statements of Westpac Banking Corporation ('the Group') are drawn up in accordance with Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law and so as to give a true and fair view of:

  (i) the profit and cash flows of the Parent Entity and Group for the year ended 30 September 1997 and the state of affairs of the Parent Entity and Group as at 30 September 1997; and

  (ii) the other matters with which they deal;

(b) at the date of this statement there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they fall due.

The Parent Entity and consolidated financial statements have been made out in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Dated at Sydney this 12th day of November 1997.

For and on behalf of the Board.

J.A. Uhrig
Chairman

R.L. Joss
Managing Director

INDEPENDENT AUDIT REPORT TO THE SHAREHOLDERS OF WESTPAC BANKING CORPORATION

Scope

We have audited the financial statements of Westpac Banking Corporation ('the Parent Entity') and the consolidated financial statements of Westpac Banking Corporation Group ('the Group') for the year ended 30 September 1997, consisting of the balance sheets, statements of profit and loss, changes in shareholders' equity and cash flows and the accompanying notes to the financial statements as set out on pages 74 to 128. The Parent Entity's Directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the shareholders of the Parent Entity.

Our audit has been conducted in accordance with Australian Auditing Standards (which are substantially the same as auditing standards generally accepted in the United States of America) to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly by the Directors in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and are in accordance with the provisions of, and provide the information required by, the Deed of Settlement and the Bank of New South Wales Act of 1850 (as amended) and other statutory requirements in a manner authorised for a banking corporation under the Banking Act, 1959 (as amended) so as to present a view which is consistent with our understanding of the Parent Entity's and of the Group's financial position, the results of their operations and their cash flows.

We have not acted as auditors of the controlled entities listed in note 27. We have, however, received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the Group financial statements.

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

Audit Opinion

In our opinion, the financial statements of the Parent Entity and the Group are properly drawn up:

a) so as to give a true and fair view of:

(i) the Parent Entity's and the Group's state of affairs as at 30 September 1997 and 1996 and of the Parent Entity's results of operations and its cash flows for each of the two years ended 30 September 1997 and the Group's results of operations and its cash flows for each of the three years ended 30 September 1997; and

(ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Australian Corporations Law to be dealt with in the financial statements;

b) in accordance with the provisions of and provide the information required by the Deed of Settlement, the Bank of New South Wales Act of 1850 (as amended) and the Corporations Law in the manner authorised for a banking corporation under the Banking Act, 1959 (as amended); and

c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

We have obtained all the information and explanations we have required.

Generally accepted accounting principles in Australia vary in certain respects from generally accepted accounting principles in the United States. An explanation of the major differences between the two sets of principles is presented in note 40 to the financial statements. The application of the United States principles would have affected the determination of consolidated net income for each of the three years in the years ended 30 September 1997 and the determination of consolidated shareholders' equity at 30 September 1997, 1996 and 1995 to the extent summarised in note 40 to the financial statements.

R.S. Lynn
Chartered Accountants
Sydney, Australia
12 November 1997

R. Chowdry

Information for shareholders

Annual General Meeting

The meeting will be held in the Auditorium, Level 2, Sydney Convention Centre, Darling Drive, Darling Harbour, Sydney, NSW on 18 December 1997 at 1.30pm.

SHAREHOLDERS' CALENDAR

Record date for final dividend	10 December 1997[1]
Annual General Meeting	18 December 1997
Payment of converting preference share dividend	31 December 1997
Final dividend payable	5 January 1998
Half year end	31 March 1998
Interim results and dividend announcement	early May 1998
Record date for interim dividend	mid-June 1998[2]
Payment of converting preference share dividend	30 June 1998
Interim dividend payable	early July 1998[2]
Year end	30 September 1998
Final results and dividend announcement	early November 1998
Record date for final dividend	mid-December 1998[3]
Annual General Meeting	mid-December 1998[4]
Final dividend payable	early January 1999[3]

1 New York 9 December 1997.
2 Actual dates are to be fixed at the time of announcing 1998 interim results.
3 Actual dates are to be fixed at the time of announcing 1998 final results.
4 Details regarding date of this meeting and the business to be dealt with, will be contained in the Notice of Meeting sent to shareholders in late November 1998.

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

Converting preference shares

Shareholders may vote as a class on any resolution:

- to reduce the capital of the Bank; or
- that the Bank sell all its undertaking; or
- that directly affects the rights or privileges attaching to the converting preference shares

and together with the holders of ordinary shares on any resolution:

- for the winding up of the Bank; or
- if, at the time of any general meeting, any dividend payable on the converting preference shares is in arrears for more than six months, on all matters.

In such cases, shareholders have the same rights as to the manner of attendance and as to voting in respect of each converting preference share as those conferred on holders of each fully paid ordinary share.

Dividends payment

Holders of shares traded on Australian Stock Exchange Limited may elect, by written notification to the Share Registry in Sydney, to receive their Westpac ordinary share and/or converting preference 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.

Stock exchange listings and share registry information

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.

The converting preference shares are listed on Australian Stock Exchange Limited (code WBCPA) only.

Share registries

For information about your shareholding you should contact the appropriate share registry:

Australia
Corporate Registry Services Pty Ltd, Level 4, 55 Hunter Street, Sydney NSW
Postal address: GPO Box 1486, Sydney NSW 1005

Shareholder Serviceline:
Telephone: (02) 9232 4211 or 1800 804 255 (toll free in Australia), Facsimile: (02) 9232 3719

New Zealand
Registrars Ltd, Level 3, 277 Broadway, Newmarket, Auckland
Postal address: Private Bag 92119, Auckland 1030, New Zealand
Telephone: (09) 520 3110, Facsimile: (09) 520 3111

Depositary in USA for American Depositary 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: (212) 648 3213, Facsimile: (212) 648 5104

* 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: (3) 5391 7029, Facsimile: (3) 5391 1911

Shareholders should notify any change of address to the appropriate registry promptly, in writing, quoting their previous address. It is not necessary for shareholders to return their share certificate(s) when notifying a change of address.

CHESS

CHESS stands for 'Clearing House Electronic Subregister System' and is an electronic subregister of a company's principal share register. Sponsorship in CHESS by a stockbroker requires shareholders to surrender their share certificate(s) and convert to an uncertificated holding for which the stockbroker issues the client a unique holder identification number (HIN). Further information on CHESS can be obtained from any office of the Australian Stock Exchange.

Sources of information for shareholders

Annual report

The main source of information is the Annual Report (or the Short Form Annual Report) which is mailed to shareholders in November.

Shareholders who do not want to receive the Annual Report, or who are receiving more than one copy, or who would prefer to receive a Short Form Annual Report, should notify the Share Registry in Sydney in writing, including the shareholder number with the notification. Regardless of receipt of the Annual Report or Short Form Annual Report, all shareholders will continue to receive all other shareholder information.

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 Australian Stock Exchange Limited); and
- annual reports and information booklets produced by controlled entities and operating divisions of Westpac Banking Corporation.

Westpac Investor Relations

Further information other than that relating to your shareholdings (see Share Registries) can be obtained from:

Group Investor Relations

Level 3, 60 Martin Place, Sydney NSW 2000 Australia
Australia: Telephone: (02) 9226 3143, Facsimile: (02) 9226 1539
Overseas: Telephone: 61 2 9226 3143, Facsimile: 61 2 9226 1539; or

Westpac's Internet Address

http://www.westpac.com.au

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 Banks (Shareholdings) Act from owning ordinary shares accordingly.

Analysis of shareholdings as at 30 September 1997

SHAREHOLDINGS BY CLASS

	Converting Preference Shares Fully Paid	%	Ordinary Shares Fully Paid	%	Ordinary Shares Partly Paid to 10¢	Ordinary Shares Partly Paid to 01¢	Options to subscribe for Ordinary Shares[1]
1 – 1,000	7,039	51.5	67,700	46.4	–	–	1
1,001 – 5,000	5,472	40.1	57,581	39.4	1	2	43
5,001 – 10,000	697	5.1	11,875	8.1	3	13	37
10,001 – 100,000	416	3.0	8,374	5.7	1	7	558
100,001 & over	39	0.3	524	0.4	–	–	143
Total	13,663	100.0	146,054	100.0	5	22	782
Percentage of total securities held by Top 20 holders in each class	54.28		58.51		100.00	97.47	26.31
Holdings less than a marketable parcel	14		13,410				

1 Issued under Senior Officers' Share Purchase Scheme, Chief Executive Share Option Agreement or J.P. Morschel Share Option Deed.

SHAREHOLDINGS BY DOMICILE

	Number of Holdings[1]	% of Holdings	Number of Issued Shares & Options (000s)	% of Issued Shares & Options
Australia	135,204	88.84	1,850,005	96.26
New Zealand	10,978	7.21	26,482	1.38
United Kingdom	2,051	1.35	7,789	0.40
Japan	2,324	1.53	6,946	0.36
United States	538	0.35	23,220	1.21
Other Overseas	1,092	0.72	7,491	0.39
Total	152,187	100.00	1,921,933	100.00

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

TOP TWENTY ORDINARY SHAREHOLDERS

	Number of Fully Paid Ordinary Shares	% Held
National Australia Trustees Limited	164,200,000	9.22
Lend Lease Custodian Pty Ltd	150,000,100	8.42
Westpac Custodian Nominees Ltd	145,593,928	8.18
Chase Manhattan Nominees Ltd	145,078,098	8.15
ANZ Nominees Ltd	86,423,866	4.85
National Nominees Ltd	81,681,295	4.59
Citicorp Nominees Pty Limited	34,955,972	1.96
Australian Mutual Provident Society	34,632,646	1.95
SAS Trustee Corporation	34,614,603	1.95
Queensland Investment Corporation	28,450,300	1.60
MLC Limited	21,993,589	1.24
Perpetual Trustees Nominees Ltd	21,027,172	1.18
Cede & Co	16,110,745	0.90
Mercantile Mutual Life Insurance Company Limited	13,409,369	0.75
Perpetual Trustee Co Ltd	12,710,350	0.71
BTM Nominees (Australia) Pty Ltd	11,055,343	0.62
NRMA Investments Pty Limited	10,258,600	0.58
Pendal Nominees Pty Limited	10,198,356	0.57
Prudential Corporation Australia Limited	9,963,929	0.56
The National Mutual Life Association of Australasia Limited	9,476,286	0.53
Total	1,041,834,547	58.51

Top Twenty Shareholders hold 58.51% of total fully paid ordinary shares issued.

TOP TWENTY CONVERTING PREFERENCE SHAREHOLDERS

	Number of Fully Paid Converting Preference Shares	% Held
Chase Manhattan Nominees Limited	14,218,300	17.77
National Nominees Limited	6,242,820	7.80
Westpac Custodian Nominees Limited	5,027,924	6.28
Australian Foundation Investment Company Limited	3,994,935	4.99
Queensland Investment Corporation	2,400,000	3.00
The National Mutual Life Association of Australasia Limited	1,629,900	2.04
Mercantile Mutual Life Insurance Company Limited	1,226,190	1.53
Warnford Nominees Pty Limited	1,186,500	1.48
Djerriwarrh Investments Limited	1,100,000	1.38
CSS Board	1,097,900	1.37
National Australia Financial Management Limited	841,900	1.05
Brispot Nominees Pty Ltd	781,616	0.98
Warbont Nominees Pty Ltd	733,000	0.92
Norwich Union Life Australia Ltd	638,210	0.80
National Mutual Trustees Ltd	546,300	0.68
PSS Board	453,986	0.57
Western QBE Insurance Limited	400,000	0.50
Bainpro Nominees Pty Limited	330,120	0.41
JMB Pty Ltd	300,000	0.38
Buttonwood Nominees Pty Ltd	281,239	0.35
Total	43,430,840	54.28

Top Twenty Shareholders hold 54.28% of total fully paid converting preference shares issued.

SUBSTANTIAL SHAREHOLDERS

	Number of Shares Held	% of Shares Held
Shareholders appearing on the Register of Substantial Shareholders as at 30 September 1997 are:		
Fully Paid Ordinary Shares		
Australian Mutual Provident Society (and its associates) (by notice dated 1 November 1996)	243,513,368	13.47
Associates of Lend Lease Corporation Limited (by notice dated 7 April 1997)	180,752,427	10.15 [1]
The Capital Group of Companies (by notice dated 27 June 1997)	153,370,331	9.28
Natwest Markets Australia Limited (by notice dated 12 June 1996)	114,214,930	6.32 [1]

1 County Natwest Securities Australia Limited holds a relevant interest in 100,000,000 of these shares which are held in the name of Lend Lease Custodian Pty Limited in connection with County 2000 Westpac Banking Corporation Warrants.

Westpac Executive Management Team

Robert Joss
Managing Director &
Chief Executive Officer

Patrick Handley
Group Executive &
Chief Financial Officer

Mike Hawker
Group Executive
NSW Regional Bank[1]

David Morgan
Group Executive Institutional
& International Banking (IIBG)

John Morschel
Executive Director
Australian Banking

Robert Nimmo
Group Executive &
Chief Credit Officer

Drew Tanzman
Group Executive
Australian Banking Services[1]

Other Principal Officers

Avery Duff Group Executive, Human Resources
Bettie McNee Group Secretary & General Counsel
Helen Nugent Director of Strategy
Matthew Slatter Deputy Chief Financial Officer

Business Executives

Bruce Alexander Chief Executive, Pacific Regional Banking
Tony Aveling Chief Executive, Business & Private Banking
Rob Bishop General Manager, Cards/ATMs
David Fite Managing Director, Westpac Financial Services Group
Loran Fite Chief Information Officer
Tony Howarth Chief Executive, Challenge Bank
David Liddy Chief Executive, Queensland
Leslie Martin Chief Operations Officer, IIBG
Harry Price Chief Executive, New Zealand
Barry Robertson Chief Executive, VIC, TAS, SA & NT
Garry Rothwell General Manager, Property Finance Group, IIBG
Richard Thomas Managing Director, AGC
Owen van der Wall Chief Executive, NSW
Jake Williams General Manager, Corporate & Institutional Banking, IIBG
David Willis Global Head, Westpac Markets, IIBG

General Managers

Bruce Auty Group Credit Policy
Ashley Ayre Asset Management
John Best Credit Risk Review, Group Risk Management
Iain Blacklaw Australian Banking Operations
John Brodie Finance, Australian Banking Group
Susan Brooks Public & Consumer Affairs
David Burrill Credit, Business Banking, Australian Banking Group
Mary Carryer Product Integration, Australian Banking Group
John Charters Group Operational Risk
Phil Chronican Finance, IIBG
Jim Coleman Credit, IIBG
Bill Evans Economic Strategy, IIBG
David Fletcher Group Finance
Richard Harpham Credit, Australian Banking Group
Tim Jenkins Chief Executive, Superannuation & Insurance Products
Michael Johnston Employee Relations & Policy
Geoff Kimpton Sales & Marketing, The Mortgage Company
Paul Lilley Human Resources, Australian Banking Group
Ian Macoun Westpac Investment Management, Financial Services
Peter Maher Consumer Marketing & Product Development
John Malouf Executive Director Auto & Business, AGC
Tony Mathers Asia, IIBG
Michael Norton Institutional Banking, VIC
Noel Purcell Group Investor Relations
Trevor Russell Distributed Operations, Information Technology
Malcolm Sandy Group Audit
Ann Sherry Human Resources, IIBG
Diane Sias Operational Services, Australian Banking Group
Garry Tierney Legal Services
Marten Touw Group Treasurer
Mark Veyret Marketing, Corporate & Institutional Banking
Sam Zweig Sydney Olympics

1 Appointed September 1997.

WESTPAC CREDIT RATINGS (NOVEMBER 1997)

	Short term	Long term
IBCA	A1+	AA–
Moody's Investor Services	P-1	Aa3
Standard & Poors	A-1+	AA–

WESTPAC REPRESENTATION (INCLUDING ATMS)

September 1997	Australia	New Zealand	Other	Total
Branches, sub-branches, agencies and banking centres	970	328	113	1,411
Business banking units	70	–	–	70
Commercial banking/agribusiness centres	19	–	–	19
International business centres	7	–	–	7
Financial planning centres	36	–	–	36
Private banks	4	–	–	4
ATMs	1,114	444	2	1,560
Total	2,220	772	115	3,107

Customer information and assistance

Telephone assistance

Australia	Westpac	Bank of Melbourne	Challenge Bank
Customer account enquiries and general information			
– personal customers	**13 2032**	**13 2575**	**13 1862**
– business customers	**13 2142**	**13 2575**	**13 2885**
Home loan enquiries	**13 1900**	**13 1575**	**13 2456**
Cardholder enquiries			
– lost or stolen cards	**1300 651 089**	**1800 620 164**	**1800 061 547**
– general enquiries	**1300 651 089**	**13 2575**	**1800 061 547**
ATM enquiries and service difficulties	**1800 022 022**	**1800 802 147**	**1800 022 022**
Financial Services	**13 1817**	**03 9897 3155**	**13 1817**

New Zealand	WestpacTrust
Customer service	
– Westpac customers	**0800 801 331**
– Trust Bank customers	**0800 888 787**
Cardholder enquiries (including lost or stolen cards)	**0800 888 111**
Financial Services	**0800 738 641**

Internet Site

Westpac's internet site is at **http://www.westpac.com.au** and provides information on products and services, economic updates, community sponsorships, media releases and other information relating to Westpac's 180 year history. The Shareholder Centre on the site provides key information about investing in Westpac Banking Corporation shares, including financial results, contacts and descriptions of Westpac's businesses.

AUSTRALIA

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60 Martin Place
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Facsimile: (02) 6275 5194

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Facsimile: (03) 9608 3138

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Facsimile: (07) 3227 2497

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313 Silom Road
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63 St Mary Axe
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NEW ZEALAND

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Facsimile: (682) 20802

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French Polynesia
Telephone: (689) 46 7979
Facsimile: (689) 43 1333

Republic of Kiribati
Bank of Kiribati Ltd
Bairiki Tarawa
Republic of Kiribati
Telephone Bairiki:
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Facsimile: (686) 21200

New Caledonia
44 Rue Alma Noumea
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Facsimile: (687) 256 306

Niue
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Bank Limited
Beach Road Apia
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Facsimile: (685) 22848

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721 Mendana Avenue
Honiara
Solomon Islands
Telephone: (677) 21222
Facsimile: (677) 23419

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Tonga
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Facsimile: (676) 23634

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