

# Setting the direction



**John Uhrig** AC, BSc, DUniv, Hon. DEcon, FAIM. Age 72.

Appointed Chairman October 1992, director since November 1989. John Uhrig has broad industry and manufacturing experience and has participated in and contributed to a variety of government and community bodies. Chairman of Santos Limited and Adelaide Symphony Orchestra Pty. Limited. Director of the Australian Major Performing Arts Group. Trustee of the Westpac Foundation.



**Leon Davis** ASAIT, DSc(h.c.), FRACI, FAustIMM. Age 61.

Appointed Deputy Chairman July 2000, director since 1999. Leon Davis has had many years of experience in mining, both in Australia and overseas. He has lived and worked in senior positions in Australia, Papua New Guinea, Singapore and the United Kingdom. He was formerly Chief Executive of Rio Tinto, which has worldwide mining activities, principally in Australia, New Zealand, Indonesia, Papua New Guinea, North and South America, Southern Africa and Europe. He is Deputy Chairman of Rio Tinto and a director of Huysmans Pty. Limited and Codan Pty. Limited.



**Barry Capp** BE(Civil), BCom, BA. Age 67. Director since May 1993. Barry Capp was employed for many years in financial and commercial roles and has had experience

in company reconstructions. Chairman of National Foods Limited, Australian Infrastructure Fund Limited and Freight Rail Corporation. Director of Tassal Limited, Touchcorp Limited, Hellaby Holdings Limited and Melbourne University Private Limited.



**The Hon. Sir Llewellyn Edwards** AC, MB, BS, FRACMA, LLD(h.c.), FAIM. Age 65. Director since November 1988. Sir Llewellyn Edwards has had extensive experience in Queensland state politics (including five years as Treasurer), business and in community service (Chairman World Expo 88 Authority and Chancellor of University of Queensland). Chairman of Webmatchit Interactive Marketing Limited and director of James Hardie Industries Limited, UQ Holdings Pty. Limited and TCNZ Australia Pty. Limited. He also acts as a consultant to business and government. Chairman of Pacific Film & Television Commission.



**John Fairfax** AM. Age 58. Director since December 1996. John Fairfax has considerable understanding of the financial services needs of the commercial and rural sectors and of the impact of production and information technology on industry strategy. He has extensive experience in the media industry and takes an active interest in community organisations including the Royal Agricultural Society of NSW. Chairman of Cambooya Investments Limited and Rural Press Limited. Director of Crane Group Limited.



**Patrick Handley** BA, MBA. Age 55. Executive director since November 1997. Patrick Handley joined Westpac in 1993 with 23 years banking experience in the United States. At BancOne Corporation for 13 years, he was Chief Financial Officer for eight of them, with additional management responsibilities for its mortgage and leasing subsidiaries as well as its acquisition program. He is Chief Financial Officer of Westpac, with responsibility for finance, taxation and accounting, Group Treasury, Risk Management, Legal and Investor Relations. Trustee of the Westpac Foundation.



**Ian Harper** AM, BA, LLB. Age 68. Director since July 1987. Ian Harper, previously a partner of Allen Allen & Hemsley since 1960 and now a consultant to that firm, has practised extensively in corporations law. He has held a variety of financial service company board positions over many years. Director of Mayne Nickless Limited and other companies. Mr Harper chairs the Westpac Staff Superannuation Plan Pty. Limited Board, representing the main board of directors, and the Westpac Foundation.



**Warren Pat Hogan** MA, PhD, DSc(h.c.). Age 71. Director since August 1986. Warren Hogan was a Professor of Economics at the University of Sydney from 1968 to 1998. He is an Adjunct Professor in the Faculty of Business of the University of Technology, Sydney. Adviser to business, government and international organisations including the World Bank, Harvard University Development Advisory Service and the Australian Associated Stock Exchanges. Director of the principal board, Australian Mutual Provident Society, 1993 to 1995.



**Helen Lynch** AM. Age 57. Director since November 1997. Helen Lynch had 35 years experience in Westpac including membership of Westpac's executive team before retiring in 1994. She is a director of Coles Myer Limited, Southcorp Holdings Limited and CRI Australia Holdings Limited. Deputy Chairman of OPSM Protector Limited and Chairman of the Sydney Symphony Orchestra Holdings Pty. Limited. Director of the Centre for Independent Studies and The Garvan Medical Research Institute.



**Eve Mahlab** AO, LLB. Age 63. Director since October 1993. Eve Mahlab has practised as a solicitor, managed a family, owned and operated several successful small businesses and served on government and

community boards. She has been extensively involved in community activities particularly those relating to business education, women and social change. Deputy Chairman of Film Australia Limited, Board Member of Walter and Eliza Hall Institute of Medical Research. Trustee of the Westpac Foundation.



**David Morgan** BEc, MSc, PhD. Age 53. Appointed Chief Executive Officer March 1999, executive director since November 1997. David Morgan has extensive experience in the financial sector, having worked in the International Monetary Fund in Washington in the 1970s and the Federal Treasury in the 1980s where he headed all major areas before being appointed Senior Deputy Secretary. Since joining Westpac in 1990, he has had responsibility for all major operating divisions including Westpac Financial Services, Retail Banking, Commercial Banking, Corporate and Institutional Banking and International Banking.



**John Morschel** DipQS, AAIQS, FAIM. Age 57. Director since July 1993. John Morschel has broad experience in the property and construction industries and the life insurance and financial services industry. Deputy Chairman of CSR Limited. Director of Rio Tinto plc, Rio Tinto Limited, Cable & Wireless Optus and Tenix Pty. Limited. Trustee of the Art Gallery of New South Wales.



**Peter Ritchie** BCom, FCPA. Age 58. Director since January 1993. Peter Ritchie has broad consumer marketing and commercial experience. Chairman and founding director of McDonald's Australia Limited and currently a member of McDonald's Malaysia and New Zealand Boards. Executive Chairman of Culligan NSW. Director of Seven Network Limited, 1 800 Reverse Pty. Limited and Bakers Delight Holdings Pty. Limited.



**Christopher Stewart** AM. Age 72. Director since November 1997. Christopher Stewart was Chairman of the Bank of Melbourne Limited from 1989 to 1998. He was also Chief Executive Officer of that bank until his retirement in 1993 and was Managing Director of its predecessor, RESI-Statewide Building Society from 1979 to 1989. He is a director of Permanent Trustee Company Limited, Gandel Management Limited and Milton Corporation Limited. He is a trustee of the Families in Distress Foundation.

# Policy matters

Principles that guide us, practices that protect us, and controls that govern us.

## The Westpac Deed of Settlement

Westpac was the first bank established in Australia. Originally known as the Bank of New South Wales, it was founded in 1817 and was incorporated in 1850 by an Act of the New South Wales Parliament. Our Deed of Settlement (the “Deed”), which governs the relationship between Westpac and its shareholders, is based on the Deed adopted in 1850. The Deed remains in force today, though it has been amended from time to time, with shareholder approval. It sets out the rules dealing with how we manage and control our business, including how shares are owned and transferred; meetings are held; voting occurs; and directors, officers, auditors and other representatives are appointed.

Following shareholder approval at the December 1999 Annual General Meeting and the enactment of the Westpac Banking Corporation (Transfer of Incorporation) Act 2000 which became effective on 6 September 2000, we are progressing with plans to change the status of Westpac to a Corporations Law company. Formal approval to proceed will be sought from shareholders at the forthcoming Annual General Meeting on 15 December 2000. If shareholder approval is obtained, shareholders will also be asked to adopt a new constitution in place of the Deed. While we will always preserve our historical heritage, it is time to move away from what is becoming increasingly an historical legal anomaly in the face of significant corporate law reform.



From left: A page from the original 1850 Deed of Settlement, The First Report – 1851.

## The board

The board of directors is accountable to shareholders for performance of the Group and is responsible for the corporate governance practices of the Westpac Group.

The board’s principal objective is to maintain and increase shareholder value while ensuring that the Group’s overall activities are properly managed.

In doing so the board supports the highest standards of corporate governance, which it sees as fundamental to its commitment to business integrity and professionalism in all its activities.

Our corporate governance practices provide the structure which enables this objective to be achieved, whilst ensuring that the business and affairs of the Group are conducted ethically and in accordance with the law.

The board’s overall responsibilities include:

- providing strategic direction and approving corporate strategies;
- monitoring management performance;
- monitoring financial performance and, in this regard, working with the Group’s external auditors;
- monitoring and ensuring the maintenance of adequate risk management controls and reporting mechanisms; and
- ensuring the business of the Group is conducted ethically and transparently.

The board delegates responsibility for day-to-day management of the business to the Chief Executive Officer. In addition, the Executive Office oversees the implementation of strategies approved by the board and the day-to-day running of the business. The board also uses a number of committees to support the board in matters that require more intensive review. For example, the integrity of Westpac’s internal control and risk management systems is the responsibility

of the Board Credit and Market Risk Committee and Board Audit and Compliance Committee. Further details of the board committees and Executive Office are provided below.

As part of its commitment to good corporate governance, the board regularly reviews the practices and standards governing the board's composition, independence and effectiveness; the accountability and compensation of directors (and senior executives) and the board's responsibility for stewardship of Westpac. The main practices and policies currently in place are as follows.

### **Composition and independence of the board**

As at 3 November 2000, the board has 14 members, with two executive directors and 12 non-executive directors including the Chairman and Deputy Chairman. Further details of individual directors are set out at pages 40 and 41.

The size and composition of the board is determined by the full board, subject to the limits imposed by the Deed. The Deed requires a minimum of seven directors, and a maximum of 15. In addition, up to three members of the board may be executive directors.

The Chairman and Deputy Chairman are both non-executive directors, appointed by the full board. Structures and procedures in place to ensure the board can operate independently of executive management include the predominance of non-executive directors who bring independent and special professional expertise to the board, and the appointment of a non-executive Chairman and Deputy Chairman.

### **Board access to independent information and other resources**

All directors have unrestricted access to company records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

The board collectively and each director individually has the right to seek independent legal advice at Westpac's expense to assist them to carry out their responsibilities.

While prior approval of the Chairman is required, it may not be unreasonably withheld. In the absence of the Chairman's consent, approval by the board may be sought.

The Deed sets out rules dealing with the indemnification of and insurance cover for directors and former directors of Westpac. Any such arrangements are undertaken in accordance with limitations imposed by law. To reflect current practices and to clarify the legal position of non-executive directors, shareholders at the December 1999 Annual General Meeting approved a deed of access and indemnity being entered into between Westpac and each director.

All new directors receive induction training at the time of their appointment to the board appropriate to their experience, to familiarise them with matters relating to our business, corporate strategy and current issues before the board.

Our Group Secretary and General Counsel also provides directors with ongoing guidance on issues such as corporate governance, the Deed and the law.

In addition to its formal meetings, the board undertakes regular workshops on matters of topical interest. In 2000 there have been workshops on, amongst other things, eCommerce and Business Banking.

### **Board nominations**

Following recommendations to the board flowing from the Board Nominations Committee, nominations for appointment to the board are considered by the board as a whole.

The board selects the most suitable board candidates taking into account the diversity of experience among the existing board and a range of flexible criteria, including the candidate's background, experience, professional skills, personal qualities and availability to commit themselves to board activities.

An important quality sought in candidates, regardless of diversity of experience, is demonstrated experience in corporate decision-making, usually at a senior executive level.

If candidates are appointed by the board, they stand for election, in accordance with the Deed, at the next Annual General Meeting of shareholders.

Directors are encouraged to own Westpac shares and must, under the Deed, own a minimum of 4,000 Westpac shares.

### **Board performance review**

The performance of the Chief Executive Officer (along with other senior executives) is reviewed periodically by the Board Remuneration Committee and the full board. The performance of non-executive directors is reviewed by the Chairman on an ongoing basis and, in addition, is reviewed by the non-executive directors as a peer group in the year in which a director becomes eligible for re-election. The Chairman's performance is reviewed by the full board each year prior to the Chairman's appointment.

## Corporate governance

### Conflicts of interest of directors

The board has guidelines dealing with disclosure of interests by directors and participation and voting at board meetings where any such interests are discussed. In accordance with the Corporations Law, any director with a material personal interest in a matter being considered by the board must not be present when the matter is being considered, and may not vote on the matter.

### Retirement of directors

The new constitution proposes a reduction in the retirement age to 70. The Deed sets a retirement age of 72. One third of the directors must offer themselves for re-election each year at the time of the Annual General Meeting. In November 1999 the board adopted fixed terms of office for its non-executive directors.

### Board meetings

Currently the board meets at least 10 times a year, and also from time to time, to deal with specific matters that require attention between scheduled meetings. Meeting agendas are established by the Chairman and the Chief Executive Officer to ensure adequate coverage of financial, strategic and major risk areas throughout the year.

Regular board meetings consider a broad range of matters, including financial performance reviews, capital management, acquisitions and delegated authorities.

Details of meetings and attendances are set out at page 55.

### Remuneration policy

The total remuneration available to non-executive directors is fixed by the shareholders at Annual General Meeting. The current pool limit of \$1.5 million was approved by shareholders at the Annual General Meeting held in December 1999.

When setting actual fees for individual directors, account is taken of the responsibilities inherent in the stewardship of Westpac and the demands made of directors in the discharge of their responsibilities. The board takes advice from independent consultancy sources to ensure remuneration accords with market practice.

Remuneration of the Chief Executive Officer is determined by the board in accordance with our executive compensation program. Total reward has three components: base salary; annual performance bonus, and long-term incentive. The remuneration of our key executives is determined by the Board Remuneration Committee. The committee takes into account the recommendations of the Chief Executive Officer, who takes advice from independent consultancy sources to ensure remuneration accords with market practice. In keeping with our philosophy of pay for performance, the committee evaluates performance in three key areas: corporate, business unit and individual.

Details of our remuneration philosophy and practice and fees and other entitlements paid to non-executive directors, executive directors and the top five senior executives are set out in full in the Directors' Report.

### Board committees

To assist the board in fulfilling its duties, there are currently four board committees, whose powers and procedures are governed by the Deed and the relevant committee's terms of reference, as delegated in writing by the board.

The four board committees (up from three in the previous year) are: The Board Audit and Compliance Committee, the Board Credit and Market Risk Committee, the Board Nominations Committee and the Board Remuneration Committee. Other board committees may be established from time to time to consider matters of special importance.

The board committees meet on a quarterly basis and at such other times as considered appropriate.

All four committees are currently composed of non-executive directors only, and membership is reviewed and rotated on an ongoing basis. Executive directors and senior executives may be invited to attend committee meetings.

#### The Board Audit and Compliance Committee

The Board Audit and Compliance Committee oversees all matters concerning internal control, accounting policies and financial reporting including reviewing the interim and annual financial statements. It monitors the relationship with the external auditors and makes recommendations to the board on the appointment and removal of external auditors, their terms of engagement, and the scope and quality of the audit. Additionally, the committee sets the scope of the internal audit function, ensures its resources are adequate and reviews the output of its work; and reviews the adequacy and effectiveness of management's control of risk in relation to operational activities, financial reporting and compliance.

Present membership of the committee: J.P. Morschel (Chairman), I.R.L. Harper, H.A. Lynch, P.D. Ritchie and J.A. Uhrig (ex officio).

#### **Board Credit and Market Risk Committee**

The Board Credit and Market Risk Committee oversees matters relating to management of the credit and market risks inherent in our operations. It reviews and approves our risk management framework, in particular prudential policies, credit and market risk limits and controls. It delegates authority to the Chief Executive Officer and the Chief Credit Officer to approve risk exposures. It monitors the credit and market risk performance of management, and the adequacy of provisions for credit loss, both specific and general, through management reporting and independent reports from Credit Risk Review. Detailed discussion of the management of credit and market risk is contained in the Financial Review section of the Annual Financial Report.

Present membership of the committee: W.P. Hogan (Chairman), L.A. Davis, J.B. Fairfax, E. Mahlab, C.J. Stewart and J.A. Uhrig (ex officio).

#### **Board Nominations Committee**

The Board Nominations Committee develops and reviews policies on director tenure, non-executive director remuneration and retirement schemes, board composition, strategic function and size, eligibility criteria for election of directors, and board and board committee effectiveness. In addition, the committee reviews director appointment criteria from time to time and considers and makes recommendations to the board on candidates for appointment as directors.

Present membership of the committee: H.A. Lynch (Chairman), W.B. Capp, W.P. Hogan, J.P. Morschel and J.A. Uhrig (ex officio).

#### **Board Remuneration Committee**

The Board Remuneration Committee reviews remuneration policies and practices, approves the reward levels for the general management group, approves merit recognition arrangements and staff option grants and makes recommendations to the board on the remuneration of the directors, including the Chief Executive Officer. The committee's work is supported by independent remuneration consultants to ensure that our remuneration practices are consistent with market practice.

A fuller discussion of Westpac's remuneration philosophy forms part of the Directors' report at page 51.

Present membership of the committee: W.B. Capp (Chairman), Sir Llewellyn Edwards, P.D. Ritchie and J.A. Uhrig (ex officio).

## **Executive Office**

The Executive Office oversees the implementation of the strategies approved by the board, and the day-to-day running of the business.

Current membership of the Executive Office is: Chief Executive Officer; Executive Director, and Chief Financial Officer; Group Executive, Westpac Institutional Bank; Group Executive, Australian Business and Personal Banking; Group Executive, WestpacTrust, Pacific Banking, and Performance Enhancement Program; Group Executive, Banking and Financial Services Solutions; Group Executive, Information Technology and Operations; Group Executive, Human Resources; Group Executive, Group Strategy.

Personal details of the incumbents is shown on pages 30 and 31 of this report.

To strengthen accountability and leadership we have put in place an Executive Office structure that accentuates communication, efficiency, and responsiveness across functions and geography. Currently meetings are held at least weekly and more often when necessary. The discussions help to maintain organisational cohesiveness while emphasising openness, customer focus, and participative management at all levels and across boundaries.

## **Communication with shareholders**

Westpac has a comprehensive policy for communications with shareholders and other stakeholders. We are committed to providing our shareholders with comprehensive information about Westpac and its activities, and to fulfilling our obligations to the broader market for continuous disclosure.

Consistent with best practice disclosure and continuous disclosure requirements, all market-sensitive data, corporate presentations and reports are released to the stock exchange and to the market simultaneously via press release and posting on Westpac's internet site.

## Corporate governance

Information on page 69 and the inside back cover of this report contains details of how information is provided to shareholders and how it can be obtained.

The internet now provides the quickest way of disseminating information, so we encourage all our shareholders, customers, and any other interested parties, to visit our website [www.westpac.com.au](http://www.westpac.com.au). You will find copies of our annual reports, briefings and presentations given by our CEO and other executives, public announcements, economic updates, and of course information on our products and services. There is even a history of Westpac covering its 183 years of operation.

### Risk management

Risk is the potential for damage or loss associated with the business activities we undertake. Taking and managing risk are central to our business and to creating shareholder value, and for management purposes we recognise three types of risk:

- **Credit risk** is the risk of financial loss from the failure of customers to honour fully the terms of their contract with us;
- **Market risk** is the risk to earnings from changes in market factors such as interest and foreign exchange rates, or our liquidity and funding profiles; and
- **Operational risk** is the risk of unexpected financial, reputational, or other damage arising from the way our organisation pursues its business objectives.

To monitor risk we use a consistent management framework. This is a dynamic approach in which the board and the executive team link the active management of risk with the pursuit of agreed business strategies and objectives. It has five elements: strategic intent, business objectives, risk assessment, risk response and continuous assessment and review.

Management is accountable to the board for maintaining an effective control environment that reflects risk appetite and business objectives.

Management is required at regular intervals to report to the senior executive and the board on the effectiveness of their risk management systems. Independent assessment of this process is provided by Group Audit and Credit Risk Review.

A more detailed coverage of the types of risk and how we manage them is contained in our Annual Financial Report on page 24.

### Goods and Services Tax (GST)

In the lead-up to the introduction of the GST on 1 July 2000, extensive preparation and compliance testing ensured all of our systems and procedures were fully compliant with the new tax requirements. Because of the characterisation of most financial services as input taxed supplies (where no GST is payable on the supply of the input taxed supply, but the supplier cannot claim an input tax credit for any GST included in the price of things acquired to make the supply), it has also been necessary to review our pricing structures to seek to recover the higher input costs resulting from the GST. The new pricing structure was developed in consultation with the Australian Competition and Consumer Commission (ACCC), and is consistent with its guidelines and the Trade Practices Act.

### Y2K

We committed to our customers to be absolutely Y2K ready well before 1 January 2000, and undertook extensive preparation over the previous three years. Regular exhaustive tests of all systems, including regular board reviews, were carried out in the lead-up to the end of 1999. No major problems were experienced.

### Compliance

Compliance with the many legal, regulatory, and prudential requirements of our industry is of vital importance to us. We take our obligations seriously and constantly look for initiatives to improve our standard of compliance.

Compliance is primarily a line management responsibility with business heads required to demonstrate they have in place an effective process.

To strengthen our ability to monitor and make progressive improvement we have a Chief Compliance Officer who reports directly to the Board Audit and Compliance Committee.

## Code of conduct

We have a Code of Conduct (the “Code”) to guide executives, management and employees in carrying out their duties and responsibilities to the highest ethical standards. The Code was updated and reissued in June this year and is subject to regular review so that it continues to reflect the standards of behaviour and corporate culture expected of the best corporations. It is based on the following key principles:

- acting with honesty and integrity
- abiding by laws and regulations
- respecting confidentiality and handling information in a proper manner
- maintaining the highest standards of professional behaviour
- avoiding conflicts of interest
- striving to be a good corporate citizen and to achieve community respect.

There are also a number of specific policies which underpin the Code and elaborate on various legal and ethical issues.

The Code is designed not only to foster ethical business conduct, but also to govern such things as workplace and human resources practice, insider trading, risk management, and legal compliance.

## Insider trading

Directors and other officers are subject to restrictions under the Corporations Law relating to dealings in securities. As required by law and by our own insider trading policy, buying or selling Westpac securities is not permitted at any time by any person who possesses price-sensitive information not available to the market in relation to those securities. In addition to these restrictions, the board’s policy is that directors may only buy or sell Westpac shares or options, after notifying the Chairman, in the six weeks immediately following our half year and full year financial results announcements and, if relevant, any Annual General Meeting announcement. At all other times directors require the prior consent of the board to buy or sell Westpac shares or options, with the board examining each transaction prior to approval to ensure it is not related to insider trading.

## Occupational health and safety

The safety and welfare of our employees is important to us, and so we are committed to Occupational Health & Safety (OHS) through a process of continual improvement while meeting our legislative responsibilities. As new OHS legislation expected within the next year will have a greater focus on employee consultation, we have prepared for this change by reviewing our consultation mechanisms during the past year. The methods for consulting with employees have been improved and are now more varied and flexible, and accommodate the range of environments in which our businesses operate.

## The environment

We believe we have a responsibility to maximise the environmental performance of our business wherever we can.

We were the first Australian financial institution to commit to greenhouse measures when we joined the Greenhouse Challenge in 1996, and since then we have been introducing energy saving initiatives and extending the scope of environmental actions to waste, transport, and cultural change. In our experience adopting innovative technology and practices to reduce energy and save greenhouse gas emissions can deliver both cost savings and environmental benefits.

We are the only Australian bank to be a signatory to the United Nations Environment Program (UNEP) Statement by Financial Institutions on the Environment and Sustainable Development. We are also the only Australian bank to be included in the Dow Jones Global Sustainability Index which rates 236 companies worldwide on their performance against social and environmental measures.

## Political donations

Each year the board gives consideration to making political donations. The policy is that when political donations are made they should be on a generally even handed basis to major political parties with a broad cross-section of parliamentary representation. All donations are declared in accordance with electoral laws.



# Directors' report

The directors of Westpac Banking Corporation present their report together with the financial statements of Westpac Banking Corporation (“the Parent Entity”) and of the consolidated group, being the Parent Entity and its controlled entities (collectively referred to as “the Group”), for the financial year ended 30 September 2000.

## Directors

The names of the persons who have been directors of the Parent Entity during the period since 1 October 1999 are Mr J.A. Uhrig (Chairman), Mr L.A. Davis (Director from 8 November 1999 and Deputy Chairman from 6 July 2000), Mr W.B. Capp, The Hon. Sir Llewellyn Edwards, Mr J.B. Fairfax, Mr R.P. Handley (Executive Director), Mr I.R.L. Harper, Professor W.P. Hogan, Ms H.A. Lynch, Ms E. Mahlab, Dr D.R. Morgan (Chief Executive Officer), Mr J.P. Morschel, Mr P.D. Ritchie and Mr C.J. Stewart. Particulars of their qualifications, experience and special responsibilities are set out under the headings "Board of Directors" on pages 40 and 41 and "Corporate Governance" on pages 42 to 47 and form part of this report.

## Principal activities

The principal activities of the Group during the financial year which ended on 30 September 2000 were the provision of financial services including lending, deposit taking, payments services, investment portfolio management and advice, unit trust and superannuation fund management, nominee and custodian facilities, insurance services, consumer finance, leasing, factoring, general finance, foreign exchange dealing and money market services. No significant change in the nature of those activities occurred during the financial year.

## Review and results of operations

A review of the operations of the Group for the financial year ended 30 September 2000 is set out on pages 58 through to 62 and forms part of this report.

The operating result of the Group attributable to equity holders for the financial year ended 30 September 2000 was a profit of \$1,715 million after tax.

## Dividends

A final dividend for the financial year ended 30 September 1999 of 24 cents per fully paid ordinary share, totalling \$442 million, was paid by the Parent Entity on 4 January 2000, as an unfranked dividend. \$445 million had been provided for in the financial statements for the year ended 30 September 1999.

An interim dividend for the financial year ended 30 September 2000 of 26 cents per fully paid ordinary share, totalling \$475 million, was declared by the directors and paid as a fully franked dividend on 7 July 2000.

A final dividend for the financial year ended 30 September 2000 of 28 cents per fully paid ordinary share, estimated amount \$497 million, has been provided for in the financial statements for the year and will be paid on 2 January 2001. The final dividend will be fully franked.

Details of dividends provided for or paid are set out in note 3 to the Concise Financial Report.

## Significant changes in the state of affairs

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

### Capital management

On 1 February 2000, the on-market buy-back scheme announced on 20 July 1999 concluded. 50 million fully paid ordinary shares were repurchased at an average price of \$10.12 per share.

On 18 April 2000, an on-market buy-back scheme to repurchase up to 50 million fully paid ordinary shares was announced. On 18 August 2000, the maximum number of fully paid ordinary shares to be repurchased under the scheme was increased to 100 million. As at 3 November 2000, 87.4 million fully paid ordinary shares had been repurchased at an average price of \$12.38 per share.

### Directors

Mr Leonard Andrew Davis was appointed a non-executive director on 8 November 1999 and Deputy Chairman on 6 July 2000. As announced on 6 July 2000, Mr Davis will become Chairman following Mr John Uhrig's retirement at the close of the Annual General Meeting to be held on 15 December 2000.

## Events after end of financial year

On 12 October 2000, the Parent Entity announced the selection of IBM Global Services Australia as the preferred supplier to manage the Group's core banking technology platforms.

## Directors' report

Other than as noted here, the directors are not aware of any matter or circumstance that has arisen since 30 September 2000 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

### Likely developments and expected results

Likely major developments in the operations of the Group in future financial years and the expected results of those operations are referred to on pages 8 through to 35 and form part of this report.

### Directors' interests in securities

The following particulars for each director of the Parent Entity are set out below:

(i) their relevant interests in shares of the Parent Entity or any related body corporate;

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

any registered managed investment scheme made available by the Parent Entity or any related body corporate.

### Directors' holdings of Westpac shares and options as at 3 November 2000

Name	Number of ordinary fully paid shares and options	Non-beneficial
J.A. Uhrig	53,000	13,000 175,663 <sup>1</sup>
L.A. Davis	5,000	
W.B. Capp	14,057	
Sir Llewellyn Edwards	9,261	
J.B. Fairfax	100,000	291,943
R.P. Handley	619,000 700,000 <sup>2</sup>	
I.R.L. Harper	39,516	175,663 <sup>1</sup>
W.P. Hogan	14,066	
H.A. Lynch	8,914	
E. Mahlab	11,702	175,663 <sup>1</sup>
D.R. Morgan	734,732 675,000 <sup>2</sup> 3,000,000 <sup>3</sup>	
J.P. Morschel	4,000	
P.D. Ritchie	23,081	15,654
C.J. Stewart	100,000	

<sup>1</sup> Certain directors have relevant interests in shares, and shares subject to warrants, held beneficially by a staff/community related fund of which those directors are trustees.

<sup>2</sup> Options issued under the Senior Officers' Share Purchase Scheme.

<sup>3</sup> Options issued under the Chief Executive Share Option Agreement.

### Other disclosable interests as at 3 November 2000

Ms H.A. Lynch – debentures of a related body corporate \$120,530;

Dr D.R. Morgan – interests in managed investment schemes made available by related bodies corporate 25,279 units;

Mr J.A. Uhrig – debentures of a related body corporate \$124,235.

## Remuneration philosophy and practice

### Non-executive directors

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

in the stewardship of the company and the demands made of directors in the discharge of their responsibilities. Advice is taken from independent consultancy sources to ensure remuneration accords with market practice. Income received, or due and receivable, from the Parent Entity and related entities by non-executive directors of the Parent Entity for the year ended 30 September 2000 was:

	Fees \$	Superannuation guarantee charge \$	Total cost \$
J.A. Uhrig (Chairman)	300,128	–	300,128
L.A. Davis (Deputy Chairman)	86,591	3,789	90,380
W.B. Capp	86,532 <sup>1</sup>	6,437	92,969
Sir Llewellyn Edwards	75,032	5,580	80,612
J.B. Fairfax	75,032	5,580	80,612
I.R.L. Harper	86,532 <sup>1</sup>	6,437	92,969
W.P. Hogan	86,532 <sup>1</sup>	–	86,532
H.A. Lynch	87,365 <sup>1</sup> 8,000 <sup>2</sup>	6,307 –	93,672 8,000
E. Mahlab	75,032	5,580	80,612
J.P. Morschel	86,532 <sup>1</sup>	–	86,532
P.D. Ritchie	75,032	5,017	80,049
C.J. Stewart	75,032	–	75,032

<sup>1</sup> Includes fees payable to Chairpersons of board committees.

<sup>2</sup> Consultancy fee for service on a bank committee.

Note: Remuneration for executive directors is disclosed at page 52.

### Executive directors and senior executives

Westpac has designed its executive remuneration program to support a pay for performance policy that differentiates remuneration amounts based on an evaluation of performance results in three basic areas: corporate, business unit and individual. Remuneration has three components: base salary, annual performance bonus, and long-term incentive. The program is administered by the Board Remuneration Committee, which is composed of non-executive directors.

In combination, these three remuneration components comprise total reward. For the better performers, total reward is matched to the upper quartile of the market, reflecting a target mix of fixed pay, variable pay and share option value.

The committee takes into account the recommendations of the Chief Executive Officer ("CEO") with respect to the remuneration of Westpac's key executives. In making recommendations, the CEO receives assessments and advice from independent remuneration consultants regarding the compensation practices of Westpac and others.

## Directors' report

The committee's specific objectives are to:

- align the financial interests of executive officers with those of shareholders by providing significant Westpac equity-based long-term incentives. Share options and other equity-based incentives are awarded to link a significant portion of senior management remuneration to the attainment of sustained growth in shareholder value. Award levels are determined according to the individual's responsibility, performance and potential to enhance shareholder value. Share options awarded to senior executive officers have been issued under the General Management Share Option Plan under which the exercise of options is subject to a performance hurdle. Share options are awarded to the Chief Executive Officer under the Chief Executive Share Option Agreement, under which the exercise of options is subject to a performance hurdle. The committee uses the Black-Scholes option-pricing model, adjusted to reflect the performance hurdle, to establish the appropriate value of the long-term incentive;
- provide annual bonus payments that:
  - a) are tightly linked to measurable key drivers of shareholder value creation, including financial and non-financial components;
  - b) emphasise performance above shareholder expectations, including superior growth in Economic Profit relative to peer companies;
  - c) are distributed between current-year cash up to a target value and deferred shares or cash over one to three years;
- provide fixed pay (base salaries) to attract and retain key executives who are critical to the Bank's long-term success by providing a secure level of income that recognises the market value of the position as well as internal equities between roles, the individual's performance, and experience. Base pay for management typically approximates the median salary for positions of similar responsibility in the peer group. Generally, increases in base pay only occur in response to market changes or when warranted by an executive's change in responsibilities. Consistent with this and the strategy to place less emphasis on base pay, individual salary adjustments in 2000 were limited to those executives with salaries generally below the median salaries paid by the peer group; and
- emphasise performance-based and equity-based remuneration as executive officer level increases.

Details of the nature and amount of each element of the emolument of each of the executive directors for the year ended 30 September 2000 are:

Name and position	Year	Base pay <sup>1</sup> \$	Bonus <sup>1</sup> \$	Total cash compensation \$	Other compensation <sup>2</sup> \$	Total compensation \$	Option grants no. of shares <sup>3</sup>	Exercise price \$	Date first exercisable
D.R. Morgan CEO	<b>2000</b>	<b>1,000,000</b>	<b>1,300,000</b>	<b>2,300,000</b>	<b>135,807</b>	<b>2,435,807</b>	–	–	–
	1999	834,521	800,000	1,634,521	86,853	1,721,374	1,000,000	10.83	1-Mar-02
							1,000,000	10.83	1-Mar-03
							1,000,000	10.83	1-Mar-04
R.P. Handley Executive Director and CFO	<b>2000</b>	<b>685,000</b>	<b>525,000</b>	<b>1,210,000</b>	<b>146,322</b>	<b>1,356,322</b>	–	–	–
	1999	685,000	450,000	1,135,000	120,761	1,255,761	–	–	–

<sup>1</sup> Base pay has been received in the year to 30 September; bonus figures reflect annual performance bonus amounts accrued but not yet paid in respect of the year ended 30 September plus any long-term incentive entitlements paid in the year.

<sup>2</sup> Other compensation is determined on the basis of the cost to the Bank. Following the issue of ASIC Practice Note 68 in December 1998, other compensation for both 2000 and 1999 above includes all fringe benefits tax and superannuation surchargeable contributions for those executives who are members of the Westpac Staff Superannuation Plan, as determined by the Plan's actuary. Other compensation also includes, where applicable, housing (plus FBT), car parking (plus FBT) and other benefits, such as commencement incentives and payments to protect certain executive directors from additional tax that would arise as a result of filing tax returns in two different jurisdictions, where such amounts can be reliably measured.

<sup>3</sup> The options granted to Dr Morgan were approved at the Special General Meeting held on 2 September 1999. They provide Dr. Morgan a right to buy ordinary shares at an exercise price equal to the weighted average price of Westpac ordinary shares trading on the ASX over the five trading days immediately preceding the offer, assuming certain performance hurdles are met.

The options have a 10 year life, expiring 1 March 2009, but will not be eligible for exercise unless the performance hurdles attaching to the grant are met. Under the Bank's US GAAP disclosures, the fair value of options for the purposes of inclusion in the potential compensation expense has been determined using the Black-Scholes option pricing model at \$1.54.

The factors that are considered in the Black-Scholes option pricing model include the term of the option, the risk free interest rate, volatility of the share price, the dividend yield and a discount factor to reflect the probability of reaching the performance hurdle.

Details of the nature and amount of each element of the emolument of each of the five most senior executives, in addition to the executive directors, for the year ended 30 September 2000 are:

Name and position	Year	Base pay <sup>1</sup> \$	Bonus <sup>1</sup> \$	Total cash compensation \$	Other compensation <sup>2</sup> \$	Total compensation \$	Option grants no. of shares <sup>3</sup>	Exercise price \$	Date first exercisable
J.V. Gross Group Executive Information Technology and Operations	2000 1999	446,674 –	210,000 –	656,674 –	543,229 –	1,199,903 –	500,000 –	13.32 –	8-Jan-04 –
M.J. Hawker Group Executive Australian Business & Personal Banking	2000 1999	475,000 461,137	600,000 275,000	1,075,000 736,137	84,707 42,495	1,159,707 778,632	500,000 300,000	13.32 9.57	8-Jan-04 29-Dec-02
H.M. Price Group Executive WestpacTrust, Pacific Banking & PEP	2000 1999	696,000 412,840	370,000 275,000	1,066,000 687,840	78,624 190,378	1,144,624 878,218	– 70,000 100,000	– 9.57 10.60	– 29-Dec-02 6-Apr-02
D.S. Willis Group Executive Westpac Institutional Bank	2000 1999	450,000 428,356	570,000 450,000	1,020,000 878,356	17,607 11,109	1,037,607 889,465	500,000 100,000 175,000	13.32 9.57 10.60	8-Jan-04 29-Dec-02 6-Apr-02
A.C. Sherry Group Executive Human Resources	2000 1999	330,000 299,699	205,000 120,000	535,000 419,699	130,840 83,159	665,840 502,858	250,000 35,000 100,000 50,000	13.32 9.57 10.60 10.85	8-Jan-04 29-Dec-02 6-Apr-02 1-Mar-02

<sup>1,2</sup> Refer to the notes for the executive directors remuneration table on page 52.

<sup>3</sup> Option grants are a right to buy ordinary shares at an exercise price equal to the market value at the date of the offer determined in accordance with the plan rules.

The options are recognised in the table above based on the year in respect of which they are granted.

The 2000 options will be granted with a ten year term pursuant to the General Management Share Option Plan (GMSOP), under which the number of options exercisable depends on Westpac's performance against prescribed performance hurdles.

The 1999 options were also issued pursuant to the GMSOP.

Under the Bank's US GAAP disclosures, the fair value of options for the purposes of inclusion in the potential compensation expense has been determined using the Black-Scholes option pricing model. The notional value for the 1999 grants was assessed at \$1.54 for March 2002, \$1.51 for April 2002 and \$1.36 for December 2002. The adjusted notional value for the 2000 "hurdled" options has been assessed at \$1.87 for January 2001 (yet to be issued).

The factors that are considered in the Black-Scholes option pricing model include the term of the option, the risk free interest rate, volatility of the share price, the dividend yield and a discount factor to reflect the probability of reaching the performance hurdle.

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

## Share options

During the 2000 financial year there were 17,498,000 options granted under the General Management Share Option Plan ("GMSOP") and the Senior Officers' Share Purchase Scheme ("SOSPS") to 662 eligible officers for nil consideration, with exercise dates between October 2002 and September 2010 and a weighted average exercise price of \$9.83. In addition, the following options with exercise dates between January 2004 and January 2011 have been approved but not yet granted to 501 eligible officers as part of the 2000 remuneration review process:

- 3,956,000 options under the GMSOP with an exercise price of \$13.32; and
- 9,493,000 options under the SOSPS with an exercise price of \$13.26.

There were 13,216,000 shares issued during the year due to the exercise of options for a total consideration of \$91,205,310.

There are currently 44,682,594 options outstanding. The latest dates for exercise of these options range between January 2001 and September 2010 and the weighted average exercise price is \$9.27. Options issued under the GMSOP and the Chief Executive Share Option Agreement totalling 9,688,000 (weighted average exercise price \$10.46) are subject to performance requirements that will determine the particular proportion which may be exercised following the end of the performance period. The performance hurdles compare the total shareholder returns received by Westpac shareholders against those received by shareholders of a peer group over the performance period. The peer group will be the 50 largest industrial companies listed on the Australian Stock Exchange Limited at the time of the commencement of the performance period.

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

## Directors' report

### Indemnities and insurance

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

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

Each of the directors named on pages 40 and 41 of this report and the secretary of the Parent Entity Ms I.R. Atlas, has the benefit of this indemnity, which extends to all directors, secretaries, executive officers and employees of each member of the Group.

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

Auditors of the Parent Entity are also indemnified under the Deed on terms identical to those set out in paragraph (ii) above.

No amount was paid under these indemnities during the financial year ended 30 September 2000 or since that date.

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

- (i) for costs and expenses in defending proceedings (whether civil or criminal), whatever their outcome; or
- (ii) not arising out of conduct involving a wilful breach of duty or which contravenes section 232(5) and (6) (now sections 182 and 183) of the Corporations Law.

The Parent Entity, on behalf of the Group, for the year ended 30 September 2000 arranged insurance cover in respect of amounts which the Parent Entity may have to pay under any of the indemnities set out above. The insurance policy prohibits disclosure of the premium payable and the nature of the liabilities covered.

### Environmental disclosure

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

The Parent Entity has not incurred any liability (including for rectification costs) under any environmental legislation.

### Rounding of amounts

The Parent Entity is an entity to which ASIC Class Order 98/100 dated 10 July 1998, relating to the rounding of amounts in directors' reports and financial reports, applies. Amounts in this report and the accompanying financial report have been rounded to the nearest million dollars, unless indicated to the contrary.

### Political donations

During the financial year ended 30 September 2000, donations and other contributions totalling \$302,500 were made to political parties as follows:

<b>Party</b>	<b>Amount<sup>1</sup></b>
Australian Labor Party	\$120,000
Liberal Party	\$140,000
National Party	\$41,000
Australian Democrats	\$1,500
	<hr/>
	\$302,500

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

## Directors' meetings

Each director attended the following meetings of the board of directors and committees of the board during the financial year which ended on 30 September 2000:

Name	Regular board meetings		Special board meetings		Board Audit and Compliance Committee		Board Credit and Market Risk Committee		Board Nominations Committee <sup>3</sup>		Board Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
J.A. Uhrig	10	10	3	3	5	3	4	3	2	–	9	7
L.A. Davis <sup>1</sup>	8	8	3	3	–	–	2	2	–	–	–	–
W.B.Capp	10	10	3	3	–	–	–	–	2	2	9	9
Sir Llewellyn Edwards	10	10	3	2	–	–	–	–	–	–	9	9
J.B. Fairfax	10	10	3	2	–	–	4	4	–	–	–	–
R.P. Handley	10	9	3	3	–	–	–	–	–	–	–	–
I. R. L. Harper	10	10	3	3	5	5	–	–	–	–	–	–
W. P. Hogan	10	10	3	3	–	–	4	4	2	2	–	–
H.A. Lynch	10	10	3	2	5	5	–	–	2	2	–	–
E. Mahlab	10	10	3	3	–	–	4	3	–	–	–	–
D.R. Morgan	10	10	3	3	–	–	–	–	–	–	–	–
J.P. Morschel	10	9	3	2	5	5	–	–	2	2	–	–
P.D. Ritchie <sup>2</sup>	10	8	3	3	1	1	–	–	–	–	9	8
C.J. Stewart	10	10	3	3	–	–	4	4	–	–	–	–

Column A Indicates the number of meetings held during the period the director was a member of the board and/or relevant committee.

Column B Indicates the number of those meetings attended.

Whilst not shown above, executive directors and many non-executive directors who are not committee members also participated in scheduled board committee meetings, special board committee meetings and "round-robin" resolutions throughout the year.

1. Mr L.A. Davis was appointed to the board on 8 November 1999 and to the Board Credit and Market Risk Committee on 11 February 2000.

2. Mr P.D. Ritchie was appointed to the Board Audit and Compliance Committee on 3 May 2000.

3. The Board Nominations Committee was established on 2 March 2000.

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



J.A. Uhrig  
Chairman

3 November 2000



# Ten year summary

\$m (unless otherwise indicated)	2000	1999	1998	1997	1996
<b>Profit and loss – year ended 30 September<sup>1</sup></b>					
Net interest income	3,715	3,492	3,492	3,353	3,254
Fully tax equivalent gross up <sup>2</sup>	169	127	128	127	68
Net interest income (including gross up)	3,884	3,619	3,620	3,480	3,322
Non-interest income	2,368	2,139	2,003	1,739	1,472
Operating income (including gross up)	6,252	5,758	5,623	5,219	4,794
Non-interest expenses	(3,503)	(3,434)	(3,392)	(3,228)	(3,049)
Operating profit before bad and doubtful debts (including gross up)	2,749	2,324	2,231	1,991	1,745
Bad and doubtful debts	(202)	(171)	(168)	(78)	(121)
Operating profit/(loss) before income tax and abnormal items (including gross up)	2,547	2,153	2,063	1,913	1,624
Fully tax equivalent gross up <sup>2</sup>	(169)	(127)	(128)	(127)	(68)
Income tax attributable to operating profit/(loss)	(660)	(567)	(589)	(493)	(421)
Outside equity interests	(3)	(3)	(4)	(2)	(3)
Operating profit/(loss) after income tax before abnormal items (excluding gross up)	1,715	1,456	1,342	1,291	1,132
Abnormal items (net of tax)	–	–	(70)	–	–
Operating profit/(loss) after income tax attributable to equity holders	1,715	1,456	1,272	1,291	1,132
<b>Balance sheet at 30 September<sup>1</sup></b>					
Total assets	167,618	140,220	137,319	118,963	121,513
Loans	107,533	97,716	91,738	77,874	81,201
Acceptances	15,665	10,249	10,325	11,242	11,197
Deposits and public borrowings	89,994	85,546	83,164	72,636	74,886
Loan capital	4,892	2,692	2,523	1,895	2,199
Total equity	9,262	8,997	8,611	8,206	7,891
Total risk adjusted assets	114,816	102,592	97,430	87,133	86,503
<b>Share information</b>					
Earnings per share (cents):					
Before abnormals	88.8	77.0	70.1	70.0	58.9
After abnormals	88.8	77.0	66.4	70.0	58.9
Dividends per ordinary share (cents)	54.0	47.0	43.0	39.0	33.0
Net tangible assets per ordinary share (\$) <sup>3</sup>	3.96	3.71	3.59	3.69	3.39
Share price (\$):					
High	12.97	12.06	11.45	9.10	6.59
Low	9.16	8.36	7.10	6.43	5.20
Close	12.75	9.45	9.28	8.70	6.54
<b>Ratios</b>					
Total equity to total assets (%)	5.5	6.4	6.3	6.9	6.5
Risk adjusted capital ratio (%)	9.9	9.2	9.3	10.5	10.8
Dividend payout ratio (%)	60.8	61.0	64.8	55.7	56.0
Return on average ordinary equity before abnormals (%)	18.4	16.8	15.5	17.0	14.6
Productivity ratio <sup>4</sup>	3.53	3.17	3.30	2.97	2.77
Expense to income ratio (excluding amortisation of intangibles) (%)	54.5	57.9	58.4	60.7	62.9
Net interest margin	3.2	3.3	3.4	3.6	3.7
Economic Profit/(Loss) (\$m)	1,058	669	694	716	554
<b>Other information</b>					
Points of bank representation (number at period end)	1,375	1,625	1,832	1,547	1,788
Core full time equivalent staff (number at period end) <sup>5</sup>	29,510	31,731	33,222	31,608	33,832

Notes

<sup>1</sup> The above profit and loss extracts for 2000, 1999 and 1998 and balance sheet extracts for 2000 and 1999 are derived from the consolidated financial statements included in this report, and for prior years are derived from consolidated financial statements previously published.

<sup>2</sup> We have entered into various tax effective financing transactions that derive income that is subject to either a reduced or zero rate of income tax. The impact of this is reflected in lower income tax expense and interest income. In order to provide improved comparability, this income is presented on a fully tax equivalent basis.

<sup>3</sup> After deducting preference share capital and intangible assets.

<sup>4</sup> Operating income (including gross up)/personnel costs excluding restructuring expenses.

<sup>5</sup> Core full time equivalent staff includes pro-rata part time staff and excludes unpaid absences (e.g. maternity leave) and excludes temporary staff and contractors.

\$m (unless otherwise indicated)	1995	1994	1993	1992	1991
<b>Profit and loss – year ended 30 September<sup>1</sup></b>					
Net interest income	2,982	2,761	2,628	2,592	2,874
Fully tax equivalent gross up <sup>2</sup>	45	62	86	88	141
Net interest income (including gross up)	3,027	2,823	2,714	2,680	3,015
Non-interest income	1,391	1,555	1,841	1,756	1,743
Operating income (including gross up)	4,418	4,378	4,555	4,436	4,758
Non-interest expenses	(2,654)	(2,637)	(2,629)	(3,169)	(3,070)
Operating profit before bad and doubtful debts (including gross up)	1,764	1,741	1,926	1,267	1,688
Bad and doubtful debts	(330)	(695)	(1,292)	(2,802)	(1,119)
Operating profit/(loss) before income tax and abnormal items (including gross up)	1,434	1,046	634	(1,535)	569
Fully tax equivalent gross up <sup>2</sup>	(45)	(62)	(86)	(88)	(141)
Income tax attributable to operating profit/(loss)	(371)	(276)	(146)	548	(105)
Outside equity interests	(3)	(3)	(5)	(2)	3
Operating profit/(loss) after income tax before abnormal items (excluding gross up)	1,015	705	397	(1,077)	326
Abnormal items (net of tax)	(68)	–	(358)	(485)	150
Operating profit/(loss) after income tax attributable to equity holders	947	705	39	(1,562)	476
<b>Balance sheet at 30 September<sup>1</sup></b>					
Total assets	105,835	93,861	104,712	110,948	106,019
Loans	64,365	61,242	64,601	66,348	63,838
Acceptances	11,656	12,219	12,851	11,166	12,357
Deposits and public borrowings	58,198	54,925	57,669	60,261	60,280
Loan capital	2,881	2,929	3,333	3,261	2,611
Total equity	7,583	7,299	7,129	6,676	7,245
Total risk adjusted assets	74,930	72,567	82,777	94,904	92,322
<b>Share information</b>					
Earnings per share (cents):					
Before abnormals	53.5	36.0	21.1	–	26.6
After abnormals	49.8	36.0	0.9	–	39.5
Dividends per ordinary share (cents)	28.0	18.0	12.0	18.0	27.5
Net tangible assets per ordinary share (\$) <sup>3</sup>	3.81	3.67	3.51	3.56	5.66
Share price (\$):					
High	5.51	5.55	4.20	5.05	4.92
Low	3.90	3.83	2.39	2.73	3.16
Close	5.36	4.20	3.94	2.85	4.47
<b>Ratios</b>					
Total equity to total assets (%)	7.2	7.8	6.8	6.0	6.8
Risk adjusted capital ratio (%)	13.9	13.8	12.3	9.7	10.4
Dividend payout ratio (%)	56.2	50.0	large	–	69.6
Return on average ordinary equity before abnormals (%)	13.0	9.8	5.7	–	6.6
Productivity ratio <sup>4</sup>	n/a	n/a	n/a	n/a	n/a
Expense to income ratio (excluding amortisation of intangibles) (%)	59.9	60.1	57.4	71.2	64.5
Net interest margin	3.8	3.5	3.0	2.9	3.4
Economic Profit/(Loss) (\$m)	270	(24)	(581)	(2,148)	(96)
<b>Other information</b>					
Points of bank representation (number at period end)	1,547	1,616	1,827	1,946	1,968
Core full time equivalent staff (number at period end) <sup>5</sup>	31,416	31,396	33,724	39,253	42,431

#### Notes

<sup>1</sup> The above profit and loss extracts for 2000, 1999 and 1998 and balance sheet extracts for 2000 and 1999 are derived from the consolidated financial statements included in this report, and for prior years are derived from consolidated financial statements previously published.

<sup>2</sup> We have entered into various tax effective financing transactions that derive income that is subject to either a reduced or zero rate of income tax. The impact of this is reflected in lower income tax expense and interest income. In order to provide improved comparability, this income is presented on a fully tax equivalent basis.

<sup>3</sup> After deducting preference share capital and intangible assets.

<sup>4</sup> Operating income (including gross up)/personnel costs excluding restructuring expenses.

<sup>5</sup> Core full time equivalent staff includes pro-rata part time staff and excludes unpaid absences (e.g. maternity leave) and excludes temporary staff and contractors.

# Concise financials

The financial statements and specific disclosures included in this Concise Financial Report have been derived from the Annual Financial Report of Westpac Banking Corporation and its controlled entities (the “consolidated entity”) and do not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Annual Financial Report for the year ended 30 September 2000.

A copy of Westpac Banking Corporation and its controlled entities 2000 Annual Financial Report including the independent audit report, is available and will be sent to any shareholder without charge upon request. The Annual Financial Report can be requested by phoning Australia 612 9226 3143 and can be accessed via the internet at [www.westpac.com.au](http://www.westpac.com.au).

## Management discussion and analysis of the profit and loss statements

We achieved an operating profit after income tax attributable to equity holders of \$1,715 million for the year ended 30 September 2000. This is an increase of 18% on 1999, building on the 14% growth (after abnormals) achieved from 1998 to 1999.

Net interest income increased by \$265 million or 7% to \$3,884 million on the prior year. During 2000:

- average interest earning assets grew by 11% due to the strong performance of our Australian business; and
- our net interest margin deteriorated 12 basis points to 3.15%.

Net interest income was flat in 1999 compared to 1998, with the growth in average interest earning assets offsetting the margin decline.

The application of the accounting standard AASB 1038 Life Insurance Business effective from 1 October 1999 has resulted in the recognition of life insurance non-interest income and expenses on a gross basis during the year. Also, in the first half of 2000, we restructured part of our financial services group and as a consequence, the financial services distribution business results were brought to account on a market value basis.

Non-interest income increased by \$229 million or 11% in 2000 from 1999 as compared to \$136 million or 7% in 1999 from 1998. The main contributors to growth in 2000 were:

- a \$110 million or 8% increase in net fees and commissions received mainly due to increased transaction fees and commissions from increased transaction activity and increased lending fees on higher loan volumes and improved collection rates;
- increased insurance and funds management income of \$315 million; and
- a decrease in the non-interest income component of financial markets income of \$110 million (total financial markets income was flat in 1999).

Non-interest expenses increased by \$69 million or 2% in 2000 from 1999. The current year included \$74 million of expenses recognised as a result of the adoption of accounting standard AASB 1038 Life Insurance Business. Normalising for this amount, 2000 expenses were flat. Non-interest expense growth in 1999 on 1998 was \$42 million (1%). Expense containment has been a key priority as evidenced by the improvement in our expense to income ratio before intangibles down to 54.5% from 57.9% in 1999 and 58.4% in 1998.

The 2000 charge for bad and doubtful debts of \$202 million represented an 18% increase from 1999's charge of \$171 million which, in turn, was up 2% from the \$168 million charge during 1998. The principal drivers for the net increase in 2000 were:

- a \$19 million provision raised to cover deteriorating credit conditions in Fiji and the Solomon Islands;
- an increase in the general provision of \$111 million reflecting the strong loan growth over the year; and
- continued benefit from lower levels of new specific provisions (down \$90 million).

The effective tax rates for all years 2000, 1999 and 1998 were below the Australian company tax rate of 36% due principally to the impact of lower overseas tax rates and certain non-taxable profits. During 2000 there were two points worth noting:

- in accordance with the requirements of the life insurance business accounting standard, our tax expense included \$68 million of tax expense in respect of income tax on life insurance policy holders' earnings; and
- the change in tax rate, from 36% to 30% over the next two years, has resulted in a tax charge of \$26 million due to the restatement of future income tax benefits and deferred tax liability balances.

## Concise financials

### Profit and loss statements

for the years ended 30 September  
Westpac Banking Corporation and its controlled entities

	Note	2000 \$m	Consolidated 1999 \$m	1998 \$m
Interest income		<b>10,291</b>	8,348	8,896
Fully tax equivalent gross up <sup>1</sup>		<b>169</b>	127	128
Interest income (including gross up)		<b>10,460</b>	8,475	9,024
Interest expense		<b>(6,576)</b>	(4,856)	(5,404)
<b>Net interest income (including gross up)</b>		<b>3,884</b>	3,619	3,620
Non-interest income		<b>2,368</b>	2,139	2,003
<b>Operating income (including gross up)</b>		<b>6,252</b>	5,758	5,623
Non-interest expenses		<b>(3,503)</b>	(3,434)	(3,392)
<b>Operating profit before bad and doubtful debts and abnormal items (including gross up)</b>		<b>2,749</b>	2,324	2,231
Bad and doubtful debts		<b>(202)</b>	(171)	(168)
<b>Operating profit before abnormal items (including gross up)</b>		<b>2,547</b>	2,153	2,063
Abnormal items	2	-	-	(106)
<b>Operating profit before income tax (including gross up)</b>		<b>2,547</b>	2,153	1,957
Fully tax equivalent gross up <sup>1</sup>		<b>(169)</b>	(127)	(128)
<b>Operating profit before income tax (excluding gross up)</b>		<b>2,378</b>	2,026	1,829
Income tax attributable to operating profit		<b>(660)</b>	(567)	(589)
Income tax credit – abnormal items		-	-	36
<b>Operating profit after income tax</b>		<b>1,718</b>	1,459	1,276
Outside equity interests in operating profit after income tax		<b>(3)</b>	(3)	(4)
<b>Operating profit after income tax attributable to equity holders of Westpac Banking Corporation</b>		<b>1,715</b>	1,456	1,272
Retained profits at the beginning of the financial year		<b>2,788</b>	2,241	1,873
Aggregate of amounts transferred to reserves		<b>(12)</b>	(35)	(51)
<b>Total available for appropriation</b>		<b>4,491</b>	3,662	3,094
Dividends provided for or paid	3	<b>(1,013)</b>	(866)	(853)
Distributions on other equity instruments	3	<b>(43)</b>	(8)	-
<b>Retained profits at the end of the financial year</b>		<b>3,435</b>	2,788	2,241
Earnings (in cents) per ordinary share:				
Basic – before abnormals		<b>88.8</b>	77.0	70.1
Basic – after abnormals		<b>88.8</b>	77.0	66.4
Fully diluted – before abnormals		<b>87.7</b>	76.1	68.0
Fully diluted – after abnormals		<b>87.7</b>	76.1	64.5

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

## Management discussion and analysis of balance sheets

Assets increased by \$27 billion to \$168 billion in 2000 compared to an increase of \$3 billion last year. The growth in 2000 was largely driven by a 14% growth in lending assets. Significant asset movements in 2000 were:

- loans increased by \$10 billion to \$108 billion in 2000 from 1999. This was primarily due to higher credit card outstandings in Australia and New Zealand and a \$7 billion increase in housing loan levels in Australia;
- trading securities fell by \$2 billion to \$7 billion in 2000 from 1999;
- life insurance investment assets of \$7.5 billion were reported in 2000 for the first time; and
- the increase in other assets predominantly related to other financial markets assets, and was due to an increase in the volume and the revaluation of off-balance sheet instruments, driven by the movement in the value of the Australian dollar against the United States dollar during the year. This is the reverse of the position in 1999.

The growth in our assets was funded in part by a \$4 billion growth in deposits and public borrowings and a \$4 billion growth in bonds, notes and commercial paper liabilities. Other financial markets liabilities rose significantly in 2000, due to an increase in the volume and the revaluation of off-balance sheet instruments due to exchange rate movements. Life insurance policy liabilities of \$7 billion were reported in 2000 for the first time.

Our equity increased by \$0.3 billion in 2000 from \$9 billion in 1999. The 2000 increase reflects the issue of \$0.5 billion in New Zealand Class shares plus accumulated earnings, partially offset by the net impact of share buy-backs and dividends in the year. The 1999 increase reflects the TOPrS issue we made to United States' investors.

We maintained a strong capital position with Tier 1 and total capital ratios being 6.6% and 9.9% respectively (1999 7.0% and 9.2%). The minimum regulatory requirements are 4.0% and 8.0% respectively.

## Concise financials

### Balance sheets

as at 30 September

Westpac Banking Corporation and its controlled entities

	Note	Consolidated 2000 \$m	1999 \$m
<b>Assets</b>			
Cash and balances with central banks		836	345
Due from other financial institutions		3,325	4,006
Trading securities		7,174	9,057
Investment securities		2,731	2,208
Loans		107,533	97,716
Acceptances of customers		15,665	10,249
Life insurance investment assets		7,547	–
Regulatory deposits with central banks overseas		620	398
Fixed assets		1,175	1,527
Other assets		21,012	14,714
<b>Total assets</b>		<b>167,618</b>	<b>140,220</b>
<b>Liabilities</b>			
Due to other financial institutions		3,972	3,562
Deposits and public borrowings		89,994	85,546
Bonds, notes and commercial paper		19,203	14,910
Acceptances		15,665	10,249
Life insurance policy liabilities		6,991	–
Other liabilities		17,639	14,264
<b>Total liabilities excluding loan capital</b>		<b>153,464</b>	<b>128,531</b>
<b>Loan capital</b>			
Subordinated bonds, notes and debentures		4,175	2,030
Subordinated perpetual notes		717	662
<b>Total loan capital</b>		<b>4,892</b>	<b>2,692</b>
<b>Total liabilities</b>		<b>158,356</b>	<b>131,223</b>
<b>Net assets</b>		<b>9,262</b>	<b>8,997</b>
<b>Equity</b>			
Share capital	5	2,258	1,853
Trust originated preferred securities (TOPRS <sup>sm</sup> )	5	465	465
Reserves		3,099	3,888
Retained profits		3,435	2,788
<b>Equity attributable to equity holders of Westpac Banking Corporation</b>		<b>9,257</b>	<b>8,994</b>
Outside equity interests in controlled entities		5	3
<b>Total equity</b>		<b>9,262</b>	<b>8,997</b>

## Statement of cash flows

for the years ended 30 September

Westpac Banking Corporation and its controlled entities

	2000 \$m	Consolidated 1999 \$m	1998 \$m
<b>Cash flows from operating activities</b>			
Interest received	10,135	8,345	9,035
Interest paid	(6,232)	(5,018)	(5,161)
Dividends received	43	35	15
Other non-interest income received	655	2,954	747
Non-interest expenses paid	(3,174)	(3,091)	(2,772)
Net (increase)/decrease in trading securities	764	(2,204)	484
Income tax paid	(497)	(520)	(360)
Life insurance:			
receipts from policyholders and customers	3,366	–	–
interest and other items of similar nature	135	–	–
dividends received	430	–	–
payments to policyholders and suppliers	(3,428)	–	–
income tax paid	(27)	–	–
<b>Net cash provided by operating activities</b>	<b>2,170</b>	<b>501</b>	<b>1,988</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment securities	1,441	147	928
Proceeds from matured investment securities	94	148	52
Purchase of investment securities	(1,907)	(444)	(656)
Proceeds from securitised loans	245	2,568	3,190
Net (increase)/decrease in:			
loans	(11,312)	(11,124)	(7,811)
due from other financial institutions	778	(898)	960
regulatory deposits with central banks overseas	(135)	752	(106)
life insurance investment assets	(118)	–	–
other assets	410	(554)	1,191
Purchase of fixed assets	(418)	(362)	(398)
Proceeds from disposal of fixed assets	525	119	273
Controlled entities (acquired)/disposed (net of cash held)	139	58	(174)
<b>Net cash used in investing activities</b>	<b>(10,258)</b>	<b>(9,590)</b>	<b>(2,551)</b>
<b>Cash flows from financing activities</b>			
Issue of loan capital	1,924	460	350
Redemption of loan capital	(112)	(147)	(94)
Proceeds from issue of shares	91	95	89
Proceeds from issue of NZ Class shares, net of issue costs of \$16m	279	–	–
Buyback of shares	(1,273)	(933)	(1,306)
Proceeds from issue of TOPrS, net of issue costs paid of \$20m	–	465	–
Net increase/(decrease) in:			
due to other financial institutions	379	(266)	(800)
deposits and public borrowings	3,909	5,113	1,131
other liabilities	179	419	(126)
bonds, notes and commercial paper	3,962	4,450	2,109
Payment of distributions and dividends	(761)	(627)	(708)
Payment of dividends to outside equity interests	(3)	(4)	(1)
<b>Net cash provided by financing activities</b>	<b>8,574</b>	<b>9,025</b>	<b>644</b>
Net increase/(decrease) in cash and cash equivalents	486	(64)	81
Effect of exchange rate changes on cash and cash equivalents	5	6	1
Cash and cash equivalents at beginning of year	345	403	321
Cash and cash equivalents at year end	836	345	403



## Concise financials

### Note 1. Summary of significant accounting principles and policies

This Concise Financial Report has been derived from or is consistent with the Annual Financial Report of Westpac Banking Corporation ("Westpac") and its controlled entities ("the Group"), for the year ended 30 September 2000, which complies with Australian Accounting Standards, other mandatory professional reporting requirements, the provisions of the Deed of Settlement and the Bank of New South Wales Act of 1850 (as amended). These requirements have been applied in a manner authorised for an authorised deposit-taking institution under the Banking Act 1959 (as amended) and, so far as considered appropriate to Westpac Banking Corporation, in accordance with the requirements of the Corporations Law.

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

A full description of the accounting policies adopted by Westpac is provided in the 2000 Annual Financial Report.

Comparative information is restated where appropriate to enhance comparability.

#### Change in accounting policy

##### Life insurance accounting

Effective 1 October 1999 AASB 1038 Life Insurance Business became operative to Westpac. The standard has resulted in the consolidation of all life insurance assets, liabilities, revenues and expenses. Assets of the life insurance operations are measured at net market value and all liabilities at net present value. In addition, the standard requires that investments in controlled entities held by the life insurance company are subject to revaluation each reporting period, so that the investment is carried at net market value. The excess of net market value of an interest in a controlled entity of the life company over the net amount of the controlled entity's recognised net assets must be recognised in the consolidated financial statements with any subsequent movements included in the profit and loss statement. The initial application of the accounting standard has resulted in an increase in the Group assets and liabilities of \$7 billion. There was no adjustment to opening retained earnings.

Prior to 1 October 1999 the Group's interest in the profits of the life insurance statutory funds were included in the consolidated profit and loss statement in accordance with the 'Margin on Services' methodology for the valuation of policy liabilities under Actuarial Standard 1.02 'Valuation Standard' issued by the Life Insurance Actuarial Standards Board.

At 1 February 2000 the Westpac Financial Services (WFS) Group was restructured. The Group's life insurance controlled entity acquired an existing controlled entity to manage the financial services origination business. In accordance with AASB 1038 this investment is brought to account on a market value basis. This restructure and the application of AASB 1038 has resulted in an increase in profit after tax of \$59 million.

### Note 2. Abnormal items

The abnormal item in the year ended 30 September 1998, principally related to a program of major improvements to Westpac's distribution network in Australia, providing customers and staff with an enhanced environment in which the Group's broad range of financial services could be more effectively delivered. This progressive approach to improving service delivery involved the introduction of new sales and service outlets and the refurbishment and restructure of existing network outlets. An abnormal expense of \$106 million was recognised principally in respect of the program, with an applicable income tax credit of \$36 million. The net effect of the abnormal item on operating profit after income tax was \$70 million.

## Note 3. Dividends and distributions provided for or paid

	2000 \$m	Consolidated 1999 \$m	1998 \$m
<b>Converting preference share dividends provided for or paid (fully franked at 36%)</b>	–	–	24
<b>Ordinary dividends</b>			
Interim ordinary dividend paid:			
Ordinary shares 26 cents per share; 1999 23 cents per share; 1998 21 cents per share (all fully franked at 34%, 36% and 36% respectively)	475	426	388
New Zealand Class shares 26 cents per share (fully imputed) <sup>1</sup>	13	–	–
(Over)/under provision of dividend in prior year <sup>2</sup>	13	(5)	23
Final ordinary dividend provided for:			
Ordinary shares 28 cents per share (fully franked at 34%); 1999 24 cents per share (unfranked); 1998 22 cents per share (fully franked at 36%)	497	445	418
New Zealand Class shares 28 cents per share (fully imputed) <sup>1</sup>	15	–	–
<b>Total ordinary dividends provided for or paid</b>	<b>1,013</b>	<b>866</b>	<b>829</b>
<b>Total dividends provided for or paid</b>	<b>1,013</b>	<b>866</b>	<b>853</b>

<sup>1</sup> The New Zealand Class shares were issued by a controlled entity on 12 October 1999.

<sup>2</sup> The 2000 under provision for the Group includes an amount of \$14 million which relates to the final ordinary dividends paid on New Zealand Class shares. In 1998 the under provision relates to the final ordinary dividend paid on shares issued to shareholders of Bank of Melbourne Limited as part consideration for the acquisition of that bank.

### Distributions on other equity instruments

Distributions paid or provided for:

TOPrS	43	8	–
<b>Total distributions on other equity instruments</b>	<b>43</b>	<b>8</b>	<b>–</b>

### Franking account balance

Franking account balance at the end of the financial year at 34% (1999 36%)	(110)	(173)
Franking credits arising from payment of current income tax payable	350	102
Franking credits utilised for payment of proposed final dividend	(497)	–
Adjusted franking account balance at the end of the financial year at 34% (1999 36%)	(257)	(71)

We anticipate that sufficient franking credits will arise by 30 June 2001 so that the franking account balance will not be in deficit as at 30 June 2001 which is Westpac's franking account year end. At 30 June 2000 there was no deficit in Westpac's franking account.

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

## Concise financials

### Note 4. Group segment information

Segmentation of assets, revenue and profit is based on the location of the office in which these items are booked. Intersegment pricing is determined on an arm's length basis. The Group operates predominantly in the financial services industry.

	2000		1999		1998	
	\$m	%	\$m	%	\$m	%
<b>Geographic segments</b>						
<b>Assets</b>						
Australia	133,758	79.8	110,554	78.9	104,354	76.0
New Zealand	24,973	14.9	22,748	16.2	23,799	17.3
Pacific Islands	861	0.5	696	0.5	1,786	1.3
Asia	2,141	1.3	2,445	1.7	2,992	2.2
Americas	2,660	1.6	2,236	1.6	2,439	1.8
Europe	3,225	1.9	1,541	1.1	1,949	1.4
<b>Total</b>	<b>167,618</b>	<b>100.0</b>	<b>140,220</b>	<b>100.0</b>	<b>137,319</b>	<b>100.0</b>
<b>Operating revenue from outside the Group (excluding gross up)</b>						
Australia	10,050	79.4	8,014	76.4	7,626	70.0
New Zealand	1,987	15.7	1,838	17.5	2,538	23.3
Pacific Islands	125	1.0	179	1.7	224	2.1
Asia	116	0.9	135	1.3	204	1.9
Americas	165	1.3	153	1.5	125	1.1
Europe	216	1.7	168	1.6	182	1.6
<b>Total</b>	<b>12,659</b>	<b>100.0</b>	<b>10,487</b>	<b>100.0</b>	<b>10,899</b>	<b>100.0</b>
<b>Intersegment operating revenue</b>						
Australia	97	6.8	73	7.0	129	11.2
New Zealand	76	5.3	13	1.2	5	0.4
Pacific Islands	12	0.8	18	1.7	25	2.2
Asia	88	6.2	93	8.9	193	16.7
Americas	696	48.7	483	46.3	465	40.3
Europe	461	32.2	364	34.9	337	29.2
<b>Total</b>	<b>1,430</b>	<b>100.0</b>	<b>1,044</b>	<b>100.0</b>	<b>1,154</b>	<b>100.0</b>
<b>Operating profit/(loss) before abnormal items and income tax (excluding gross up)</b>						
Australia	1,743	73.4	1,503	74.2	1,472	76.1
New Zealand	379	15.9	335	16.5	320	16.5
Pacific Islands	60	2.5	72	3.6	83	4.3
Asia	36	1.5	25	1.2	(65)	(3.4)
Americas	88	3.7	74	3.7	54	2.8
Europe	72	3.0	17	0.8	71	3.7
<b>Total</b>	<b>2,378</b>	<b>100.0</b>	<b>2,026</b>	<b>100.0</b>	<b>1,935</b>	<b>100.0</b>
<b>Operating profit/(loss) after income tax attributable to equity holders of Westpac Banking Corporation</b>						
Australia	1,161	67.7	1,081	74.2	963	75.7
New Zealand	329	19.2	230	15.8	211	16.6
Pacific Islands	45	2.6	46	3.2	62	4.9
Asia	32	1.9	18	1.2	(76)	(6.0)
Americas	76	4.4	64	4.4	41	3.2
Europe	72	4.2	17	1.2	71	5.6
<b>Total</b>	<b>1,715</b>	<b>100.0</b>	<b>1,456</b>	<b>100.0</b>	<b>1,272</b>	<b>100.0</b>

## Note 5. Equity

On 12 October 1999 a controlled entity, WestpacTrust Investments Limited (WestpacTrust Investments) issued 54,393,306 NZ Class shares. A first instalment of NZ\$7.20 (A\$5.66) per NZ Class share was received on application and the total received was NZ\$392 million (A\$308 million). A second instalment of NZ\$4.75 (A\$3.74) per NZ Class share is to be paid by 20 December 2000 and the total to be received is NZ\$258 million (A\$203 million). The NZ Class shares have been recorded at the total of the first instalment and the present value of the second instalment, net of issue costs. The directors of WestpacTrust Investments have the discretion to declare dividends on the NZ Class shares. However, the constitution of WestpacTrust Investments requires that where a dividend is declared by the company, the dividend must equal the cash dividend paid on one Westpac ordinary share, adjusted by the conversion ratio (the Exchange Fraction) and converted into NZ dollars pursuant to the Exchange Deed. The holders of the NZ Class shares have limited voting rights in WestpacTrust Investments. They do not have direct voting rights in Westpac, however, a special purpose company has been established to hold Enhanced Voting Shares in Westpac, and will vote those Enhanced Voting Shares in accordance with the indications of the NZ Class shareholders.

The NZ Class shares can be exchanged for ordinary shares in Westpac, upon the occurrence of certain limited events which may result in a compulsory exchange, an exchange at the option of Westpac or an exchange at the option of the NZ Class shareholder. The Exchange Fraction is initially one Westpac share for each NZ Class share. However, the Exchange Fraction will be adjusted for subsequent bonus issues, share splits or consolidations and rights issues where such an activity by either Westpac or WestpacTrust Investments has not been mirrored by the other. The exchange events include a takeover of Westpac, change in laws which adversely affect the rights of the NZ Class shareholders, failure to pay a dividend on NZ Class shares equivalent to Westpac ordinary share dividend as adjusted by the Exchange Fraction, or commencement of liquidation, statutory management or administration of either Westpac or WestpacTrust Investments.

On 16 July 1999, a wholly-owned entity Westpac Capital Trust I (Capital Trust) issued 12,900,000 TOPrS at US\$25 each with a non-cumulative quarterly distribution (31 March, 30 June, 30 September and 31 December) in arrears at the annual rate of 8%. The sole assets of the Capital Trust comprise 12,900,040 Funding TOPrS issued by a wholly-owned entity, the Tavarua Funding Trust I (Funding Trust) totalling US\$322,501,000. The Funding TOPrS have an issue price of US\$25 each with a non-cumulative quarterly distribution in arrears at the annual rate of 8%. The Funding Trust has issued common securities with a total price of US\$1,000 to Westpac Funding Holdings Pty Limited. The sole assets of the Funding Trust comprise a NZ\$611,724,203 convertible debenture of the Parent Entity.

The holders of the convertible debenture, Funding TOPrS and TOPrS do not have an option to require redemption of these instruments. For further information refer to the 2000 Annual Financial Report.

## Note 6. Events subsequent to balance date

On 12 October 2000 we announced that we had selected IBM Global Services Australia as the preferred supplier to manage our core banking technology platforms. It is not expected that there will be any adverse impact on the carrying value of any non-current assets as a result of this agreement.

## Concise financials

### Directors' Declaration

In accordance with a resolution of the directors of Westpac Banking Corporation ("the Parent Entity"), the directors declare that the accompanying Concise Financial Report of the consolidated entity, for the year ended 30 September 2000, set out on pages 58 to 67:

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

Dated at Sydney this 3rd day of November 2000.

For and on behalf of the Board.



J.A. Uhrig  
Chairman



D.R. Morgan  
Managing Director and  
Chief Executive Officer

### Independent Audit Report

to the Shareholders of Westpac Banking Corporation

#### Matters relating to the electronic presentation of the Audited Financial Report

This audit report relates to the Concise Financial Report of Westpac Banking Corporation ("the Parent Entity") for the financial year ended 30 September 2000 included on Westpac Banking Corporation's web site. The Parent Entity's directors are responsible for the integrity of the Westpac Banking Corporation's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the Concise Financial Report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the Concise Financial Report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited Concise Financial Report to confirm the information included in the audited Concise Financial Report presented on this web site.

### Scope

We have audited the Concise Financial Report of Westpac Banking Corporation ("the Parent Entity") and its controlled entities for the financial year ended 30 September 2000 as set out on pages 58 to 68, in order to express an opinion on it to the members of the Parent Entity. The Parent Entity's Directors are responsible for the Concise Financial Report.

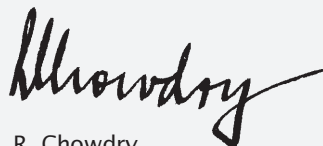
Our audit has been conducted in accordance with Australian Generally Accepted Auditing Standards to provide reasonable assurance as to whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the Annual Financial Report of Westpac Banking Corporation and its controlled entities for the financial year ended 30 September 2000. Our audit report on the Annual Financial Report was signed on 3 November 2000, and was not subject to any qualification.

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

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

### Audit opinion

In our opinion, the Concise Financial Report of Westpac Banking Corporation and its controlled entities for the year ended 30 September 2000 complies with Accounting Standard AASB 1039 Concise Financial Reports.



R. Chowdry



M.J. Codling

Chartered Accountants  
Sydney, Australia

3 November 2000

# Shareholder information

## Annual General Meeting

The meeting will be held in the Tumbalong Auditorium, Sydney Convention Centre South, Darling Drive, Darling Harbour, Sydney, NSW on 15 December 2000 at 1.30pm.

## Shareholders' calendar

Record Date for final dividend	6 December 2000
Record Date for final dividend (New York)	5 December 2000
Annual General Meeting	15 December 2000
Final dividend payable	2 January 2001
Half year end	31 March 2001
Interim results and dividend announcement	4 May 2001
Record Date for interim dividend	14 June 2001*
Record Date for interim dividend (New York)	13 June 2001*
Interim dividend payable	6 July 2001*
Year end	30 September 2001
Final results and dividend announcement	2 November 2001
Record Date for final dividend	5 December 2001**
Record Date for final dividend (New York)	4 December 2001**
Annual General Meeting	13 December 2001#
Final dividend payable	2 January 2002**

\* Dates will be confirmed at the time of announcing 2001 interim results

\*\* Dates will be confirmed at the time of announcing 2001 final results.

# Details regarding the date of this meeting and the business to be dealt with, will be contained in the separate Notice of Meeting sent to shareholders in November 2001.

## Voting rights

### Ordinary shares

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

On a poll, each shareholder shall have:

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

## 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 dividends by cheque or by direct credit to an account with Westpac or any other bank in Australia, New Zealand, or the United Kingdom, or with any building society or credit union in Australia. Any change to direct credit details should be notified to the Share Registry in Sydney, promptly, in writing; or

- if they are resident in, or their address on the register of shareholders is in, Australia or New Zealand, have the dividends on some or all of their ordinary shares automatically reinvested in additional shares by participating in the Dividend Reinvestment Plan. Full details of the Plan can be obtained from the Share Registry in Sydney.

## 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.

## 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.

## Shareholder information

### Sources of information for shareholders

#### Annual Report

We are providing our report to shareholders in two parts:

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

Both parts will be lodged with the Australian Stock Exchange Limited (ASX) and the Australian Securities and Investments Commission (ASIC) and are available on [www.westpac.com.au](http://www.westpac.com.au).

The main source of information is the Concise Annual Report which is mailed to shareholders in November.

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

#### Share registries

For information about your shareholding you should contact the appropriate share registry. In the case of the Australian registry, this information is also available via a link on the Westpac Internet site. Any changes to your address should be notified to the registry in writing.

Addresses and phone numbers for the Share Registries can be found on the inside back cover.

#### 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's internet address

<http://www.westpac.com.au>

The Investor Information section on our website provides key information about investing in Westpac Banking Corporation shares, including financial results, contacts, and descriptions of Westpac's businesses. It also has a link to the Australian share registry for information about your shareholding.

### Top twenty ordinary shareholders at 4 October 2000

	Number of fully paid ordinary shares	% held
Chase Manhattan Nominees Ltd	257,968,796	14.53
National Australia Trustees Limited	147,300,000	8.29
National Nominees Ltd	134,385,282	7.57
Westpac Custodian Nominees Ltd	103,558,280	5.83
ANZ Nominees Ltd	56,935,989	3.20
MLC Limited	33,031,737	1.86
Citicorp Nominees Pty Limited	32,881,208	1.85
Permanent Trustee Australia Limited	32,190,395	1.83
Queensland Investment Corporation	29,541,313	1.66
Mercantile Mutual Life Insurance Company Limited	20,279,184	1.14
Perpetual Nominees Limited	19,992,999	1.13
Commonwealth Custodial Services Limited	19,495,009	1.09
Perpetual Trustees Nominees Ltd	17,027,898	0.96
HSBC Custody Nominees (Australia) Limited	16,491,206	0.93
AMP Life Limited	15,167,531	0.85
NRMA Nominees Pty Limited	13,167,168	0.74
Cede & Co	12,725,105	0.72
AMP Nominees Pty Limited	11,714,376	0.66
Australian Foundation Investment Company Limited	10,413,384	0.59
BTM Nominees (Australia) Pty Ltd	7,346,350	0.41
	991,613,210	55.84

Top twenty shareholders hold 55.84 per cent of total fully paid ordinary shares issued.

## Substantial shareholders as at 4 October 2000

Shareholders appearing on the Register of Substantial Shareholders as at 4 October 2000 are:

	Number of shares held	% of shares held
Fully Paid Ordinary Shares		
Australian Mutual Provident Society (and its associates) (by notice dated 10 November 1998)	220,364,227	11.60
The Capital Group of Companies (by notice dated 19 January 2000)	171,233,042	9.27

## Analysis of shareholdings as at 4 October 2000

By class:	Ordinary shares fully paid	%	No. of ordinary shares (000s)	%	Ordinary shares partly paid to 01¢	*Options to subscribe for ordinary shares
1 – 1,000	95,287	50.5	38,848	2.2	–	–
1,001 – 5,000	70,020	37.2	157,804	8.9	–	56
5,001 – 10,000	13,223	7.0	93,141	5.2	3	137
10,001 – 100,000	9,440	5.0	204,134	11.5	2	546
100,001 & over	491	0.3	1,281,967	72.2	–	88
<b>Totals</b>	188,461	100.0	1,775,894	100.0	5	827

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

Percentage of total securities held by Top 20 holders in each class	55.84	100.00	22.4
Holdings less than a marketable parcel	14,670		

By domicile:	*Number of holdings	% of holdings	Number of issued shares and options (000s)	% of issued shares and options
Australia	175,620	92.78	1,768,819	97.15
New Zealand	8,862	4.68	20,709	1.14
United Kingdom	1,761	0.93	5,521	0.30
Japan	1,463	0.77	4,131	0.23
United States	529	0.28	16,385	0.90
Other Overseas	1,058	0.56	5,057	0.28
<b>Totals</b>	189,293	100.00	1,820,622	100.00

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



# Directory

## Australia

### Head Office

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

### Australian Capital Territory

Level 5, 1 Farrell Place  
Canberra City ACT 2601  
Telephone (02) 6275 5285  
Facsimile (02) 6275 5259

### Victoria

Bank of Melbourne  
360 Collins Street  
Melbourne Vic 3000  
Telephone (03) 9608 3222  
Facsimile (03) 9608 3700

### Queensland

260 Queen Street  
Brisbane Qld 4000  
Telephone (07) 3227 2222  
Facsimile (07) 3227 2043

### South Australia

Level 6  
2 King William Street  
Adelaide SA 5000  
Telephone (08) 8210 3311  
Facsimile (08) 8210 3673

### Northern Territory

Level 2, 5 Shepherd Street  
Darwin NT 0800  
Telephone (08) 8946 1781  
Facsimile (08) 8941 6498

### Western Australia

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

### Tasmania

28 Elizabeth Street  
Hobart Tas 7000  
Telephone (03) 6230 4491  
Facsimile (03) 6230 4494

## Asia

### Hong Kong

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

### Japan

Level 8 Imperial Tower  
1-1-1 Uchisaiwai-cho  
Chiyoda-ku Tokyo 100-0011  
Japan  
Telephone (813) 3501 4101  
Facsimile (813) 3501 4100

### People's Republic of China

Suite K, 22/F, Room 2210  
SCITECH Tower  
22 Jianguomenwai Avenue  
Beijing  
People's Republic of China  
Telephone (86 10) 6512 3465  
Facsimile (86 10) 6512 3780

### Republic of Indonesia

12th Floor Lippo Plaza  
Jalan Jend Sudirman Kav 33-A  
Jakarta 10220  
Indonesia  
Telephone (62 21) 574 3719  
Facsimile (62 21) 574 3720

### Republic of Singapore

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

### Thailand

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

## Europe

### United Kingdom

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

## New Zealand

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

WestpacTrust Financial Services  
Level 10,  
Cnr Manners and Willis Streets  
Wellington New Zealand  
Telephone (64 4) 801 1000  
Facsimile (64 4) 801 1108

## Pacific Banking

### Headquarters

Level 5  
60 Martin Place  
Sydney NSW 2000  
Telephone (02) 9226 3416  
Facsimile (02) 9226 1390

### Cook Islands

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

### Fiji

Chief Manager's Office  
6th Floor Civic House  
Town Hall Road  
Suva Fiji  
Telephone (679) 30 0666  
Facsimile (679) 30 0718

### Republic of Kiribati

Bank of Kiribati Limited  
Bairiki Tarawa  
Republic of Kiribati  
Telephone (686) 21095  
Facsimile (686) 21200

### Niue

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

### Samoa

Pacific Commercial Bank Limited  
Beach Road Apia  
Samoa  
Telephone (685) 20000  
Facsimile (685) 22848

## Solomon Islands

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

## Tonga

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

## Vanuatu

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

## Papua New Guinea

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

## United States of America

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

## Westpac Financial Services Group Limited

Level 36  
60 Margaret Street  
Sydney NSW 2000  
Telephone (02) 9226 2900  
Facsimile (02) 9220 9020

## Australian Guarantee Corporation Limited

Level 6 AGC House  
60 Carrington Street  
Sydney NSW 2000  
Telephone (02) 8234 4455  
Facsimile (02) 8234 4477

# Useful information for shareholders and customers

## Share Registries

For information about your shareholding you should contact the appropriate share registry. In the case of the Australian registry, this information is also available via a link on the Westpac Internet site. Any changes to your address should be notified to the registry in writing.

### Australia

Computershare Registry  
Services Pty Ltd  
Level 3, 60 Carrington Street  
Sydney NSW  
GPO Box 7045  
Sydney NSW 1115  
Shareholder Service line  
Telephone: (02) 8234 5222 or  
1800 804 255  
(toll free in Australia)  
Facsimile: (02) 8234 5050

### New Zealand

Computershare Registry Services Ltd  
Level 3, 277 Broadway  
Newmarket Auckland  
Private Bag 92119  
Auckland 1020 New Zealand  
Telephone: (64 9) 522 0022  
Facsimile: (64 9) 522 0058

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

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

\*Each ADS equals five, fully paid ordinary shares

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

The Mitsubishi Trust and  
Banking Corporation  
1-7-7 Nishi-Ikebukuro, Toshima-ku  
Tokyo 171, Japan  
Telephone: (81 3) 5391 7029  
Facsimile: (81 3) 5391 1911

## Westpac Investor Relations

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

Group Investor Relations  
Level 25, 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

## Westpac's Internet site

[www.westpac.com.au](http://www.westpac.com.au) provides information for shareholders and customers, and is the gateway to Westpac's internet banking and broking services. The site also provides information on Westpac's products, economic updates, community sponsorships and support activities, media releases, and other information relating to Westpac's 183 year history.

The **Investor Information** section on the site provides key information about investing in Westpac Banking Corporation shares, including financial results, contacts, and descriptions of Westpac's businesses. It also has a link to the Australian share registry for information about your shareholding.

## Banking and Financial Services

### Australia

Account enquiries and general information  
– personal customers  
– business customers  
Home loan enquiries  
Cardholder enquiries and lost/stolen cards  
ATM enquiries and service difficulties  
Financial Services

### Westpac

13 2032  
13 2142  
13 1900  
1300 651 089  
1800 022 022  
13 1817

### Bank of Melbourne

13 2575  
13 1919  
13 1575  
1300 651 089  
1800 022 022  
13 1817

### Challenge Bank

13 1862  
13 2885  
13 1900  
1800 061 547  
1800 022 022  
13 1817

### New Zealand

Customer service  
Cardholder enquiries and lost/stolen cards  
Financial Services  
Phone Banking  
Home Loans  
Business Team

### WestpacTrust

0800 400 600  
0800 888 111  
0800 738 641  
0800 172 172  
0800 177 277  
0800 177 377