Westpac
Australia's First Bank

Official Partner
of the 2000
Olympic Games

Official Bank
Sydney 2000
Paralympic Games

1999 Annual Financial Report

Annual Financial Report 1999

Form 20F cross reference index	2
Description of business	**3**
Financial review	**9**
Selected consolidated financial and operating data	10
Management's discussion and analysis of financial condition and results of operations	14
Overview of performance	14
Profit and loss review	15
Balance sheet review	18
Business group results	19
Risk management within Westpac	22
Board of Directors	**30**
Corporate governance	**32**
Directors' report	**35**
Five year summary	**44**
Financial report	**45**
Shareholding information	**118**

In this report references to 'Westpac', 'we', 'us' and 'our' are to Westpac Banking Corporation. References to 'Westpac', 'we', 'us' and 'our' under the captions 'Description of business', 'Financial review' and 'Shareholding information' include Westpac and its consolidated subsidiaries unless they clearly mean just Westpac Banking Corporation.

We are providing our report to shareholders in two parts:

- a Concise Annual Report
- 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

The Annual Financial Report includes the disclosure requirements for both Australia and the United States Securities and Exchange Commission (SEC).
It will be lodged with the SEC as an Annual Report on form 20F.

Westpac Banking Corporation
ARBN 007 457 141

Form 20F cross reference index (for the purpose of filing with the US SEC)

20-F item number and caption		Page
Currency of presentation, exchange rates and certain definitions		126
Part I		
Item 1.	Description of business	3
Item 2.	Description of properties	6
Item 3.	Legal proceedings	7
Item 4.	Control of registrant	120
Item 5.	Nature of trading market	122
Item 6.	Exchange controls and other limitations affecting security holders	123
Item 7.	Taxation	125
Item 8.	Selected financial data	10
Item 9.	Management's discussion and analysis of financial condition and results of operations	13
Item 9A.	Disclosure of market risks	22
Item 10.	Directors and officers of the registrant	127
Item 11.	Compensation of directors and officers	107, 108
Item 12.	Options to purchase securities from registrant or subsidiaries	75
Item 13.	Interest of management in certain transactions	106, 107
Part II		
Item 14.	Description of securities to be registered	Not applicable
Part III		
Item 15.	Defaults upon senior securities	Not applicable
Item 16.	Changes in securities and changes in security regulated securities	Not applicable
Part IV		
Item 17.	Financial statements	Not applicable
Item 18.	Financial statements	45
Item 19.	Financial statements and exhibits	46, 116
Report of independent auditors		117
Consolidated statements of income for the years ended 30 September 1999, 1998 and 1997		47
Consolidated balance sheets as at 30 September 1999 and 30 September 1998		48
Consolidated statements of cash flows for the years ended 30 September 1999, 1998 and 1997		49
Consolidated statements of changes in shareholders' equity for the years ended 30 September 1999, 1998 and 1997		50
Notes to the financial statements		51

Disclosure regarding forward-looking statements

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

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

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

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

Description of business

Overview

We are a leading provider of banking and financial services in Australia and New Zealand. We are one of the four major banking organisations in Australia and one of the three largest banks in New Zealand based on total assets as at 30 September 1999. We provide a broad range of banking and financial services in Australia and New Zealand, including:

- retail, commercial and institutional banking;
- investment management and insurance; and
- finance company activities.

We have branches and affiliates throughout the Pacific region and maintain offices in key financial centres around the world. As at 30 September 1999, our market capitalisation was $17.5 billion. Our operations comprise three key areas of business, through which we serve over seven million customers. These three areas of business are:

- Australian Retail Financial Services which provides banking, investment, insurance and other financial services to individuals and small to medium-sized businesses in all states of Australia;
- Institutional Banking provides banking and financial services to corporate, institutional and government customers and also supplies products to small and medium-sized businesses, primarily in Australia and New Zealand; and
- New Zealand Retail and Pacific Regional Banking which provides a full range of retail and commercial services to customers throughout New Zealand and other banking services throughout the south pacific region.

We were founded in 1817 and were the first bank to be established in Australia. In 1850, we were incorporated as the Bank of New South Wales by an Act of the New South Wales Parliament. In 1982, we acquired the Commercial Bank of Australia Limited and changed our name to Westpac Banking Corporation. Our principal office is located at 60 Martin Place, Sydney, New South Wales, 2000, Australia and its telephone number is (61) (2) 9226 3311.

The following tables present, for each of the three key areas of business, based on unaudited management accounts, the net profit for and assets at the financial years ended 30 September 1999, 1998 and 1997. See also note 25 of notes to the financial statements for our net income and assets by a geographic segment.

Operating profit after tax and before abnormals[1]

Year ended 30 September	**1999 $m**	1998 $m	1997 $m
Australian Retail Financial Services	**818**	741	655
Institutional Banking	**243**	177	173
New Zealand Retail and Pacific Regional Banking	**326**	284	285
Other [2]	**69**	140	178
Operating profit after tax and before abnormals	**1,456**	1,342	1,291

1 Internal charges and transfer pricing adjustments have been reflected in the operating profit reported for each of our business groups.
2 Other includes the general provision for bad and doubtful debts (see note 12 of notes to the financial statements) and the results of the Group Treasury, Global Transactions and Treasury Services and Head Office functions.

Assets

As at 30 September	**1999 $bn**	1998 $bn	1997 $bn
Australian Retail Financial Services	**80**	72	57
Institutional Banking	**36**	41	35
New Zealand Retail and Pacific Regional Banking	**17**	19	20
Other [1]	**7**	5	7
Total assets	**140**	137	119

1 See note 2 above.

Australian Retail Financial Services

Australian Retail Financial Services represents the combined results of our Australian Regional Banks, Australian Guarantee Corporation and Westpac Financial Services.

We conduct our activities via a nationwide network of 970 branches, banking centres and in-store branches, approximately 1,500 automatic teller machines or ATMs and over 44,000 electronic funds transfer terminals, as well as a national telephone banking service. We service our business customers via a network of specialised business banking managers, and provide private banking and financial planning services for high net worth customers. These activities are undertaken via a series of Regional Banks operating under the broad 'Westpac' banner, but placing management and service delivery close to customers.

Our retail banking operations include deposit taking, transaction accounts and lending. Our retail lending activities consist primarily of long term residential mortgage loans (at both variable and fixed rates), overdraft accounts, term loans and other forms of consumer and small business loans (both secured and unsecured). Commercial lending is targeted at medium-sized businesses with finance requirements of up to $20 million. Investment management, insurance products and services are also marketed through the branch network.

We are a major provider of housing finance in Australia. At 30 September 1999, our owner-occupied residential mortgage loan portfolio in Australia was $27 billion (net of securitised loans) of which approximately 79% related to variable interest rate loans with maturities up to 30 years. Non-owner-occupied residential mortgage loans outstanding at 30 September 1999, amounted to $15 billion, of which approximately 49% related to variable interest rate loans with maturities up to 25 years.

Our network of ATMs provides electronic access to funds for our debit card and credit card holders. We offer customers the Westpac Handycard, a debit card, as well as a full range of credit card products. The credit card products are offered under three brand schemes. Bankcard, a widely used and accepted credit card in Australia, and MasterCard and Visa, combined debit and credit cards for both domestic Australian and international use. As at 30 September 1999, we had approximately 2.6 million Westpac Handycards and 1.9 million credit cards on issue. We have reciprocal arrangements with a number of other financial institutions, including the Australian and New Zealand Banking Group, Commonwealth Bank of Australia and National Australia Bank, the other major banking organisations in Australia, for shared use of ATMs, thereby providing electronic access to funds through approximately 8,000 additional ATMs.

In addition, electronic funds transfer terminals allow holders of our credit or debit cards to access their funds at a wide range of retail outlets, permitting direct electronic payments and, at many outlets, cash withdrawals. Reciprocal arrangements with several other banks and financial institutions for shared use of electronic funds transfer terminals make over 300,000 additional terminals available to our customers.

Westpac Financial Services

Our financial services operations provide investment management, superannuation (pension), life and general (property and casualty) insurance products and services which are marketed to our retail, commercial and institutional customers. Specific products include unit trusts (mutual funds), personal and business superannuation, life insurance, a listed property trust, portfolio management services, custodian services and general insurance products. The personal investment, life insurance and general insurance products are marketed to our customer base through our Regional Bank branch network. As at 30 September 1999, our financial services business had $22.7 billion in funds under discretionary management and held $111.4 billion of assets as custodian. Our financial services business provides general insurance products as an agent for specialist general insurance companies, and also underwrites home and content policies, mortgage insurance and consumer credit policies for our customers and customers of Australian Guarantee Corporation and our borrowers.

Australian Guarantee Corporation

Our finance company, Australian Guarantee Corporation, operates in four core areas of activity in Australia:

- Dealer Finance – wholesale finance to more than 290 motor dealers and the provision of retail finance to purchasers of new and used cars;
- Business Finance – equipment finance, vendor rental, insurance premium funding and current asset finance to business;
- CreditLine – personal finance mainly through third party introducers such as retail stores and specialist suppliers, via the CreditLine product; and
- Retail Funding – personal investments in fixed rate/fixed term debentures, short-term deposits and money market access accounts.

With over one million accounts and assets of $8.4 billion, Australian Guarantee Corporation is one of Australia's largest finance companies.

Australian Guarantee Corporation funds itself independently, with over $5.8 billion in funds raised through its retail funding operations, from approximately 145,000 investors as at 30 September 1999. Standard & Poor's has awarded AGC a short-term credit rating of A-1+ and its debentures a long-term credit rating of AA-.

In addition, Australian Guarantee Corporation manages our New Zealand based finance subsidiary, Australian Guarantee Corporation (NZ) Limited, which as at 30 September 1999 had assets of approximately A$0.5 billion and borrowings of approximately A$100 million from approximately 9,000 investors.

Institutional Banking

Our Institutional Bank has a leading market position derived from our strong focus on customer relationships.

Our strategy is to leverage this position through a superior understanding of our customers' business and the environment in which they operate. Our target market includes corporates and institutional customers operating in Australasia and selected offshore institutions requiring A$ and NZ$ products and services. We also provide banking services to government customers in Australia and New Zealand. The products and services we offer our customers include:

Advice
- mergers and acquisitions
- corporate project, property and risk advice
- valuation

Capital
- capital underwriting
- financial structuring
- loan syndications
- capital markets

Financial Markets
- foreign exchange
- derivatives
- commodities
- debt securities

Institutional Banking services our corporate, institutional and government customers and correspondent banking relationships globally. Institutional Banking operates through branches and subsidiaries located in Australia, New Zealand, New York, London, Tokyo, Singapore, Hong Kong and is represented in Thailand, Indonesia and China.

In the global financial markets, we focus on Australian and New Zealand dollar-denominated financial products. We also provide an extensive range of foreign exchange services and currency and interest rate risk management products.

We maintain correspondent relationships with approximately 1,500 international financial institutions in over 90 countries. We maintain reciprocal accounts with many of these correspondents in Australian dollars and foreign currencies to facilitate trade payments and capital transactions. We also provide collection, processing and clearance services for Australian currency instruments and international transfers of funds.

New Zealand Retail and Pacific Regional Banking

New Zealand Retail

We began operating in New Zealand in 1861 as the Bank of New South Wales. In 1996, we acquired Trust Bank New Zealand Limited and we now operate in New Zealand through a branch under the name WestpacTrust. We are one of the largest banks in New Zealand based on total assets as at 30 September 1999. We provide a full range of retail and commercial banking services to customers in New Zealand.

As at 30 September 1999, we had 224 branches, agencies and service centres and over 450 ATMs in New Zealand. Our customers also have access to approximately 1,150 ATMs in New Zealand owned by other financial institutions. We also provide a shared electronic funds transfer terminals system in conjunction with three other banks in New Zealand.

Pacific Regional Banking

Our Pacific operations provide a full range of deposit, loan, transaction account and international trade facilities to personal and business customers in local markets and in support of Australian and New Zealand based customers within the region. In selected locations, we also offer finance company activities, such as leasing, equipment finance and motor vehicle loans.

Pacific operations include:

- Westpac Bank-PNG-Limited (89.9% owned subsidiary), which has a branch network throughout Papua New Guinea;
- Branch networks in Fiji and Vanuatu and branches in the Solomon Islands, Cook Islands and Niue;
- Bank of Kiribati Limited (51% owned subsidiary);
- Pacific Commercial Bank Limited in Samoa (42.7% owned); and
- Bank of Tonga (30% owned).

Pacific Commercial Bank Limited in Samoa and Bank of Tonga are managed by us.

Property

We occupy a substantial number of properties in Australia. and New Zealand, including 970 branches in Australia and 224 in New Zealand. Approximately 23% of the premises we occupy in Australia and 32% in New Zealand, are owned by us. As at 30 September 1999, the carrying value of our premises and sites was $713 million.

Competition

We face strong competition in all of our principal areas of operation. Our competitors in the Australian banking market (retail, business and corporate) are the other three major Australian banks and a number of smaller banks. Competition, particularly for corporate customers, also comes from a number of foreign banks operating in Australia.

Building societies, credit unions and mortgage originators also compete for customers' funds and lending (particularly housing) in the retail sector.

In the Australian financial services industry, competition among the four major and other Australian banks, Australia's large insurance companies and fund managers is intense. We use our nationwide branch network to distribute funds management and insurance products, including superannuation (pension), savings and life insurance products.

In New Zealand, we face competition principally from the other three Australian banks and from the National Bank of New Zealand Limited (a locally incorporated subsidiary of the United Kingdom based Lloyds TSB Group). In addition there is competition from a number of other smaller market participants that focus primarily on the retail and housing sectors.

Employees

We had 33,574 full-time-equivalent employees as at 30 September 1999. This represents a decrease of 1,938 from 30 September 1998. The 1998 employees total of 35,512 was some 2,035 higher than 1997 largely due to the merger of the Bank of Melbourne.

Union membership in Australia is decreasing. Consistent with this movement, approximately 46% of our employees in Australia were members of the Finance Sector Union in 1999, a decrease of 7% from the 1998 figures.

The employment arrangements in Australia covering us are governed by the Workplace Relations Act 1996 which applies in conjunction with Westpac Awards and Agreements. We have not experienced any stoppages related to industrial disputes which may have affected service.

The current Enterprise Agreements, which have been certified by the Australian Industrial Relations Commission pursuant to the Workplace Relations Act 1996, commenced in 1998 continue in force until their expiry on 31 December 2000.

We offer an employee share plan for permanent employees in Australia, which is designed to give tangible recognition for improvements in our performance and gain greater staff commitment. The value of the share plan benefit is determined by the year on year movement of our average share price, subject to a minimum share price growth of 4%. We operate superannuation (pension) plans for our employees in Australia, New Zealand, the United Kingdom and certain other countries in which we operate. Plan members are entitled to benefits on retirement, resignation or death. See note 29 of notes to the financial statements.

The number of employees in each of Westpac's operating groups at 30 September 1999 is as follows[1]:

Australian Retail Financial Services	23,851
Institutional and International Banking	
Australia	2,237
United States	32
Europe	85
Asia	90
New Zealand	5,671
Pacific Islands	1,174
Corporate Centre and other	434
Total employees	33,574

1 The number of employees includes core full-time-equivalent, overtime, temporary staff and contractors.

Legal proceedings

We have contingent liabilities in respect of actual and potential claims and proceedings which have not been determined. An assessment of likely loss was made on a case-by-case basis for purposes of the financial statements and specific provision was made where appropriate, as described in note 30 of notes to the financial statements.

We do not believe that we are engaged in any legal proceedings which would be likely, upon disposition, to have a significant effect on our business, financial condition or results of operations.

Supervision and regulation

Australia

The Australian Prudential Regulation Authority was established on 1 July 1998, and took responsibility for the prudential supervision of deposit taking institutions, life and general insurance companies and superannuation funds. This role in relation to banks was previously undertaken by the Reserve Bank of Australia. The prudential standards, which the Reserve Bank of Australia had applied to banks in Australia, have been adopted by the Australian Prudential Regulation Authority.

The information reported to the Australian Prudential Regulation Authority forms the basis of supervisory assessment of banks. These reports are supplemented by a programme of on-site visits. Close attention is paid to capital and liquidity adequacy, earnings, loan loss experience, concentration of risks, the maturity structure of assets and liabilities, potential exposures through equity association and international banking operations.

The Australian Prudential Regulation Authority has the power to appoint any person (for example, an auditor) to investigate and report on prudential matters relating to a bank. Our independent auditors also have an obligation to report to the Australian Prudential Regulation Authority on whether we are in compliance with relevant prudential standards and statutory and regulatory banking requirements in relation to our operations and any matters which, in their opinion, may have the potential to prejudice materially the interests of our depositors.

The Reserve Bank of Australia retains responsibility for monetary policy and the maintenance of financial stability, including stability of the payments system. The Reserve Bank of Australia now has stronger regulatory powers in the payments system to be exercised by a new Payments System Board within the Reserve Bank of Australia.

The new Payments System Board is responsible for the Reserve Bank of Australia's payments system policy, the objectives of which are:

- controlling risk in the financial system arising from the operation of the payments system;
- promoting the efficiency of payments systems; and
- promoting competition in the market for payments services, consistent with the overall stability of the financial system.

While the Reserve Bank of Australia has no responsibility for the supervision of any individual financial institution, it remains the only agency which is able to provide emergency liquidity support in the event of any threats to the stability of the financial system. The new regulatory structure envisages close and effective co-ordination between the Reserve Bank of Australia and the Australian Prudential Regulation Authority in the discharge of their respective duties.

There are relatively few prescriptive regulations governing banking business in Australia. There are no formal restraints on our diversification through equity involvement or investments in subsidiaries in the field of finance. Informal guidelines are administered by the Australian Prudential Regulation Authority. A proposed new or increased equity association by a bank which would involve a substantive interest (more than, say 10%) would be referred to the Australian Prudential Regulation Authority for comment. Equity investments in non-financial businesses are limited to an aggregate amount of 5% of a bank's tier 1 capital without prior reference to the Australian Prudential Regulation Authority and individual limits are generally subject to a limit of 0.25% of tier 1 capital. Banks and authorised deposit taking institutions may not enter into any agreement or arrangement for the sale, disposal or reconstruction of its Australian banking business without the consent of the Treasurer of Australia.

Australia's risk-based capital adequacy guidelines are generally consistent with the approach agreed upon by the Basle Committee on Banking Regulation and Supervisory Practices (Bank for International Settlements). For details of our capital adequacy ratios see note 22 of notes to the financial statements.

The Board of Governors of the Federal Reserve System in the United States also has guidelines for a minimum leverage ratio that is designed to complement the risk-based capital ratios. The leverage ratio is the ratio of tier 1 capital to average total assets, excluding intangible assets. Under the guidelines, banking organisations are expected to maintain a leverage ratio commensurate with the nature and level of their risks, with a minimum permitted level of 3%. Leverage ratio guidelines require that most institutions maintain capital at one to two percentage points above this minimum.

Although not applicable to us, this requirement is met. After restatement of financial data in accordance with US Generally Accepted Accounting Principles (GAAP), our leverage ratio, determined in accordance with the leverage ratio guidelines, was 4.9% at 30 September 1999 as compared to 4.8% in 1998 and 5.9% in 1997. The decrease in the ratio from 1997 to 1998 was largely due to the increase in assets from the Bank of Melbourne merger relative to a stable equity base in both years.

New Zealand
The Reserve Bank of New Zealand is responsible for the supervision of the New Zealand banking industry. The framework of supervision includes monitoring financial performance, large exposures, individual country exposures, capital adequacy and, as in Australia, also involves external auditor reporting. The extent of the Reserve Bank of New Zealand's prudential regulation of banks has, however, been reduced following the introduction of a disclosure regime in 1995 applicable to all banks operating in New Zealand. The Reserve Bank of New Zealand's capital adequacy guidelines are generally in line with the Basle Committee guidelines.

United States
As a foreign bank having a federal branch in New York City, we are subject to supervision, examination and extensive regulation by the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System under the International Banking Act of 1978, as amended, and regulations adopted pursuant thereto.

A federal branch must maintain on deposit with a Federal Reserve member bank a capital equivalency deposit as prescribed by the Comptroller of the Currency in an amount which is the greater of: (1) the amount of capital that would be required of a national bank being organised at the same location, or (2) 5% of the total liabilities (excluding, among other things, liabilities to affiliates) of the federal branch. In addition, a federal branch is examined by the Comptroller of the Currency at least once each calendar year and periodically by the Federal Reserve. The examination covers compliance with the record-keeping and reporting requirements that apply to national banks, including the maintenance of its accounts and records separate from those of the foreign bank and any additional requirements prescribed by the Comptroller.

A federal branch of a foreign bank is, by virtue of the International Banking Act of 1978, as amended, subject to the receivership power of the Comptroller of the Currency to the same extent as a national bank and, accordingly, the Comptroller of the Currency may take possession of the business and property of such a branch whenever an event occurs which would permit the Comptroller to take possession of the business and property of a national bank.

Goods and services tax
Legislation that will impose a goods and services tax on the supply of most goods and services throughout Australia has been passed and will be effective from 1 July 2000.

We have established a project to implement the goods and services tax. The implementation will necessarily involve additional costs to us and require expenditure to change core systems. Whilst part of these costs cannot be passed on as a goods and services tax to customers, we will seek to recover as much of this cost as is consistent with regulatory and government guidance and market pricing dynamics.

The Government has announced additional business tax policy changes flowing from the Ralph Committee Review. Until such changes are put into legislation, the possible impact cannot be accurately assessed.

Financial review

Selected consolidated financial and operating data

We have derived the following selected financial information as at and for the financial years ended 30 September 1999, 1998, 1997, 1996 and 1995 from our audited consolidated financial statements and related notes.

You should read this information together with the 'Management's discussion and analysis of financial condition and results of operations' and the audited consolidated financial statements and the accompanying notes.

The financial statements for 1999, 1998 and 1997 were reported on by Messrs R.S. Lynn and R. Chowdry, independent auditors, and for 1996 and 1995 have been reported on by Messrs M.J. Ullmer and R.S. Lynn, independent auditors. The financial statements included in this report have been prepared in accordance with the accounting policies described in note 1 to the financial statements, being in accordance with Australian GAAP. Australian GAAP varies in certain respects from US GAAP. See note 45 of notes to the financial statements. See also 'Currency of presentation, exchange rates and certain definitions'.

Consolidated income statement data

	Year ended 30 September					
	1999 USD [1]	**1999 AUD**	1998 AUD	1997 AUD	1996 AUD	1995 AUD
	(in millions, unless otherwise stated)					
Amounts in accordance with Australian GAAP						
Interest income	**5,450**	**8,348**	8,896	8,551	8,520	7,173
Fully taxable equivalent gross up [2]	**83**	**127**	128	127	68	45
Interest income (including gross up)	**5,533**	**8,475**	9,024	8,678	8,588	7,218
Interest expense	**(3,170)**	**(4,856)**	(5,404)	(5,198)	(5,266)	(4,191)
Net interest income (including gross up)	**2,363**	**3,619**	3,620	3,480	3,322	3,027
Non-interest income	**1,396**	**2,139**	2,003	1,739	1,472	1,391
Operating income (including gross up)	**3,759**	**5,758**	5,623	5,219	4,794	4,418
Charge for bad and doubtful debts	**(112)**	**(171)**	(168)	(78)	(121)	(330)
Operating income after charge for bad and doubtful debts (including gross up)	**3,647**	**5,587**	5,455	5,141	4,673	4,088
Non-interest expenses	**(2,242)**	**(3,434)**	(3,392)	(3,228)	(3,049)	(2,654)
Operating profit before income tax (including gross up)	**1,405**	**2,153**	2,063	1,913	1,624	1,434
Fully taxable equivalent gross up [2]	**(83)**	**(127)**	(128)	(127)	(68)	(45)
Operating profit before income tax (excluding gross up)	**1,322**	**2,026**	1,935	1,786	1,556	1,389
Income tax attributable to operating profit	**(370)**	**(567)**	(589)	(493)	(421)	(371)
Abnormal item (net of tax)	**–**	**–**	(70)	–	–	(68)
Outside equity interests (OEI) in operating profit after income tax	**(2)**	**(3)**	(4)	(2)	(3)	(3)
Operating profit after income tax attributable to equity holders	**950**	**1,456**	1,272	1,291	1,132	947
Average number of fully paid ordinary shares outstanding	**1,881**	**1,881**	1,879	1,789	1,853	1,823
Basic earnings per ordinary share (cents) after abnormals [3]	**50.3**	**77.0**	66.4	70.0	58.9	49.8
Dividends per ordinary share (cents)	**30.7**	**47.0**	43.0	39.0	33.0	28.0
Dividend payout ratio (after abnormals) [4]	**60.2%**	**60.2%**	64.6%	55.3%	55.3%	56.3%
Amounts in accordance with US GAAP						
Net income	**950**	**1,409**	1,301	1,363	1,133	1,051
Basic earnings per ordinary share (cents)	**48.9**	**74.9**	68.0	74.0	59.0	55.5
Dividend payout ratio [4]	**61.8%**	**61.8%**	63.1%	52.3%	55.2%	50.5%

See page 13 for footnote explanations.

Consolidated balance sheet data

	1999 USD [1]	1999 AUD	1998 AUD	1997 AUD	1996 AUD	1995 AUD
			Year ended 30 September (in millions)			
Amounts in accordance with Australian GAAP						
Period end balances						
Total assets	**91,536**	**140,220**	137,319	118,963	121,513	105,835
Loans net of provisions for bad and doubtful debts	**63,789**	**97,716**	91,738	77,874	81,201	64,365
Interest earning assets	**74,414**	**113,992**	106,433	93,371	94,762	77,357
Acceptances	**6,691**	**10,249**	10,325	11,242	11,197	11,656
Deposits and public borrowings	**55,844**	**85,546**	83,164	72,636	74,886	58,198
Due to other financial institutions	**2,325**	**3,562**	4,343	4,570	5,419	7,169
Total liabilities excluding loan capital	**83,905**	**128,531**	126,185	108,862	111,423	95,371
Loan capital	**1,757**	**2,692**	2,523	1,895	2,199	2,881
Ordinary shareholders' equity [5 6]	**5,568**	**8,529**	8,606	8,200	7,885	7,578
Trust originated preferred securities (TOPrS^{SM})	**304**	**465**	–	–	–	–
Outside equity interests (OEI)	**2**	**3**	5	6	6	5
Average balances						
Total assets	**91,620**	**140,350**	139,647	124,778	116,279	97,396
Loans net of provisions for bad and doubtful debts	**61,816**	**94,693**	89,725	79,675	72,594	61,965
Acceptances	**7,156**	**10,962**	11,432	11,366	12,212	12,091
Total equity [5]	**5,687**	**8,712**	8,859	7,980	8,089	7,602
Amount in accordance with US GAAP						
Average total assets [7]	**96,180**	**147,604**	145,322	129,868	116,279	97,396
Average shareholders' equity [5 6]	**5,778**	**8,848**	8,688	8,034	7,776	7,121

See page 13 for footnote explanations.

Summary of consolidated ratios

	1999 USD [1]	1999 AUD	1998 AUD	1997 AUD	1996 AUD	1995 AUD
	Year ended 30 September					
	(in millions unless otherwise stated)					
Ratios in accordance with Australian GAAP						
Profitability ratios (%)						
Net interest margin	**3.27**	**3.27**	3.44	3.59	3.72	3.85
Return on average assets after abnormals	**1.04**	**1.04**	0.91	1.03	0.97	0.97
Return on average ordinary equity after abnormals [5 6]	**16.8**	**16.8**	14.7	17.0	14.6	13.0
Return on average total equity after abnormals [5]	**16.7**	**16.7**	14.4	16.2	14.0	12.5
Capital ratio (%)						
Average total equity to average total assets [5]	**6.2**	**6.2**	6.4	6.4	7.0	7.8
Earnings ratios						
Basic earnings per ordinary share (cents) after abnormals [3]	**50.3**	**77.0**	66.4	70.0	58.9	49.8
Fully diluted earnings per ordinary share (cents) after abnormals [9]	**49.7**	**76.1**	64.5	67.8	57.1	48.1
Dividends per ordinary share (cents)	**30.7**	**47.0**	43.0	39.0	33.0	28.0
Dividend payout ratio % (after abnormals) [4]	**60.2**	**60.2**	64.6	55.3	55.3	56.3
Ratios in accordance with US GAAP						
Profitability ratios %						
Net interest margin	**3.27**	**3.27**	3.44	3.59	3.72	3.85
Operating profit attributable to equity holders to average total assets	**0.96**	**0.96**	0.90	1.05	0.97	1.08
Operating profit attributable to equity holders to average ordinary shareholders' equity [5]	**15.9**	**15.9**	15.0	17.0	14.6	14.8
Capital ratio %						
Average total equity to average total assets [5]	**6.0**	**6.0**	6.0	6.2	6.7	6.8
Leverage ratio [8]	**4.9**	**4.9**	4.8	5.9	5.1	6.7
Earnings ratios						
Basic earnings per ordinary share (cents)	**48.9**	**74.9**	68.0	74.0	59.0	55.5
Fully diluted earnings per ordinary share (cents) [9 10]	**48.6**	**74.5**	66.7	72.4	57.6	53.3
Dividends per ordinary share (US) cents	**30.7**	**30.7**	25.5	28.3	26.1	21.1
Dividend payout ratio % [4]	**61.8**	**61.8**	63.1	52.3	55.2	50.5

See page 13 for footnote explanations.

Credit quality analysis

	Year ended 30 September					
	1999 USD [1]	**1999 AUD**	1998 AUD	1997 AUD	1996 AUD	1995 AUD
	(in millions, except per share data and percentages)					
Provision for bad and doubtful debts	**979**	**1,500**	1,600	1,588	1,847	1,930
Total provisions to average loans and acceptances [11]	**1.40%**	**1.40%**	1.56%	1.71%	2.13%	2.53%
Total provisions to total loans [11]	**1.51%**	**1.51%**	1.71%	2.00%	2.22%	2.91%
Total provisions to total loans and acceptances [11]	**1.37%**	**1.37%**	1.54%	1.75%	1.96%	2.48%
Total impaired assets	**420**	**644**	852	869	1,353	2,196
Total impaired assets to average loans and acceptances [11]	**0.60%**	**0.60%**	0.83%	0.94%	1.56%	2.88%
Bad debt write-offs (net of recoveries)	**148**	**227**	222	321	366	738
Bad debt write-offs (net of recoveries) to average loans [11]	**0.24%**	**0.24%**	0.24%	0.39%	0.49%	1.15%
Bad debt write-offs (net of recoveries) to average loans and acceptances [11]	**0.21%**	**0.21%**	0.22%	0.35%	0.42%	0.97%

1 Australian dollar amounts have been translated into US dollars solely for the convenience of the reader at the rate of A$1.00 = US$0.6528, the noon buying rate on 30 September 1999. Amounts or ratios are in accordance with these principles.
2 We have entered into various tax effective financing transactions that derive income that is subject to either a reduced or zero rate of income tax. The impact of this is reflected in lower income tax expense and interest income. In order to provide improved comparability, this income is presented on a fully tax equivalent basis at a tax rate of 36%. Previously the presentation of this income implied an operating loss on transactions, that is, negative net interest income and net profit before tax. Prior year comparatives have been restated.
3 Based on average number of fully paid ordinary shares outstanding, and after deducting preference dividends of A$nil million in 1999 (1998 A$24m, 1997 A$39m, 1996 A$39m, 1995 A$40m) and distributions on other equity instruments of A$8m (A$nil million in 1998, 1997, 1996 and 1995).
4 Calculated by dividing the aggregate ordinary dividends paid and proposed for each year (excluding (over)/under provision of dividend from prior year) by the operating profit after tax (after deducting preference dividends and distributions on other equity instruments) for that year.
5 Excludes outside equity interests.
6 Excludes trust originated preferred securities (TOPrS).
7 Prior to 1997, average total assets are based on the accounting principles applicable to the preparation of our Australian financial statements. From 1997, US principles have been applied.
8 Leverage ratios have been computed in accordance with the Federal Reserve's guidelines.
9 Based on average number of shares and share equivalents and after deducting non-converting preference dividends and distributions on other equity instruments from operating profit after tax.
10 Calculations based on Statement of Financial Accounting Standard No. 128 Earnings per share for the years ended 30 September 1999, 1998, 1997 and 1996.
11 Loans are stated before related provisions for bad and doubtful debts.

Management's discussion and analysis of financial condition and results of operations

The following discussion contains, in additional to historical information, forward-looking statements that involve risks and uncertainties. Where forward-looking statements are made, our actual results may differ significantly from the results discussed. For a description of the factors that may affect our results, see 'Disclosure regarding forward-looking statements'.

Overview of performance

Summary consolidated profit and loss statements

For the year ended 30 September	**1999 $m**	1998 $m	1997 $m
Net interest income (excluding gross up)	**3,492**	3,492	3,353
Fully taxable equivalent gross up [1]	**127**	128	127
Net interest income (including gross up)	**3,619**	3,620	3,480
Non-interest income	**2,139**	2,003	1,739
Operating income (including gross up)	**5,758**	5,623	5,219
Charge for bad and doubtful debts	**(171)**	(168)	(78)
	5,587	5,455	5,141
Non-interest expenses	**(3,434)**	(3,392)	(3,228)
	2,153	2,063	1,913
Fully taxable equivalent gross up [1]	**(127)**	(128)	(127)
Income tax expense	**(567)**	(589)	(493)
Outside equity interests	**(3)**	(4)	(2)
Operating profit (excluding gross up) after income tax before abnormals	**1,456**	1,342	1,291
Abnormal items net of income tax	**–**	(70)	–
Operating profit after tax attributable to shareholders	**1,456**	1,272	1,291
Earnings per share (cents)			
Basic before abnormals	**77.0**	70.1	70.0
Basic after abnormals	**77.0**	66.4	70.0
Fully diluted after abnormals	**76.1**	64.5	67.8

1 Income received in the form of tax-rebatable dividends on redeemable preference shares, together with other tax-free interest income, has been grossed up to a pre-tax equivalent.

We achieved an operating profit after income tax attributable to equity holders of $1,456 million for the year ended 30 September 1999. This is an increase of 8.5% before abnormals and 14.5% after abnormals on 1998.

Net interest income was flat in 1999 but increased by $140 million or 4.0% to $3,620 million in 1998 from 1997. During 1999:

- our interest margin declined but an increase in average interest earning assets offset this effect to leave net interest income flat;
- competitive forces continued to place pressure on interest spreads in Australia;
- the impact of margin compression in Australia has been somewhat alleviated by the continued focus on pricing for risk, the benefits of net interest income hedging and strengthening margins in New Zealand.

Non-interest income increased by $136 million or 6.8% in 1999 from 1998 as compared to $264 million or 15.2% in 1998 from 1997.

- non-interest income now accounts for 37.1% of total operating income, up from 35.6% in 1998 and 33.3% in 1997;
- the increase in non-interest income in 1999 was mainly due to increases in transaction fees and commission, driven by both fee repricing and volume growth; and
- in 1998, the large increase in non-interest income was driven by the growth of trading income in that year due to the volatility in world financial markets and the fact that Bank of Melbourne earnings are included for the first time.

The 1999 charge for bad and doubtful debts of $171 million represented a 2% increase from 1998's charge of $168 million which, in turn, was up 115% from 1997's $78 million charge. Increased new specific provisions in 1998 were largely to cover Asian exposures.

Non-interest expenses increased by $42 million or 1.2% in 1999 from 1998. In 1998 expenses increased $164 million or 5.1% over 1997.

- the 1998 result, however, included a one-off $35 million write back of retirement allowances. After adjusting for this item, non-interest expenses have increased only $7 million or 0.2% in 1999;
- the large increase in 1998 is predominantly due to the inclusion of Bank of Melbourne earnings for the first time;
- expense containment has been a key priority, this is evident in the improvement in the expense to income ratio before intangibles in the second half of 1999 to 57.1% from 58.7% in the first half;
- on a full year basis, the expense to income ratio before intangibles improved to 57.9% from 58.4% in 1998 and 60.7% in 1997.

Our tax expense in 1999 includes $33 million credit in settlement of outstanding tax claims from a prior year. The effective tax rates for all years 1999, 1998 and 1997 are below the Australian company tax rate of 36% due principally to the impact of lower overseas tax rates and certain non-taxable profits.

Profit and loss review

Net interest income

Net interest income remained flat in 1999 compared to 1998. The contribution to net interest income of increased lending volumes was diminished by the decline of interest rates during the year. In 1998, net interest income was $3,620 million, some $140 million greater than 1997, following the merger of Bank of Melbourne.

Interest spread and margin

	1999 $m	1998 $m	1997 $m
Adjusted net interest income (including gross up [4])	**3,619**	3,620	3,480
Average interest earning assets	**110,734**	105,338	96,827
Average non-accrual loans	**749**	830	852
Average interest bearing liabilities	**99,902**	94,633	85,415
Average net non-interest bearing liabilities	**10,832**	10,705	11,412
Interest spread on productive assets [2]	**2.83%**	2.90%	2.90%
Impact of impaired loans	**(0.04)%**	(0.04)%	(0.03)%
Interest spread [1]	**2.79%**	2.86%	2.87%
Benefit of net non-interest bearing liabilities and equity [3]	**0.48%**	0.58%	0.72%
Interest margin	**3.27%**	3.44%	3.59%
On a geographical basis, interest spread and margins were:			
Australia			
Interest spread on productive assets [2]	**2.84%**	3.16%	3.26%
Impact of impaired loans	**(0.02)%**	(0.04)%	(0.04)%
Interest spread [1]	**2.82%**	3.12%	3.22%
Benefit of net non-interest bearing liabilities and equity [3]	**0.50%**	0.54%	0.72%
Interest margin	**3.32%**	3.66%	3.94%
New Zealand			
Interest spread on productive assets [2]	**3.03%**	2.74%	2.80%
Impact of impaired loans	**(0.02)%**	(0.03)%	(0.02)%
Interest spread [1]	**3.01%**	2.71%	2.78%
Benefit of net non-interest bearing liabilities and equity [3]	**0.11%**	0.11%	0.19%
Interest margin	**3.12%**	2.82%	2.97%
Overseas			
Interest spread on productive assets [2]	**0.83%**	0.74%	0.63%
Impact of impaired loans	**(0.06)%**	(0.04)%	(0.02)%
Interest spread [1]	**0.77%**	0.70%	0.61%
Benefit of net non-interest bearing liabilities and equity [3]	**0.61%**	0.83%	0.88%
Interest margin	**1.38%**	1.53%	1.49%

1 Interest spread is the difference between the average yield on all interest bearing assets and the average rate paid on all interest bearing liabilities net of impaired loans.
2 Interest spread on productive assets is determined on the basis of the interest spread formula after excluding non-accrual loans, and the interest relating thereto, from the equation.
3 The benefit of net non-interest bearing liabilities and equity is determined by applying the average rate of interest paid on all interest bearing liabilities to the average level of net non-interest funds as a percentage of average interest earning assets. The calculations for Australia and New Zealand take into account the interest expense/income of cross border, intragroup borrowing/lending.
4 Income received in the form of tax-rebatable dividends on redeemable preference shares, together with other tax-free interest income, has been grossed up to a pre-tax equivalent.

Group
During the year our interest spread declined by seven basis points compared to a one basis point reduction in 1998 from 1997. This year, the larger decline can be attributed to our Australian business but this was offset by solid spread growth in our New Zealand business helped significantly by a continued focus on pricing for risk and net interest income hedging.

Our interest margin fell by 17 basis points in 1999 from 1998 which in turn fell 15 basis points from 1997. In 1999, 10 basis points is attributable to lower earnings from lower non-interest bearing liability outstandings especially as a result of our share buy-back activities. During the year we repurchased 87.7 million shares. The buy-backs were also a contributing factor in the 1998 reduction in interest margin.

Australia
Despite the 30 basis point reduction in the interest spread, we have maintained a stable net interest income through strong growth in interest earning assets of 9.5%. This is despite the securitisation of $1.9 billion of mortgages in the period. These securitisation transactions have resulted in income shifting from net interest income to non-interest income.

Competitive pressure on the asset side of the balance sheet remains intense. Despite these industry forces, net interest income hedging strategies and a strict focus on pricing for risk continue to prove effective in managing the level of spread diminution.

The industry wide shift from bank deposits toward unit trust and superannuation products (we experienced a 17.6% growth in funds under management) has increased our reliance on wholesale markets in order to fund the asset growth achieved.

We expect competitive forces to continue to place pressure on spreads in Australia going forward.

New Zealand
In an environment where interest rates declined by over 450 basis points during the period from June 1998 to December 1998, our New Zealand business improved their interest spread primarily through the careful application of net interest income hedging strategies.

The interest spread in our New Zealand business increased by 30 basis points from 2.71% at 30 September 1998, which itself was seven basis points less than the 1997 spread of 2.78%.

The benefit of free funds has been maintained at 11 basis points, contributing to an overall increase in the net interest margin from 2.82% in 1998 to 3.12% in 1999. In 1997, the benefit of the free funds was slightly higher at 19 basis points.

Non-interest income
The components of non-interest income are detailed in note 3 to the financial statements. Continued growth in our core businesses, including non-risk fee activity in financial services, saw non-interest income increase $136 million (6.8%) which now accounts for 37.1% of total operating income, up from 35.6% in 1998, which is up from 33.3% in 1997.

Total net fees and commissions increased by $99 million or 7.2% over 1998 which in turn increased by $182 million over 1997. 1998 fees included fees earned by Bank of Melbourne. The increases in 1999 are predominantly due to $20 million from fee increases in New Zealand and a net $26 million in card fee income resulting from increased cardholder spending and card turnover on Westpac merchants. Card fee income was a major contributor to the 10.4% increase in transactions fees and commissions in 1998 compared to 1997.

The non-interest income component of our financial markets trading and foreign exchange income is down $126 million or 30.7% from 1998, which was up $172 million on 1997. Volatility created by the Asian economic environment in 1998 resulted in strong sales and trading activity in that year.

Our general and life insurance income continued to perform solidly up $20 million or 14.9% over 1998, and up $35 million or 35.4% over 1997, due primarily to increased sales.

Our other income increased $143 million from 1998, which in turn was down $125 million from 1997. This increase reflects improvements across several key areas including dividend income from the structured finance business.

Bad and doubtful debt charge

	1999 $m	1998 $m	1997 $m
New specific provisions	**165**	225	146
Specific provisions no longer required	**(113)**	(141)	(213)
Specific provisions (net)	**52**	84	(67)
General provisions (net) [1]	**119**	84	145
	171	168	78

1 Addition after recognition of write-offs and recoveries.

The 1999 charge of $171 million represented a 2% increase from 1998's charge of $168 million which, in turn, was up 115% from 1997's $78 million charge. The coverage ratio of total provisions (specific and general) to total impaired assets at 30 September 1999 increased to 233% against 188% at 30 September 1998 and 183% at 30 September 1997. The increased new specific provisions in 1998 were largely to cover Asian exposures.

Non-interest expenses

The detailed components of non-interest expenses are set out in note 4 to the financial statements. Non-interest expenses increased $42 million or 1.2% over 1998. This is an improvement on the increase of non-interest expenses from 1997 to 1998 of $164 million or 5.1%. We regard expense containment as a key priority. This is evident in the improvement in the expense to income ratio before intangibles in the second half of 1999 to 57.1% from 58.7% in the first half.

Salaries and other staff expenses increased $126 million or 7.4% in 1999 from 1998, which in turn had decreased $50 million or 2.9% on 1997 expenses. 1998 was favourably impacted by the write-back of $35 million of the retirement allowance due to the benefit being provided by the superannuation plan. Adjusting for this one-off item in the prior period salaries and other staff expenses increased 5.2% on 1998 and 1998 decreased 0.9% on 1997.

In 1999, the salaries and wages increase largely reflects award increases and the remainder of the increase is due to the employment of temporary staff for Year 2000 projects and a change in the mix of computer system development and integration activities, which are capitalised in accordance with our policy on software development.

Our equipment and occupancy expenses decreased $39 million or 6.1% in 1999 from 1998 which, in turn, increased $58 million or 9.9% from 1997, the decrease from 1998 reflects the synergy benefits from the mergers and a reduction of other premises costs within the regional bank network.

Other expense categories decreased $45 million or 4.3% over 1998. Fully amortising the goodwill relating to the Australian Guarantee Corporation in 1998, reduced travel and a decrease in the use of consultancy and purchased services were the major contributors.

Income tax expense

	1999 $m	1998 $m	1997 $m
Excluding abnormal items			
Income tax expense	**567**	589	493
Fully taxable equivalent gross up	**127**	128	127
	694	717	620
Tax as a percentage of operating profit before tax and abnormal items (effective tax rate)	**32.2%**	34.8%	32.4%
Including abnormal items			
Income tax expense	**567**	553	493
Fully taxable equivalent gross up	**127**	128	127
	694	681	620
Tax as a percentage of operating profit (including abnormal items) before tax (effective tax rate)	**32.2%**	34.8%	32.4%

Our tax expense in 1999 includes $33 million credit in settlement of outstanding tax claims from a prior year. The effective tax rates for all years 1999, 1998 and 1997 are below the Australian company tax rate of 36%, due principally to the impact of lower overseas tax rates and certain non-taxable profits.

Balance sheet review

The detailed components of the balance sheet are set out in the notes to the financial statements.

	Increase/(Decrease) 1999 $bn	1998 $bn
Assets		
Due from other financial institutions	**0.7**	(0.7)
Trading securities	**2.2**	0.6
Loans	**6.0**	13.9
Acceptance of customers	**(0.1)**	(0.9)
All other assets (net)	**(5.9)**	5.5
Net increase/(decrease)	**2.9**	18.4
Liabilities and shareholders' equity		
Due to other banks	**(0.8)**	(0.2)
Deposits and public borrowings	**2.4**	10.5
Acceptances	**(0.1)**	(0.9)
Bonds, notes and commercial paper	**4.3**	4.3
All other liabilities (net)	**(3.3)**	4.3
Shareholders' equity	**0.4**	0.4
Net increase/(decrease)	**2.9**	18.4

Assets increased by $2.9 billion to $140.2 billion in 1999 and increased $18.4 billion in 1998 from the 1997 total of $119.0 billion:

- the 1999 increase was largely driven by a 6.5% growth in lending assets;
- loans increased by $6.0 billion to $97.7 billion in 1999 from 1998 as compared to a $13.9 billion increase in 1998 from 1997. The increase in 1998 was primarily due to the merger of Bank of Melbourne;
- trading securities increased by $2.2 billion to $9.1 billion in 1999 from 1998 and by $0.6 billion in 1998 from $6.2 billion in 1997;
- the reduction in other assets predominantly relates to other financial markets assets reducing significantly. This is due to a decrease in the volume and the revaluation of off-balance sheet instruments, driven by the strengthening of the A$ against the US$ during the year. This is the reverse of the position in 1998 from 1997, where the A$ was weaker relative to the US$.

The growth in our assets was principally funded by a $2.4 billion growth in deposits and public borrowings and a $4.3 billion growth in bonds, notes and commercial paper liabilities:

- the growth of deposits and public borrowings in 1998 from 1997 was primarily due to the merger of Bank of Melbourne;
- other financial markets liabilities fell significantly in 1999, due to a decrease in the volume and the revaluation of the off-balance sheet instruments in line with the reduction in other financial markets assets as discussed above.

Our equity increased by $0.4 billion in 1999 to $9 billion from $8.6 billion in 1998 and $8.2 billion in 1997:

- the 1999 increase reflects the Tier 1 issue we made to US investors plus accumulated earnings, partially offset by the net of impact of share buy-backs and dividends in the year;
- the increase in 1998 was predominantly due to the increase in our accumulated earnings.

We maintained a strong capital position with tier 1 and total capital ratios being 7.0% and 9.2% respectively (1998 6.8% and 9.3%, respectively, and 8.0% and 10.5% respectively, in 1997) well above the minimum requirements of 4.0% and 8.0% respectively. For information on funding and liquidity see the section entitled 'Risk management within Westpac'.

Business group results

To enable a more detailed analysis of our results the following business group results have been presented on a management reporting basis. Internal charges and transfer pricing adjustments have been reflected in the performance of each business group. This presents the management of the business within our organisation rather than the legal structure. These results cannot be compared directly to public disclosure of the performance of individual legal entities within our organisation.

The following business results highlight the key business groups and do not add to our total result. Where the management reporting structure has changed or where accounting reclassifications have been made, comparatives have been restated and therefore differ from results previously reported.

During 1997, 1998 and 1999 our Institutional Banking business went through a series of restructures to ensure a stronger focus on its core businesses. As a result the Offshore Treasury was realigned to Group Treasury and a portion of the Property Finance portfolio was transferred to Australian Retail Financial Services.

We have therefore restated results for 1997 and 1998 to make comparsion to 1999 more meaningful.

Australian Retail Financial Services

	1999 $m	1998 $m	1997 $m
Net interest income	**2,585**	2,545	2,422
Non-interest income	**1,180**	970	742
Operating income	**3,765**	3,515	3,164
Provision for bad and doubtful debts	**(137)**	(135)	(157)
Operating income net of provisions for bad and doubtful debts	**3,628**	3,380	3,007
Non-interest expenses	**(2,378)**	(2,253)	(2,007)
Operating profit before tax	**1,250**	1,127	1,000
Tax and outside equity interests	**(432)**	(386)	(345)
Profit on operations before abnormal items	**818**	741	655
	$bn	$bn	$bn
Deposits and other public borrowings	**42.2**	41.9	34.8
Net loans and acceptances	**72.6**	65.7	51.7
Total assets	**80.2**	72.1	57.3
Funds under management	**22.7**	19.3	15.5
Expense/income (before intangibles)	**61.5%**	62.3%	63.6%
Non-interest income/operating income	**31.3%**	27.6%	23.5%

Our lending volumes have risen over the year reflecting both market growth and improved market share. Total lending grew by a net $7 billion in 1999 from 1998, as compared to $14 billion in 1998 over 1997. After taking into account the securitisation of $2 billion of Australian mortgages during the year, our Australian on-balance sheet housing outstandings increased by a net $5 billion or approximately 15% in the year to 30 September 1999. The $14 billion growth in 1998 included $10 billion of Bank of Melbourne loans and acceptances. Credit card outstandings rose over the period by 32% to $2.4 billion at 30 September 1999.

Despite this balance sheet growth, net interest income only grew by 1.6% as margins continued to decline, through competitive pressures, especially in the home lending market.

Our non-interest income continues to grow both in absolute terms, up 21.6%, and as a percentage of total income which is 31.3%. This compares to 27.6% in 1998 and 23.5% in 1997. Major contributors in both years have been the growth in funds under management, insurance product sales (both life and general insurance), credit cards and increased home loan establishment fees due to higher volumes. In June 1999 we announced repricing for retail transaction accounts, with the new charges effective from August 1999. Repricing of business transactions for customers was announced in July 1999, with the new charges effective from September 1999. These initiatives are expected to boost non-interest income and help mitigate the losses made on transaction account products.

Our non-interest expenses grew 5.6% in 1999 from 1998 and 13.2% in 1998 from 1997. The 1999 increase was primarily due to business growth in key areas such as financial services and cards, costs associated with the Sydney 2000 Olympics Games and Year 2000 remediation work. We have completed a rationalisation and realignment of our sales force that has achieved annualised savings of $8 million. We have also reviewed our requirements for valuations, based on revised risk assessments, which is achieving annualised savings of $12 million.

The 1998 increase in non-interest expenses included $250 million of Bank of Melbourne non-interest expenses. Excluding this amount the movement from 1997 to 1998 expenses would have been flat.

Institutional Banking

	1999 $m	1998 $m	1997 $m
Net interest income	**321**	240	270
Non-interest income	**359**	431	320
Operating income	**680**	671	590
Provision for bad and doubtful debts	**(11)**	(85)	16
Operating income net of provisions for bad and doubtful debts	**669**	586	606
Non-interest expenses	**(292)**	(294)	(335)
Operating profit before tax	**377**	292	271
Tax and outside equity interests	**(134)**	(115)	(98)
Profit on operations before abnormal items	**243**	177	173
	$bn	$bn	$bn
Deposits and other public borrowings	**7.1**	12.7	13.7
Net loans and acceptances	**18.2**	17.1	18.6
Total assets	**36.2**	40.8	35.3
Expense/income (before intangibles)	**42.9%**	43.8%	54.4%
Non-interest income/operating income	**52.8%**	64.2%	49.9%

During the year, we continued the drive to improve shareholder value. An economic profit framework was introduced to assist in the pricing of corporate loans. As a consequence, lending revenue increased 13% in 1999 over 1998 driven by increased margins with minimal asset growth.

In 1998 our Institutional Banking revenue was attributable, in part, to the financial markets business's ability to capitalise on volatile conditions in world financial markets during the Asian crisis. In 1998 our operating income increased by $81 million or 13.7% over 1997. Despite a return to more normal conditions we maintained, and even slightly improved, our year on year performance in 1999 increasing revenue $9 million or 1.3% over 1998, demonstrating the underlying strength of our Institutional Bank's portfolio of businesses and the sustainability of its 'customer intimacy strategy'.

Non-interest expenses declined by approximately 1% in 1999 over 1998 as compared to a $41 million decrease, or 12.2% in 1998 over 1997. Expenses reduced in 1998 as compared to 1997 due in part to the substantial completion of the global centralisation project. Significant expense initiatives and achievements undertaken this year include completion of the rationalisation of our Asian business, consolidation of customer delivery support services into a single unit and an extensive back office process re-engineering drive which is expected to result in annualised savings of $3 million.

The credit environment improved significantly, with the net bad debt charge reducing from $85 million in 1998 to $11 million compared to a $16 million credit in 1997. The high bad debt charge in 1998 was caused by the declining economic conditions in Asia.

WestpacTrust and Pacific Regional Banking

	1999 $m	1998 $m	1997 $m
Net interest income	**744**	789	791
Non-interest income	**360**	338	331
Operating income	**1,104**	1,127	1,122
Provision for bad and doubtful debts	**14**	(10)	(30)
Operating income net of provisions for bad and doubtful debts	**1,118**	1,117	1,092
Non-interest expenses	**(620)**	(691)	(667)
Operating profit before tax	**498**	426	425
Tax and outside equity interests	**(172)**	(142)	(140)
Profit on operations before abnormal items	**326**	284	285
	$bn	$bn	$bn
Deposits and other public borrowings	**11.9**	14.0	14.1
Net loans and acceptances	**15.4**	17.1	18.0
Total assets	**16.9**	18.9	19.9
Funds under management	**1.1**	0.9	0.7
Expense/income (before intangibles)	**52.8%**	57.9%	56.0%
Non-interest income/operating income	**32.6%**	30.0%	29.5%

WestpacTrust

Total loans in our New Zealand business grew over the 1998 year, principally through growth in the housing loan portfolio. This has been supported by the introduction of new products to the market, and competitive offers to attract new customers, such as the first month zero interest rate home loan campaign. After taking account of the increased level of securitisation of housing loans, our net loan growth was NZ$100 million over 1998.

Total assets have declined by $0.8 billion in 1999 over 1998, due to the combined effects of the exchange rate and housing loan securitisation. Excluding the impact of these factors, assets have increased by 5% in 1999 over 1998, mainly from strong growth in housing loans.

A significant decrease in market interest rates from the prior year, and the inability to pass these on fully to all deposit products has resulted in declining deposit margins overall, and a significant switching by customers into alternative investment products away from traditional term deposit style products. This has unfavourably impacted net interest income in the current year.

Active management of interest rate sensitivity has substantially reduced the impact of the significant interest rate reductions on net interest income for the WestpacTrust business.

Non-interest income increased by 12% in New Zealand dollar terms with strong growth in funds under management, the continued refinement of fee structures on transaction products and growth in the credit card business.

Our non-interest expenses have declined by 4% in New Zealand dollar terms over 1998, due partly to the full year impact of the final merger activities completed in mid 1998. The remainder of the decrease resulted from further branch and support centre rationalisation and the renegotiation of contracts with major suppliers that have resulted in savings on core services such as telephones, data transmission and stationery. These savings have allowed us to make additional investment in infrastructure, such as item image processing and ATMs, that will generate improved productivity or additional revenue in future periods.

The comparison of the 1999 and 1998 Australian dollar results for New Zealand reflect hedges we put in place to manage exchange rate fluctuations. The 1997 results do not have the benefit of such hedges making a comparison to our 1997 result difficult.

The credit for bad and doubtful debts reflects lower levels of write offs and an improvement in the quality of the credit portfolio, with a corresponding decline in the dynamic provisioning requirements.

Pacific Regional Bank

Markets across the Pacific region remained under pressure during 1999, as the flow-on effects of the Asian economic crisis, coupled with lower commodity prices, severely impacted export industries and balance of trade positions. Against this background, our Pacific Regional Banking operations continued to grow income in our core businesses above the levels achieved during 1998, which saw an increase over performance in 1997.

Our net interest income (excluding the French Territories) grew by $4 million or 6% in 1999 over 1998 and $6 million or 6% in 1998 over 1997. This result was achieved through higher loan growth, increased market share in the PNG and Fiji markets and aggressive liability management. Margins were maintained, notwithstanding the loan growth achieved and significant competitor activity.

Expenses (excluding the French Territories) were held flat despite double-digit inflation levels in PNG and a number of other Pacific locations. The expense to income ratio fell to 50% in 1999 from 52% in 1998.

Significant focus on credit portfolio quality has continued to deliver low levels of new specific provisions and strong debt recoveries, resulting in a net recovery to bad and doubtful debts.

Risk management within Westpac

Risk is the potential for damage or loss associated with the business activities that we undertake. Taking and managing risk is a central part of our business. For management purposes, we recognise three types of risk:

- **Credit risk** is the risk of financial loss from the failure of a customer 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 in 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.

Risk management framework

To monitor risk, we use a consistent management framework. This is a dynamic approach in which our Board of Directors 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.

Execution of the approach is based on the premise that responsibility for risk taking rests with line management. They are accountable to our Board of Directors for maintaining an effective control environment that reflects risk appetite and business objectives. Management are required at regular intervals to report to the senior executive and our Board of Directors on the effectiveness of their risk management systems. Independent assessment of this process is provided by Group Audit and Credit Risk Review.

Credit risk

Credit risk is the financial loss that results when a customer fails to meet their obligations on time and in full as contracted. Credit risk arises not just in lending, but in virtually all banking operations. It represents the major type of risk faced by us.

Our Board of Directors approves policies that balance active management of credit, market and operational risks with the pursuit of agreed business goals. Our Board of Directors delegates to management the responsibility for risk taking and control. To manage credit risk, the Chief Credit Officer appoints independent credit officers in each business group, who work with line managers to ensure that approved credit policies and processes are applied effectively.

Because credit risk arises in customers ranging from individuals to large institutions, two different approaches are used to assess and manage it. The approach for mass market consumer products uses statistical analysis of homogenous customer groups to score their creditworthiness. The approach for commercial businesses uses discrete analysis of each customer’s risk of default and tailors credit facilities accordingly. Under both approaches, all major credit decisions require joint approval by qualified credit and line business officers.

Credit and line managers jointly monitor their portfolios from origination through the credit cycle to final repayment. Risk grading tools are used to assess the credit quality of the portfolio, so that deteriorating exposures are quickly recognised and transferred to specialist units for collection. Internal audit and credit risk management review the controls and processes used to manage credit risk and provide independent assurance to senior management and our Board of Directors as to their effectiveness.

We monitor our portfolio to guard against the development of risk concentrations. It is one of our strengths that our credit risk is very well diversified throughout the Australasian economy.

Approximately one third of our outstanding loans are to consumers. This category includes home loans, investment property loans to individuals, credit cards, finance company leases, personal loans, overdrafts and lines of credit. Our customers are geographically diverse as we have a substantial market share in every state and territory in Australia, in New Zealand and elsewhere in the south pacific. Moreover, our customers service their debts with income derived from a wide range of occupations, in city as well as country areas.

All other loan exposures to businesses and governments are classified into one of 46 industry clusters. These clusters are based on the correlation between industries, grouping together those that are affected by the same economic factors. Thus industries which might suffer from increased risk simultaneously are monitored together. Moreover, the volatility of each cluster is used to set maximum exposure guidelines. More volatile industries have lower boundaries, having regard to the diversification they provide for the portfolio as a whole. Through this process, the industry diversification of our exposure is assured. Exposures are actively managed from a transaction, customer and portfolio perspective, with risk mitigation techniques, such as credit default swaps, used regularly to rebalance the portfolio.

Dynamic provisioning for loan losses
We employ a statistical process called dynamic provisioning to help management and our Board of Directors to assess the provisions required to cover bad and doubtful debts existing in the loan portfolios.

Dynamic provisioning estimates the level of credit losses inherent in the current loan portfolio but yet to be identified, to help ensure that appropriate provisions are maintained at all times. The statistical measures are based on our experience and publicly available default data, supplemented by consideration of current market conditions and changes to the composition of the portfolios and internal processes. Consumer loans such as home loans and personal loans, are analysed by product portfolio. Loans to businesses are classified into risk categories and the loss experience in each risk category is determined based on historical default rates and the severity of the loss incurred when a default does occur. These two components are separately monitored in our risk grading system.

Dynamic provisioning is fully implemented in our internal management accounts, and indeed for pricing and capital allocation projects and the factors used are updated at least annually in the light of evolving loss experience.

Asian exposure
During the year, our Asian exposures continued to be closely managed. While some Asian countries were showing early signs of economic recovery, others had yet to see their economies bottom out. Exposures were restricted to short tenors where possible.

Emerging markets exposure in Asia (Indonesia, South Korea, Thailand, Malaysia and the Philippines) was $458 million as compared to $741 million in 1998 and $917 million in 1997.

Total Asian exposure was $3,312 million as compared to $6,874 million in 1998 and $10,303 million in 1997.

Asian exposure by customer type

As at 30 September	Government $m	Banks and non-bank financial institutions $m	Corporate $m	Project Finance $m	**Total 1999 $m**	Total 1998 $m
Indonesia	23	15	14	90	**142**	197
Korea (South)	–	–	62	99	**161**	356
Thailand	–	15	15	25	**55**	80
Malaysia	–	–	100	–	**100**	106
Philippines	–	–	–	–	**–**	2
Sub-total	23	30	191	214	**458**	741
China/Hong Kong	–	259	262	32	**553**	1,123
Taiwan	–	22	8	–	**30**	44
Singapore	39	374	205	36	**654**	855
Japan	–	957	653	6	**1,616**	4,097
Other	–	–	1	–	**1**	14
Total	62	1,642	1,320	288	**3,312**	6,874

Foreign exchange and derivative credit risk management

Our foreign exchange and derivative activities expose us to pre-settlement and settlement risk. We use a real time, global limits system to record exposure against limits for these risk types. Pre-settlement risk is the risk that the counterparty to a contract defaults prior to settlement and the value of the contract is positive. We consider both the current replacement cost and the potential future credit risk in our assessment of pre-settlement risk. We use 'close out' netting to reduce gross credit exposures for counterparties, where appropriate legally enforceable netting agreements are in place. In a close out netting situation, the positive and negative mark-to-market value of all eligible foreign exchange and swap contracts with the same counterparty, in the event of default and regardless of maturity, are netted.

Counterparty credit quality

The table below shows the credit quality of our current credit exposure associated with foreign exchange and derivative activities.

Total assessed credit risk exposure as at 30 September	**1999 %**	1998 %
AAA, AA	**52**	50
A	**35**	36
BBB	**10**	11
BB and below	**3**	3
Total	**100**	100

Counterparty credit risk by industry sector and by country of ultimate risk

The table below shows our current credit risk exposure by industry sector and by country of ultimate risk.

Current credit risk exposure (net) as at 30 September	Non-bank financial institutions $bn	Government $bn	Banks $bn	Others $bn	**1999 Total $bn**
Australia	0.1	0.3	0.7	0.2	**1.3**
New Zealand	–	–	0.1	0.1	**0.2**
Europe	0.1	–	0.5	–	**0.6**
United States of America	0.3	–	0.2	0.1	**0.6**
Japan	–	–	0.3	–	**0.3**
Asia (excluding Japan)	–	–	–	–	**–**
Total	0.5	0.3	1.8	0.4	**3.0**

Close out netting has been applied to counterparties with appropriate netting agreements in legally enforceable jurisdictions.

Credit risk maturity profile

The table below shows the maturity profile of our foreign exchange and derivative credit risk exposure in gross replacement cost terms. The gross replacement cost overstates our current credit risk exposure, as it ignores the netting benefit of $2.3 billion.

Gross replacement cost as at 30 September 1999	Less than 3 months $bn	Over 3 months to 6 months $bn	Over 6 months to 1 year $bn	Over 1 year to 2 years $bn	Over 2 years to 5 years $bn	Over 5 years $bn	**Total $bn**
Interest rate							
Swaps	0.1	0.1	0.1	0.4	0.8	0.4	**1.9**
Foreign exchange							
Forwards	1.4	0.5	0.3	0.1	0.1	–	**2.4**
Swaps	0.1	0.1	0.1	0.1	0.3	–	**0.7**
Purchased options	0.2	–	–	0.1	–	–	**0.3**
Total derivatives	1.8	0.7	0.5	0.7	1.2	0.4	**5.3**

Settlement risk occurs when we pay out funds before we receive payment from the counterparty to the transaction. We manage our foreign exchange settlement risk exposures through specific customer limits. We are looking to use Continuous Linked Settlement, when it becomes available, to reduce our foreign exchange settlement risk. Continuous Linked Settlement provided by Continuous Linked Settlement Services, will enable members to settle foreign exchange transactions between members through the simultaneous payment of the currency legs of transactions. Continuous Linked Settlement is planned to go live in late 2000, with the Australian dollar to be included 6 months later.

Market risk

Market risk arises from adverse movements in the level and volatility of market instruments such as foreign exchange rates, interest rates, commodity prices and equity prices, and from changes in balance sheet structure in terms of liquidity and funding.

We segregate management of market risk arising from trading activity from other banking activities.

Trading activities

Our trading activities include financial markets activities and are controlled by a framework of earnings at risk limits approved by our Board of Directors. Our Board Credit and Market Risk Committee provides broad oversight over risk policies, methodologies and limits whilst the Trading Risk Committee, chaired by the Chief Credit Officer, ensures that our trading activities and new products are commensurate with our risk appetite. Market risk limits are allocated to our management based on business strategies and experience, in addition to market liquidity and concentration risks. A separate and independent Trading Risk Management unit is responsible for the daily measurement and monitoring of market risk exposures.

Earnings at risk

We use earnings at risk as the primary mechanism for measuring and controlling market risk. Earnings at risk is an estimate of the potential loss in earnings, to a 99% confidence level, assuming positions were held unchanged for one day. We use the historical simulation method to calculate earnings at risk taking into account all material market variables. The following table provides a summary of earnings at risk by risk type for the half years ended 30 September 1999, 31 March 1999 and 30 September 1998.

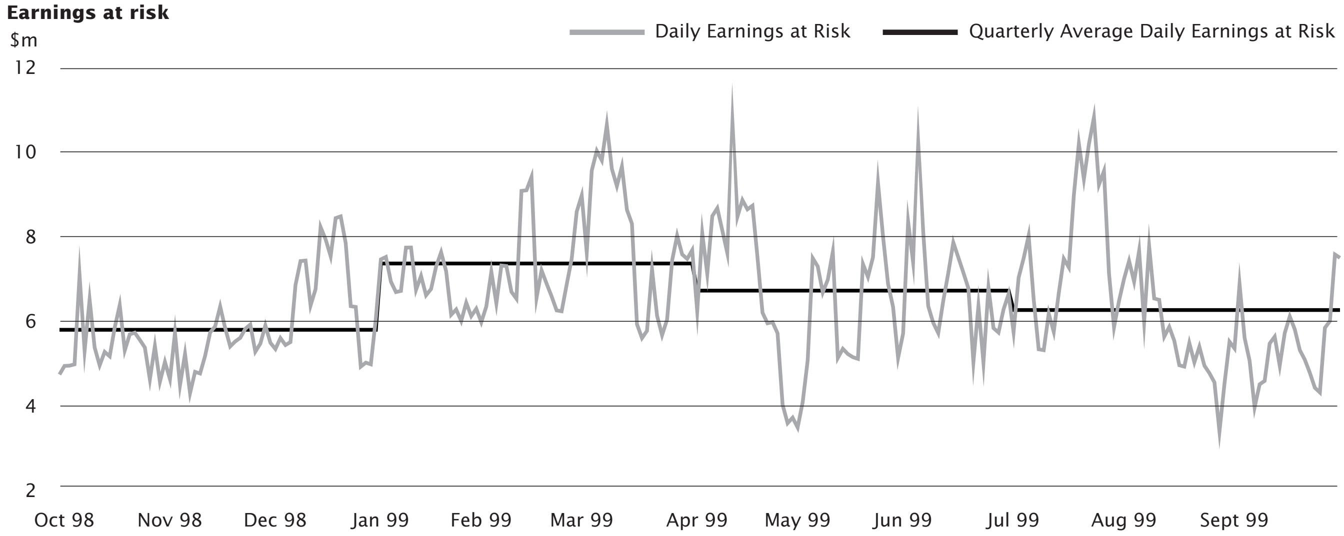
Daily earnings at risk

Six months ended	**30 September 1999**			31 March 1999			30 September 1998		
	High $m	**Low $m**	**Average $m**	High $m	Low $m	Average $m	High $m	Low $m	Average $m
Interest rate risk	**9.1**	**2.1**	**4.5**	10.1	0.3	3.3	3.9	0.7	1.9
Foreign exchange risk	**4.6**	**0.4**	**1.9**	6.8	0.6	2.5	4.2	0.5	1.9
Volatility risk	**1.1**	**0.2**	**0.5**	1.9	0.2	0.5	1.6	0.1	0.4
Other market risk[1]	**2.7**	**0.9**	**1.7**	3.8	2.1	2.8	2.6	1.9	2.1
Diversification effect	**n/a**	**n/a**	**(2.3)**	n/a	n/a	(2.7)	n/a	n/a	–[2]
Aggregate market risk	**10.7**	**3.2**	**6.3**	10.4	4.1	6.4	9.2	4.0	6.3

1 Commodity, equity, prepayment and credit spread risk
2 Figures reported are already net of diversification effect

Actual outcomes are monitored daily and daily back-testing is performed to validate the assumptions made in the model. The following table shows the aggregated daily earnings at risk for the twelve months to 30 September 1999.

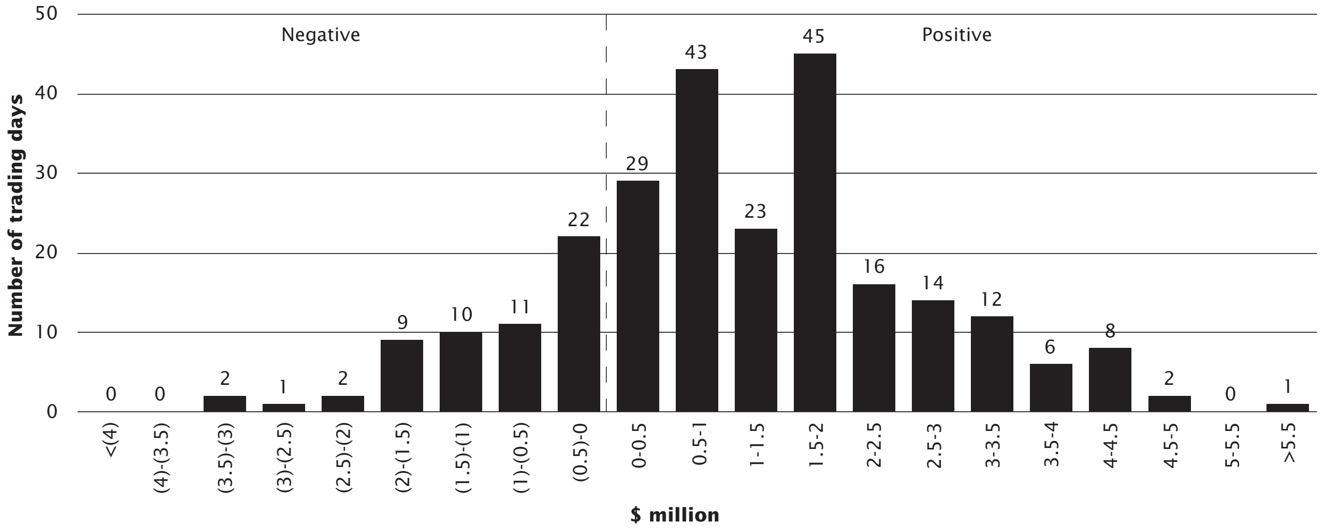
Earnings at risk



Daily earnings at risk position reports are also produced by risk type, product and geographic region. These are supplemented by structural reporting, that reflects volume and basis point value limits and advice of loss limits.

Our trading risk management unit perform daily stress and regular scenario tests on the trading portfolios to quantify the impact of extreme or unexpected movements in market factors. The distribution of our daily trading income for the year ended 30 September 1999 is plotted below.

Distribution of financial markets daily income



Management of structural interest rate risk
Our asset and liability management unit manages the sensitivity of our net interest income to changes in wholesale market interest rates under the auspices of the Group Asset and Liability Committee. The unit's management objective is to ensure the stability of net interest income.

Net interest income sensitivity is managed within our Board of Directors' delegated limits. These limits are expressed in terms of the net interest income at risk over a 3 year time horizon using a 99% confidence interval for movements in wholesale market interest rates. The position managed covers all of our on and off-balance sheet accrual accounted assets and liabilities. It excludes the interest rate risk on assets and liabilities managed within our earnings at risk framework (trading activities).

We use a simulation model to calculate our net interest income at risk. The net interest income simulation framework combines underlying balance sheet data with:

- assumptions about run off and new business;
- expected repricing behaviour;
- changes in wholesale market interest rates including parallel mover and yield curve twists.

Simulations of various interest rate scenarios are used to provide a range of net interest income outcomes. Comparison between outcomes indicates sensitivity to interest rate moves. Both on and off-balance sheet initiatives are then used to achieve stability in our net interest income.

At 30 September 1999, our exposure to interest rate changes over the next 12 months for both 1% up and down parallel rate shocks and the up and down limit case shocks, is less than 1% of the projected 12 month pre-tax net interest income.

We have capital deployed in offshore branches and controlled entities, which is denominated in currencies other than Australian dollars. Current policy distinguishes between permanent capital and free capital. Permanent capital is defined as capital which is deployed in an offshore jurisdiction in order to meet regulatory requirements and is not anticipated to be repatriated in the foreseeable future. Free capital is defined as capital which comprises physical deployments and unrepatriated retained earnings which are expected to be repatriated at a future date. The level of permanent capital as a percentage of total capital deployed is not material.

Our existing policy is to hedge all free capital except minor currencies. Minor currencies are defined as those where there is an inability to hedge. Our exposure to minor currencies is not material. Unrepatriated current year earnings are hedged on an accrual basis as they are reported. This policy ensures that our exposure to an exchange rate induced decrease in the Australian dollar value of its capital deployed offshore is not material.

Liquidity risk
Liquidity risk is the potential inability to meet our payment obligations at any point in time and is measured by calculating the mismatch between maturing assets and liabilities. A cumulative maturity mismatch is calculated for various time periods, whereby asset run-off assumptions are modelled on a behavioural rather than contractual basis. A cumulative maturity mismatch limit is placed on each time bucket to control the extent to which maturing liabilities can exceed maturing assets.

The cumulative maturity mismatch limit is determined by our management, based on its assessment of our ability to source funding from the wholesale and retail debt markets. Compliance to cumulative maturity mismatch limits is achieved through increasing the duration of term debt.

We also hold a portfolio of liquid assets in order to provide an additional buffer against the lack of liquidity in funding markets. The majority of these assets are held in government or semi-government securities. Levels of liquid assets are reviewed regularly and reflect the overall liquidity of our balance sheet and changes in debt market conditions.

We have addressed liquidity risk during the Year 2000 period. Year 2000 liquidity risk has been measured through adjustments to the behavioural assumptions underpinning cumulative maturity mismatch calculations and managed through a build up in liquid assets.

Funding
Our wholesale funding strategy is designed to meet the needs of our core business activities. This is managed within a constraint of reducing the cost of our wholesale funding base within the parameters of prudent liquidity management.

We have a diversified funding base. This diversification is designed to provide the ability under adverse market changes to access one or more wholesale funding markets. Diversification is viewed from a number of angles including maturity term, type (retail, wholesale or asset backed), geography, currency and funding instrument.

We pursue wholesale debt issuance as a brand franchise. It is enhanced through regular international investor presentations, global funding pages on our website, a Bloomberg screen service, an annual global debt funding brochure and superior execution of funding transactions. These tools all serve to promote and differentiate us from other borrowers in the international debt capital markets.

1999 highlights:

- we established our presence in the Japanese retail market through the issue of two Australian dollar transactions;
- an inaugural Euro currency deal (EUR 500 million floating rate note); and
- we accessed regional currency investors through the issue of bonds in Singapore and Hong Kong. These latter investor bases are natural customers for us given their proximity to Australia and recognition of our name.

Operational risk

Our key areas of operational risk include process error and fraud, system failure, customer service, security and physical asset protection, staff skills and performance and product development and maintenance. Risk management techniques utilised by us include appropriate systems, staff, internal controls and business continuity planning. These techniques are applied in a control conscious environment, with clarity of accountability and responsibility, and with certain formal policies such as our Employee Code of Conduct. Our business units build and maintain an understanding of their operational risk profiles and are expected to fully understand the likelihood and potential impact of any operational incidents. Operational risk is assessed under six headings: organisational, product, customer, staff, process and physical.

While operational risk can never be eliminated, we endeavour to minimise the impact of operational incidents by ensuring that the appropriate infrastructure, controls, systems, staff and processes are in place.

During 1999 the main operational risk area was Year 2000.

Year 2000

After significant preparation, we have now given our customers a guarantee that their money is safe and that their financial records will be accurately maintained.

The current assessment of potential exposure has not changed materially from that described in previous disclosures to the Australian Stock Exchange. All core critical systems and critical infrastructure items have been tested and are compliant.

We cannot entirely eliminate all risk of potential disruption related to Year 2000 problems, particularly given our reliance on shared infrastructure and external relationships. Our Year 2000 efforts are directed at continuing to reduce those risks.

We have developed transition management processes including plans to manage the 31 December 1999 changeover and contingency plans to address potential problems. We also have controls in place to ensure the stability and reliability of all critical customer service, product and support processes, for the Year 2000 transition period from 1 December 1999 through to 2 February 2000.

Capital management

Since 1996, we have actively managed our capital to improve capital efficiency and thereby increase shareholder returns within a set of constraints that include maintaining a strong credit rating and conforming to regulatory capital requirements. During this period, over $3 billion of capital not required to support near term business needs has been repurchased by way of on-market share buy-backs. Of this, shares to the value of $0.9 billion have been repurchased to date in 1999. Our share buy-backs have significantly enhanced shareholders' return on equity and earnings per share.

While continuing to focus on maintaining an appropriate level of capital, we are also addressing the composition of the capital base. At this point, we believe our optimal capital base is composed of 5.6% total ordinary equity and 0.9% hybrid capital (expressed as a percentage of risk adjusted assets). The mix between Australian and New Zealand ordinary equity may vary as follows:

Ordinary equity:	4.7% – 5.1%
NZ class shares:	0.9% – 0.5%
Hybrid equity:	0.9%
Total equity:	6.5% of risk adjusted assets

To move the capital base toward this target structure we embarked on two new equity issues in 1999 as follows:

- US$322.5 million of trust originated preferred securities ('TOPrS[SM]') were issued to US retail investors in July 1999. While qualifying as equity for regulatory and reporting purposes, this form of equity comes at a significantly lower cost than ordinary equity.
- In September 1999, we launched a public offer of NZ Class Shares, issued by a subsidiary company, WestpacTrust Investments Ltd. The offer was completed in early October 1999 and was successful in raising NZ$650 million equity for us.

We will continue to review the composition of our capital base and issue forms of equity that create value for shareholders. In the first instance, this would involve issuing further Tier 1 qualifying securities.

We will also continue to develop options for retiring capital to supplement on-market share buy-backs. This will include the 'redemption rights' buy-back and equal access schemes as approved by shareholders at the 1998 Annual General Meeting.

Our active approach to capital management will continue to improve the efficiency of the capital base.

Dividends

Supported by the underlying growth in profit, our Board of Directors declared an increase in the final dividend on ordinary shares in 1999 to 24 cents per share, taking the full year dividend on ordinary shares to 47 cents per share (23 cents fully franked and 24 cents unfranked) up from 43 cents per share (fully franked) in 1998.

As foreshadowed at the time the interim results were released, our final dividend is unfranked. This is a one-off event resulting from accelerating booked but unrealised Australian tax losses, so as to capture the full value of those losses before changes in the corporate tax rate take effect.

Securitisation

Asset securitisation is a key capital and liability management tool we utilise to increase our competitiveness. It involves the sale of loans, principally mortgages, to investors, thereby removing lower return assets from the balance sheet and releasing capital for either share buy-backs or redeployment within our businesses.

We have now established a mature, flexible securitisation program, with the capacity to access global capital markets in a highly efficient manner. As at 30 September 1999, a total of $9.8 billion of assets had been securitised through a combination of private placements and public issues to Australian, European, Asian and US investors.

After allowing for the amortisation of the initial loans securitised, outstanding securitised loans were $6.4 billion as at 30 September 1999 compared to $5.6 billion at 30 September 1998 and $3.2 billion at 30 September 1997. We will continue to securitise our mortgages when it is in the interest of our shareholders.

Cross-border foreign outstandings

Cross-border foreign outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk, and comprise loans (including accrued interest), placements with banks, acceptances, other interest-earning investments and other monetary assets denominated in currencies other than the borrower's local currency.

Our cross-border foreign outstandings to countries which individually represented in excess of 0.75% of our total assets at 30 September of each of the past three years were as follows:

	Governments and official institutions	Banks and other financial institutions	Other (primarily commercial and industrial)	Total	Percentage of total assets
		(in $ millions, except percentages)			
1999					
United States	**–**	**188**	**1,461**	**1,649**	**1.2%**
United Kingdom	**–**	**813**	**532**	**1,345**	**1.0%**
1998					
United States	–	340	2,121	2,461	1.8%
United Kingdom	–	524	1,087	1,611	1.2%
1997					
Japan	–	2,068	305	2,373	2.0%
United States	–	1,050	1,020	2,070	1.7%
United Kingdom	1	504	1,050	1,555	1.3%

Impaired assets among the cross-border foreign outstandings at 30 September of each of the past three years were immaterial.

Rescheduling countries exposures

At 30 September 1999, we had no outstandings to borrowers in countries involved in rescheduling arrangements.

Future developments

During 1999, we announced a series of integrated initiatives aimed at improving growth and achieving a fully competitive cost structure.

Revenue growth initiatives include:

- improving our efforts to cross sell retail funds management products and insurances;
- further refining our direct sales channels, which currently include telephone banking internet and eCommerce; and
- improving the productivity of our sales force and the value to our customers of the services we provide.

Expense initiatives include reshaping and modernising our branch network, in part by replacing traditional branches with lower cost retail outlets. Other expense initiatives, grouped under a performance enhancement program include:

- moving to a smaller corporate head office;
- moving to a shared services model for many of our support functions to make them more efficient and effective;
- leveraging our buying power with our external suppliers; and
- streamlining and simplifying credit processes, documentations and settlement.

Barry Capp BE(Civil), BCom, BA. Age 66.
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 and Australian Infrastructure Fund Limited. Director of Freight Rail Corporation, Melbourne University Private Limited, Tassal Limited, Hellaby Holdings Limited, Hillside Trains Corporation and Hawthorn International Education Limited.

The Hon. Sir Llewellyn Edwards AC, MB, BS, FRACMA, LLD(h.c.), FAIM. Age 64.
Director since 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). 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.

John Fairfax AM. Age 57.
Director since 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 Age 54.
Executive Director since November 1997. Patrick Handley joined Westpac in 1993 with twenty three years banking experience in the United States. At BancOne Corporation for thirteen 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, Information Technology and Stakeholder Communications.

Ian Harper AM, BA, LLB. Age 67.
Director since 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.

Warren Pat Hogan MA, PhD, DSc(h.c.). Age 70.
Director since 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.

Robert Joss Age 58.
Managing Director and Chief Executive Officer from 1993 to 1999. Robert Joss spent 22 years at Wells Fargo & Company, gaining experience in all facets of banking and financial services. He was a Vice Chairman of Wells Fargo from 1986 to 1993. Prior to Wells Fargo, he spent three years with the United States Treasury Department. Chairman of the Australian Bankers Association from 1997 to 1999 and a Trustee of the National Parks and Wildlife Foundation of New South Wales from 1995 to 1999. Retired 30 June 1999.

Helen Lynch AM. Age 56.
Director since November 1997. Helen Lynch had thirty five years experience in Westpac including membership of Westpac's executive team before retiring in 1994. She is Chairman of the Superannuation Funds Management Corporation of South Australia and a director of Coles Myer Limited, Southcorp Holdings Limited and OPSM Protector Limited. She is also director of the Centre for Independent Studies and The Garvan Medical Research Institute.

Eve Mahlab AO, LLB. Age 62.
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, President of Philanthropy Australia.

David Morgan BEc, MSc, PhD. Age 52.
Appointed Managing Director and Chief Executive Officer in 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 1970's and the Federal Treasury in the 1980's 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 56.
Director since July 1993. John Morschel has broad experience in the property and construction industries and the life insurance and financial services industry. Chairman of Comalco Limited, Director of Rio Tinto plc, Rio Tinto Limited, CSR Limited, Cable & Wireless Optus and Tenix Pty. Limited. Trustee of the Art Gallery of New South Wales.

Peter Ritchie BCom, FCPA. Age 57.
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.

Christopher Stewart Age 71.
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 Chairman of Melbourne Water Corporation and a director of Permanent Trustee Company Limited, Gandel Management Limited and Milton Corporation Limited. He is a trustee of The Financial Markets Foundation for Children and the Families in Distress Foundation.

John Uhrig AO, BSc, DUniv, Hon. DEcon, FAIM. Age 71.
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.

Corporate governance

Westpac is committed to best practice in the area of corporate governance. It believes that good corporate governance facilitates effective management and control of the business, which in turn enables Westpac to deliver the best results to all its stakeholders.

Westpac's main corporate governance practices are outlined below.

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. Westpac's Deed of Settlement (the "Deed"), which governs the relationship between Westpac and its shareholders, was also created in 1817. The Deed remains in force today, though it has been amended from time to time, with shareholder approval, over the 182 years. It sets out the rules dealing with how Westpac manages and controls its business, including how shares are owned and transferred; meetings are held; voting occurs; and directors, officers, auditors and other representatives are appointed.

Westpac proposes at its forthcoming Annual General Meeting on 16 December 1999, to seek shareholder approval for the shifting of its incorporated status from the NSW Parliament to the code system of the Corporations Law. While Westpac will always be able to preserve its historical heritage through its constituent documents, it recognises that it is timely to move away from what is increasingly becoming an historical legal anomaly in the face of significant corporate law reform.

The Board of Directors

Role of 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. Westpac's 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:

- approving corporate strategies and monitoring management performance;
- monitoring financial performance and, in this regard, working with the Group's external auditors; and
- monitoring and ensuring the maintenance of adequate risk management controls and reporting mechanisms.

The Board delegates responsibility for day-to-day management of Westpac to the Managing Director. The Board also uses a number of committees to support the Board in matters which require more intensive review. At present the Board has three committees, the Board Audit Committee, the Board Credit and Market Risk Committee and the Board Remuneration Committee. Other Board committees may be established from time to time to consider matters of special importance.

Composition of the Board

At present, the Board has 13 members, with 2 executive Directors and 11 non-executive Directors including the Chairman. Further details of individual Directors are set out in the Directors' Report at page 35.

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 7 Directors, and a maximum of 15. Up to 3 members of the Board may be executive Directors.

Independence

The Chairman is a non-executive Director, appointed by the full Board. The predominance of non-executive Directors who bring independent and special professional expertise to the Board and the appointment of a non-executive Chairman clearly delineates its separation from executive management.

Access to 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 professional 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 and, in its absence, 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, it is proposed that a deed of access and indemnity will be entered into between Westpac and each Director. Shareholder approval of this action is to be sought at the forthcoming Annual General Meeting.

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 Westpac's business, its corporate strategy and current issues before the Board.

Westpac's Group Secretary and General Counsel also provides Directors with ongoing guidance on issues such as corporate governance, the Deed and the law.

Additionally, the Board has, this year, as part of a review of the way it works, introduced as an adjunct to its formal meetings, regular workshops on matters of topical interest. In 1999 there have been workshops on Westpac's financial markets business, Westpac's funds management and insurance business and e-Commerce.

Nominations

Nominations for appointment to the Board are considered by the Board as a whole. The Board selects the most suitable candidate 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.

Performance

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. The Chairman's performance is reviewed by the full Board each year prior to the Chairman's appointment.

The Board has under present consideration its internal corporate governance, including more extensive and formalised review procedures for non-executive Director performance.

Retirement

There is no fixed term of office for non-executive Directors, though one third of the Directors must offer themselves for re-election each year at the time of the Annual General Meeting. The Deed sets a retirement age of 72. As part of the internal corporate governance review referred to above, the Board has under consideration the question of fixed terms of office for its non-executive Directors.

Meetings

The Board meets formally 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. Typically, 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 43.

Remuneration

The total remuneration available to non-executive Directors is fixed by the shareholders at General Meeting. The current pool limit of $1 million, which was approved in January 1996, is almost utilised. Shareholder approval will be sought at the forthcoming Annual General Meeting to increase the Directors' fees pool from $1 million to $1.5 million.
This change to the Directors' fees pool limit accords with the practice of many Australian listed companies, and will enable Westpac to attract and retain the services of Directors of the highest calibre.

When setting 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 in accordance with Westpac's executive compensation program, which is administered by the Board Remuneration Committee. In keeping with Westpac's philosophy of pay for performance, the Committee evaluates performance in three key areas: corporate, business unit and individual. Total reward has three components: base salary; annual performance bonus, and long-term incentive. With respect to Westpac's key executives, 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.

Details of Westpac's 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.

Ethics

Code of Conduct

Westpac is committed to the highest standards of ethical business conduct. As part of that commitment Westpac has a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The Code was updated and reissued to employees in June this year and is subject to ongoing review to ensure that Westpac's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code 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.

Westpac also has a number of specific policies which underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within the Westpac Group, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, 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.

Insider trading

Directors and other officers are subject to restrictions under the Corporations Law relating to dealings in securities. As required by law and Westpac's 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 Westpac's half year and full year financial results announcements and, if relevant, any Annual General Meeting announcement. At all other times the Board must receive prior notice of transactions involving Westpac shares, which transactions are subject to Board veto.

Board Committees

To assist the Board in fulfilling its duties, there are currently three 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 Board committees meet on a quarterly basis and at such other times as considered appropriate.

All three committees are currently comprised of non-executive Directors 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 Committee

The Board Audit 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. The Committee also reviews the adequacy and effectiveness of management's control of risk in relation to operational activities, financial reporting and legal/regulatory compliance.

Present membership of the Committee: J.P. Morschel (Chairman), I.R.L. Harper, H.A. Lynch 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 Westpac's operations. It reviews and approves Westpac's risk management framework, in particular prudential policies, credit and market risk limits and controls. It delegates authority to the Managing Director 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 starting at page 22.

Present membership of the Committee: W.P. Hogan (Chairman), J.B. Fairfax, E. Mahlab, C.J. Stewart 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 Managing Director. The Committee's work is supported by independent remuneration consultants to ensure that Westpac's remuneration practices are consistent with market practice.

A fuller discussion of Westpac's remuneration philosophy forms part of the Director's Report at page 38.

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

Regional Advisory Boards

As part of the integration into the Westpac Group of Challenge Bank, WestpacTrust and Bank of Melbourne, Westpac has been served well over the past three years by advisory boards consisting of eminent business community members in each of Western Australia, New Zealand and Victoria. With integration now complete there is no longer a need for formal advisory boards. However, Westpac continues to have the benefit of less formal, but frequent, consultation with former advisory board members.

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 1999.

Directors

The names of the persons who have been Directors of the Parent Entity during the period since 1 October 1998 are Mr J.A. Uhrig (Chairman), Mr W.B. Capp, The Hon. Sir Llewellyn Edwards, Mr J.B. Fairfax, Mr R.P. Handley (Executive Director), Mr I.R.L. Harper F.A.I.C.D., Professor W.P. Hogan, Mr R.L. Joss (Managing Director to 1 March 1999 and Executive Director to 30 June 1999), Ms H.A. Lynch, Ms E. Mahlab, Dr D.R. Morgan (Executive Director to 28 February 1999 and Managing Director from 1 March 1999), 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 30 and 31 and 'Corporate Governance' on pages 32 to 34 and form part of this report.

Directors' meetings

Particulars of the number of meetings of the Board of Directors and Committees of the Board held during the financial year which ended on 30 September 1999, together with details of attendance at those meetings by the Directors, are set out under the heading 'Attendance at Board and Committee Meetings' on page 43 of this report.

Principal activities

The principal activities of the Group during the financial year which ended on 30 September 1999 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 comprehensive review of the operations of the Group for the financial year ended 30 September 1999 is set out on pages 14 and 18 and forms part of this report.

The operating result of the Group attributable to equity shareholders for the financial year ended 30 September 1999 was a profit of $1,456 million after tax.

Dividends

A final dividend for the financial year ended 30 September 1998 of 22 cents per fully paid ordinary share, totalling $413 million, was paid by the Parent Entity on 4 January 1999, as a fully franked dividend. $418 million had been provided for in the financial statements for the year ended 30 September 1998.

An interim dividend for the financial year ended 30 September 1999 of 23 cents per fully paid ordinary share, totalling $426 million, was declared by the Directors and paid as a fully franked dividend on 2 July 1999.

A final dividend for the financial year ended 30 September 1999 of 24 cents per fully paid ordinary share, estimated amount $445 million, has been provided for in the financial statements for that year and will be paid on 4 January 2000. As foreshadowed on 18 May 1999 the final dividend will be unfranked.

Details of dividends provided for or paid are set out in note 7 to the financial statements.

Significant changes in state of affairs

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

Capital management

On 20 November 1998, the on-market buy-back scheme announced on 8 May 1998 concluded. Approximately 54.5 million fully paid ordinary shares were repurchased at an average price of $9.99 per share.

On 4 June 1999, the on-market buy-back scheme announced on 17 February 1999 concluded. 50 million fully paid ordinary shares were repurchased at an average price of $11.31 per share.

On 3 August 1999, the previously announced on-market buy-back of up to 50 million, or approximately 2.7%, of the Parent Entity's fully paid ordinary shares was commenced. As at 4 November 1999, 21.5 million fully paid ordinary shares had been repurchased at an average price of $9.53 per share.

Directors

Mr Robert Joss resigned as Managing Director, effective 1 March 1999 and was appointed executive Director, effective from 1 March 1999 until 30 June 1999.

Dr David Morgan, formerly an executive Director, was appointed Managing Director, effective 1 March 1999.

Events after end of financial year

In September 1999, Westpac launched a public offer of NZ Class Shares, issued by a subsidiary company, WestpacTrust Investments Limited. The offer was completed in early October 1999 and was successful in raising NZ$650 million (A$511 million) equity for the Group.

Other than as noted here, the Directors are not aware of any matter or circumstance that has arisen since 30 September 1999 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 page 29 and forms part of this report.

Directors' interests in securities

Particulars of:

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

(ii) 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) 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, held by Directors of the Parent Entity, together with details of any contracts to which those Directors are a party or under which they are entitled to a benefit and which confer a right to call for or deliver:

(a) shares in;

(b) debentures of; or

(c) interests in any registered managed investment scheme made available by, the Parent Entity or any related body corporate, are as follows:

Directors' holdings of Westpac shares and options as at 4 November 1999

Name	Number of ordinary fully paid shares and options	Non-beneficial
J.A. Uhrig	53,000	13,000
		251,173[1]
W.B. Capp	13,462	
Sir Llewellyn Edwards	8,869	
J.B. Fairfax	100,000	291,943
R.P. Handley	1,000,000	
	700,000[2]	
I.R.L. Harper	39,516	251,173[1]
W.P. Hogan	14,066	
H.A. Lynch	8,536	
E. Mahlab	11,206	251,173[1]
D.R. Morgan	849,732	
	675,000[2]	
	3,000,000[3]	
J.P. Morschel	4,000	
P.D. Ritchie	22,101	15,654
C.J. Stewart	150,075	

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

Other disclosable interests as at 4 November 1999

Ms H.A. Lynch – debentures of a related body corporate $150,000;
Dr D.R. Morgan – interests in managed investment schemes made available by related bodies corporate $77,129;
Mr C.J. Stewart – debentures of a related body corporate $40,819;
Mr J.A. Uhrig – debentures of a related body corporate $169,946.

Share options

Information about unissued shares or unissued interests relative to share options granted during or since the end of the financial year is contained in the executive Directors' remuneration table on page 40 of this report. For further details see note 21 to the financial statements.

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.

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 million approved by shareholders in January 1996. 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 1999 was:

	Fees $	Superannuation Guarantee Charge $	Total Cost $
J.A. Uhrig (Chairman)	260,000	2,423	262,423
W.B. Capp	75,000[1]	5,840	80,840
Sir Llewellyn Edwards	65,000	5,061	70,061
J.B. Fairfax	65,000	5,061	70,061
I.R.L. Harper	75,000[1]	5,840	80,840
W.P. Hogan	75,000[1]	4,431	79,431
H.A. Lynch	65,000	5,061	70,061
	8,000[2]		8,000
E. Mahlab	65,000	5,061	70,061
J.P. Morschel	75,000[1]		75,000
P.D. Ritchie	65,000	4,550	69,550
C.J. Stewart	65,000	1,442	66,442
	97,797[3]	1,995	99,792

1 Includes fees payable to Chairmen of Board Committees.
2 Consultancy fee for service on a Bank committee.
3 Compensation received as Chairman of Bank of Melbourne.
Note: Remuneration for executive Directors is disclosed as part of remuneration details on page 40.

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 with respect to the compensation of Westpac’s key executives. In making recommendations, the CEO receives assessments and advice from independent external remuneration consultants regarding the compensation practices of Westpac and others.

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 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. The Committee uses the Black-Scholes option pricing model to establish the appropriate value of the long-term incentive;
- provide annual variable compensation packages that:
  - (a) reward and motivate executives for the achievement of strategic business unit initiatives in a given year, in keeping with the pay for performance philosophy;
  - (b) take into account Westpac’s overall performance relative to corporate objectives and performance of the peer group (being Australian and international banks with similar asset bases and market capitalisation); and
  - (c) are based on individual contributions and business unit results that help create value for Westpac’s shareholders;
- provide fixed pay (base salaries) to attract and retain key executives 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 1999 were limited to those executives with salaries significantly below the median salaries paid by the peer group; and
- emphasise performance-based and equity-based compensation as executive officer level increases.

During the 1999 financial year, 11,119,000 options were issued to 491 eligible officers. In addition, 5,665,000 options under the General Management Share Option Plan and 9,918,500 options under the Senior Officers' Share Purchase Scheme have been approved but not yet issued to 644 eligible officers as part of the 1999 Remuneration Review process.

Details of the nature and amount of each element of the emolument of each of the executive Directors for the year ended 30 September 1999 was:

Name & Position	**Year**	**Base Pay[1]**	**Bonus[1]**	**Total Cash Compen-sation**	**Other Compen-sation[2]**	**Total Compen-sation[3]**	**Option Grants No. of shares[3]**	**Exercise Price**	**Date First Exercisable**
		$	**$**	**$**	**$**	**$**		**$**	
D.R. Morgan Managing Director & CEO	**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**
	1998	600,000	550,000	1,150,000	62,959	1,212,959	–		
R.L. Joss	**1999**	**840,350**	**–**	**840,350**	**536,975**	**1,377,325**	**–**		
Managing Director & CEO (resigned)	1998	920,548	1,000,000	1,920,548	751,114	2,671,662	–		
R.P. Handley	**1999**	**685,000**	**450,000**	**1,135,000**	**120,761**	**1,255,761**	**–**		
Executive Director and CFO	1998	685,000	550,000	1,235,000	248,236	1,483,236	–		

1 Base pay has been received in the year to 30 September; bonus figures reflect amounts accrued but not yet paid in respect of the year ended 30 September.

2 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 1999 and 1998 above now 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 compensation payments to protect certain executives from additional tax that would arise as a result of filing tax returns in two different jurisdictions, where such amounts can be reliably measured.

3 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 ten year life 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 purpose of inclusion in the potential compensation expense has been determined using the Black-Scholes option pricing model at $1.09.
The factors that are considered in the Black-Scholes 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 above, for the year ended 30 September 1999 was:

Name & Position	Year	Base Pay[1] $	Bonus[1] $	Total Cash Compen-sation $	Other Compen-sation[2] $	Total Compen-sation $	Option Grants No. of shares[3]	Exercise Price $	Date First Exercisable
D.R. Fite	**1999**	**375,000**	**2,200,000**	**2,575,000**	**195,201**	**2,770,201**	**800,000**	**9.57**	**29-Dec-02**
MD Westpac Financial Services	1998	393,904	1,600,000	1,993,904	201,212	2,195,116	450,000	9.56	21-Dec-01
D. Willis	**1999**	**428,356**	**450,000**	**878,356**	**11,109**	**889,465**	**100,000**	**9.57**	**29-Dec-02**
Group Executive							**175,000**	**10.60**	**6-Apr-02**
Westpac Institutional Bank	1998	393,699	450,000	843,699	15,734	859,433	175,000	9.56	21-Dec-01
H. Price	**1999**	**412,840**	**275,000**	**687,840**	**190,378**	**878,218**	**70,000**	**9.57**	**29-Dec-02**
Group Executive							**100,000**	**10.60**	**6-Apr-02**
New Zealand & Pacific Regional Banking	1998	332,917	241,365	574,282	153,249	727,531	90,000	9.56	21-Dec-01
R.W. Nimmo	**1999**	**539,650**	**220,000**	**759,650**	**102,420**	**862,070**	**65,000**	**9.57**	**29-Dec-02**
Group Executive & Chief Credit Officer	1998	539,650	270,000	809,650	103,747	913,397	–		
M.J. Hawker	**1999**	**461,137**	**275,000**	**736,137**	**42,495**	**778,632**	**300,000**	**9.57**	**29-Dec-02**
Group Executive Australian Banking Group	1998	416,260	400,000	816,260	23,099	839,359	200,000	9.56	21-Dec-01

1,2 Refer to the notes to the executive Directors remuneration table on page 40.

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

The options are now recognised in the table above based on the year in respect of which they are granted rather than the year in which they are issued, and the comparatives have been changed accordingly.

The 1999 options will be granted with a ten year term pursuant to the General Management Share Option Plan, under which the number of options exercisable depends on the Bank's performance against prescribed performance hurdles.

The options showing for 1998 were issued under the Senior Officers' Share Purchase Scheme, the rules for which provide for a five year term with no specific performance hurdle.

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 1998 grant was assessed at $1.63. The adjusted notional value for the 1999 'hurdled' options has been assessed at $1.07 for April 2002 and $0.94 for December 2002 (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 and the dividend yield.

Additionally, a discount factor is applied to the 1999 'hurdled' options 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.

Indemnities and insurance

Unless arising out of conduct involving a lack of good faith, under Westpac's 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;

(b) in which they are acquitted;

(c) in connection with any application relating to such proceedings in which relief is granted to them under the Corporations Law or the corresponding law of another jurisdiction; or

(d) 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 30 and 31 of this report and the Secretary of the Parent Entity Ms B.A. McNee, has the benefit of this indemnity, which extends to all Directors, secretaries, executive officers and employees of each member of the Group.

Auditors of the Parent Entity are also indemnified under the Deed of Settlement 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 1999 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; and

(ii) not arising out of conduct involving a wilful breach of duty or which contravenes section 232(5) and (6) of the Corporations Law.

The Parent Entity, on behalf of the Group, for the year ended 30 September 1999 arranged insurance cover in respect of amounts which the Parent Entity may have to pay under any of the indemnities set out above.

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.

Year 2000

The Board actively monitors Year 2000 readiness direct and through its Audit Committee which receives regular updates from executive management. Discussion on Westpac's present readiness appears on page 28.

Political donations

Each year the Board gives consideration to making political donations. Westpac's policy is that political donations should be made on a generally even-handed basis at both the federal and state levels to major political parties with a broad cross-section of parliamentary representation. All donations are declared in accordance with electoral laws.

During the financial year ended 30 September 1999, donations and other contributions totalling $415,325 were made to political parties as follows:

Party	$[1]
Australian Labor Party	168,000
Country Liberal Party (Northern Territory)	10,000
Liberal Party of Australia	196,425
National Party of Australia	40,900
	415,325

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

Attendance at Board and Committee meetings

	Regular Board Meetings		Special Board Meetings		Board Audit Committee		Board Credit and Market Risk Committee		Board Remuneration Committee		Special Committee Meetings[1]	
Name	A	B	A	B	A	B	A	B	A	B	A	B
J.A. Uhrig	10	10	9	8	5	2	4	2	9	8	11	9
W.B. Capp	10	9	9	4	–	–	–	–	9	9	11	1
Sir Llewellyn Edwards	10	10	9	6	–	–	–	–	9	8	11	1
J.B. Fairfax	10	10	9	4	–	–	4	4	–	–	11	4
R.P. Handley	10	10	9	8	–	–	–	–	–	–	11	7
I.R.L. Harper	10	10	9	8	5	5	–	–	–	–	11	4
W.P. Hogan	10	10	9	5	–	–	4	4	–	–	11	5
R.L. Joss	7	5	8	3	–	–	–	–	–	–	6	2
H.A. Lynch	10	9	9	8	5	5	–	–	–	–	11	2
E. Mahlab	10	9	9	8	–	–	4	4	–	–	11	–
D.R. Morgan	10	10	9	8	–	–	–	–	–	–	11	8
J.P. Morschel	10	10	9	7	5	5	–	–	–	–	11	4
P.D. Ritchie	10	8	9	5	–	–	–	–	9	5	11	1
C.J. Stewart	10	9	9	9	–	–	4	3	–	–	11	–

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 Board Committee meetings throughout the year.

1 The membership of special committees comprises any two Directors, only one of whom may be an executive Director.

Signed in accordance with a resolution of the Board of Directors.

J.A. Uhrig
Chairman

4 November 1999

Five year summary

$m (unless otherwise indicated)	**1999**	1998	1997	1996	1995
Profit and loss – year ended 30 September [1]					
Net interest income (excluding gross up)	**3,492**	3,492	3,353	3,254	2,982
Fully taxable equivalent gross up [2]	**127**	128	127	68	45
Net interest income (including gross up)	**3,619**	3,620	3,480	3,322	3,027
Non-interest income	**2,139**	2,003	1,739	1,472	1,391
Operating income (including gross up)	**5,758**	5,623	5,219	4,794	4,418
Charge for bad and doubtful debts	**(171)**	(168)	(78)	(121)	(330)
Total operating income (including gross up) net of provisions for bad and doubtful debts	**5,587**	5,455	5,141	4,673	4,088
Non-interest expenses	**(3,434)**	(3,392)	(3,228)	(3,049)	(2,654)
Operating profit (including gross up) before income tax and abnormal items	**2,153**	2,063	1,913	1,624	1,434
Fully taxable equivalent gross up [2]	**(127)**	(128)	(127)	(68)	(45)
Income tax expense	**(567)**	(589)	(493)	(421)	(371)
Outside equity interests	**(3)**	(4)	(2)	(3)	(3)
Operating profit after income tax before abnormal items	**1,456**	1,342	1,291	1,132	1,015
Abnormal items (net of tax)	**–**	(70)	–	–	(68)
Operating profit after income tax attributable to shareholders	**1,456**	1,272	1,291	1,132	947
Balance sheet as at 30 September [1]					
Total assets	**140,220**	137,319	118,963	121,513	105,835
Loans	**97,716**	91,738	77,874	81,201	64,365
Acceptances	**10,249**	10,325	11,242	11,197	11,656
Deposits and public borrowings	**85,546**	83,164	72,636	74,886	58,198
Loan capital	**2,692**	2,523	1,895	2,199	2,881
Total equity	**8,997**	8,611	8,206	7,891	7,583
Total risk adjusted assets	**102,592**	97,430	87,133	86,503	74,930
Share information					
Earnings per share (cents)					
Before abnormals	**77.0**	70.1	70.0	58.9	53.5
After abnormals	**77.0**	66.4	70.0	58.9	49.8
Dividends per ordinary share (cents)	**47.0**	43.0	39.0	33.0	28.0
Net tangible assets per ordinary share ($) [3]	**3.71**	3.59	3.69	3.39	3.81
Share price ($)					
High	**12.06**	11.45	9.10	6.59	5.51
Low	**8.36**	7.10	6.43	5.20	3.90
Close	**9.45**	9.28	8.70	6.54	5.36
Ratios					
Total equity to total assets (%)	**6.4**	6.3	6.9	6.5	7.2
Risk adjusted capital ratio (%)	**9.2**	9.3	10.5	10.8	13.9
Dividend payout ratio (%)	**60.2**	64.6	55.3	55.3	56.3
Return on:					
Ordinary equity – average (%)	**16.8**	14.7	17.0	14.6	13.0
Total assets – average (%)	**1.04**	0.91	1.03	0.97	0.97
Productivity ratio [4]	**3.17**	3.30	2.97	2.77	n/a
Expense to income ratio (%)	**59.6**	60.3	61.9	63.6	60.1
Net interest margin	**3.27**	3.44	3.59	3.72	3.85
Other information					
Points of bank representation (number at period end)	**1,625**	1,832	1,547	1,788	1,547
Full-time-equivalent staff (number at period end) [5]	**31,731**	33,222	31,608	33,832	31,416

Notes
1 The above profit and loss extracts for 1999, 1998 and 1997 and balance sheet extracts for 1999 and 1998 are derived from the consolidated financial statements included in this report, and for prior years are derived from consolidated financial statements previously published.
2 Income received in the form of tax-rebatable dividends on redeemable preference shares, together with other tax-free interest income, has been grossed up to a pre-tax equivalent. The income tax rate was 36% for 1999, 1998, 1997 and 1996 and 33% for 1995.
3 After deducting preference share capital and intangible assets.
4 Operating income (including gross up)/personnel costs excluding restructuring expenses.
5 Full-time-equivalent staff includes pro-rata part-time staff and excludes unpaid absences (e.g. maternity leave).

Financial report

FINANCIAL REPORT 1999

Profit and loss statements

Balance sheets

Statements of cash flows

Statements of changes in equity

Notes to the financial statements

Note 1 Summary of the significant accounting principles and policies
Note 2 Interest
Note 3 Non-interest income
Note 4 Non-interest expenses
Note 5 Abnormal items
Note 6 Income tax
Note 7 Dividends and distributions provided for or paid
Note 8 Due from other financial institutions
Note 9 Trading securities
Note 10 Investment securities
Note 11 Loans
Note 12 Provisions for bad and doubtful debts
Note 13 Impaired assets
Note 14 Regulatory deposits
Note 15 Fixed assets
Note 16 Other assets
Note 17 Due to other financial institutions
Note 18 Deposits and public borrowings
Note 19 Other liabilities
Note 20 Debt issues
Note 21 Equity
Note 22 Capital adequacy
Note 23 Maturity analysis
Note 24 Average balance sheet and related interest
Note 25 Group segment information
Note 26 Credit risk concentrations
Note 27 Auditors' remuneration
Note 28 Expenditure commitments
Note 29 Superannuation commitments
Note 30 Contingent liabilities and credit commitments
Note 31 Derivative financial instruments
Note 32 Interest rate risk
Note 33 Fair value of financial instruments
Note 34 Group entities
Note 35 Other group investments
Note 36 Retirement benefits
Note 37 Directors
Note 38 Loans to directors and director-related parties
Note 39 Directors' shares and share option transactions
Note 40 Directors' remuneration
Note 41 Related party disclosures
Note 42 Executives' remuneration
Note 43 Statements of cash flows
Note 44 Events subsequent to balance date
Note 45 Reconciliation with US Generally Accepted Accounting Principles (US GAAP)

Statutory statements

Directors' declaration

Independent audit report to the shareholders of Westpac Banking Corporation

Profit and loss statements for the years ended 30 September

Westpac Banking Corporation and its controlled entities

	Note	Consolidated 1999 $m	1998 $m	1997 $m	Parent Entity 1999 $m	1998 $m
Interest income	2	**8,348**	8,896	8,551	**7,432**	7,436
Fully tax equivalent gross up[1]		**127**	128	127	**127**	128
Interest income (including gross up)		**8,475**	9,024	8,678	**7,559**	7,564
Interest expense	2	**(4,856)**	(5,404)	(5,198)	**(4,712)**	(5,041)
Net interest income (including gross up)		**3,619**	3,620	3,480	**2,847**	2,523
Non-interest income	3	**2,139**	2,003	1,739	**2,039**	2,413
Operating income (including gross up)		**5,758**	5,623	5,219	**4,886**	4,936
Charge for bad and doubtful debts	12	**(171)**	(168)	(78)	**(84)**	(58)
Operating income after charge for bad and doubtful debts (including gross up)		**5,587**	5,455	5,141	**4,802**	4,878
Non-interest expenses	4	**(3,434)**	(3,392)	(3,228)	**(3,343)**	(3,018)
Operating profit before abnormal items (including gross up)		**2,153**	2,063	1,913	**1,459**	1,860
Abnormal items	5	**–**	(106)	–	**–**	(106)
Operating profit before income tax (including gross up)		**2,153**	1,957	1,913	**1,459**	1,754
Fully tax equivalent gross up[1]		**(127)**	(128)	(127)	**(127)**	(128)
Operating profit before income tax (excluding gross up)		**2,026**	1,829	1,786	**1,332**	1,626
Income tax attributable to operating profit	6	**(567)**	(589)	(493)	**(333)**	(386)
Income tax credit – abnormal items	5,6	**–**	36	–	**–**	36
Operating profit after income tax		**1,459**	1,276	1,293	**999**	1,276
Outside equity interests in operating profit after income tax		**(3)**	(4)	(2)	**–**	–
Operating profit after income tax attributable to equity holders of Westpac Banking Corporation		**1,456**	1,272	1,291	**999**	1,276
Retained profits at the beginning of the financial year		**2,241**	1,873	1,366	**1,775**	1,410
Aggregate of amounts transferred (to) reserves		**(35)**	(51)	(53)	**(58)**	(58)
Total available for appropriation		**3,662**	3,094	2,604	**2,716**	2,628
Dividends provided for or paid	7	**(866)**	(853)	(731)	**(866)**	(853)
Distributions on other equity instruments		**(8)**	–	–	**(8)**	–
Retained profits at the end of the financial year		**2,788**	2,241	1,873	**1,842**	1,775
Earnings (in cents) per ordinary share:						
Basic – before abnormals		**77.0**	70.1	70.0		
Basic – after abnormals		**77.0**	66.4	70.0		
Fully diluted – before abnormals		**76.1**	68.0	67.8		
Fully diluted – after abnormals		**76.1**	64.5	67.8		
Weighted average number of fully paid ordinary shares (millions)		**1,881**	1,879	1,789		

The accompanying notes, numbered 1 to 44, form part of these financial statements for purposes of Australian reporting requirements.
A summary of material adjustments to operating profit after income tax (net income) and equity that would be required if US GAAP had been applied is disclosed in note 45.

1 The Group has entered into various tax effective financing transactions that derive income that is subject to either a reduced or zero rate of income tax. The impact of this is reflected in lower income tax expense and interest income. In order to provide improved comparability, this income is presented on a fully tax equivalent basis at a tax rate of 36%.

Balance sheets as at 30 September

Westpac Banking Corporation and its controlled entities

	Note	Consolidated 1999 $m	Consolidated 1998 $m	Parent Entity 1999 $m	Parent Entity 1998 $m
Assets					
Cash and balances with central banks		**345**	403	**328**	385
Due from other financial institutions	8	**4,006**	3,290	**3,713**	3,088
Trading securities	9	**9,057**	6,826	**9,005**	6,773
Investment securities	10	**2,208**	2,168	**1,474**	1,449
Loans	11	**97,716**	91,738	**86,344**	80,967
Acceptances of customers		**10,249**	10,325	**10,349**	10,325
Regulatory deposits	14	**398**	1,196	**384**	1,159
Due from controlled entities		**–**	–	**6,229**	5,950
Investments in controlled entities		**–**	–	**6,595**	6,158
Fixed assets	15	**1,527**	1,599	**936**	1,034
Other assets	16	**14,714**	19,774	**13,463**	18,499
Total assets		**140,220**	137,319	**138,820**	135,787
Liabilities					
Due to other financial institutions	17	**3,562**	4,343	**3,560**	4,271
Deposits and public borrowings	18	**85,546**	83,164	**79,517**	77,230
Bonds, notes and commercial paper	20	**14,910**	10,580	**8,348**	7,682
Acceptances		**10,249**	10,325	**10,349**	10,325
Due to controlled entities		**–**	–	**11,813**	7,841
Other liabilities	19	**14,264**	17,773	**13,547**	17,309
Total liabilities excluding loan capital		**128,531**	126,185	**127,134**	124,658
Loan capital					
Subordinated bonds, notes and debentures	20	**2,030**	1,778	**2,030**	1,778
Subordinated perpetual notes	20	**662**	745	**662**	745
Total loan capital		**2,692**	2,523	**2,692**	2,523
Total liabilities		**131,223**	128,708	**129,826**	127,181
Net assets		**8,997**	8,611	**8,994**	8,606
Equity					
Share capital	21	**1,853**	1,899	**1,853**	1,899
Trust originated preferred securities (TOPrS[SM])	21	**465**	–	**–**	–
Convertible debenture	21	**–**	–	**465**	–
Reserves		**3,888**	4,466	**4,834**	4,932
Retained profits		**2,788**	2,241	**1,842**	1,775
Equity attributable to equity holders of Westpac Banking Corporation		**8,994**	8,606	**8,994**	8,606
Outside equity interests in controlled entities		**3**	5	**–**	–
Total equity		**8,997**	8,611	**8,994**	8,606

The accompanying notes, numbered 1 to 44, form part of these financial statements for purposes of Australian reporting requirements.
A summary of material adjustments to operating profit after income tax (net income) and total equity that would be required if US GAAP had been applied is disclosed in note 45.

Statements of cash flows for the years ended 30 September

Westpac Banking Corporation and its controlled entities

		Consolidated			Parent Entity	
	Note	**1999 $m**	1998 $m	1997 $m	**1999 $m**	1998 $m
Cash flows from operating activities						
Interest received		**8,345**	9,035	8,585	**7,428**	7,561
Interest paid		**(5,018)**	(5,161)	(5,132)	**(4,886)**	(4,793)
Dividends received		**35**	15	38	**164**	518
Other non-interest income received		**2,954**	747	637	**2,689**	733
Non-interest expenses paid		**(3,091)**	(2,772)	(2,833)	**(3,097)**	(2,656)
(Increase)/decrease in trading securities		**(2,204)**	484	(722)	**(2,217)**	(274)
Income taxes paid		**(520)**	(360)	(568)	**(402)**	(92)
Net cash provided by/(used in) operating activities	43	**501**	1,988	5	**(321)**	997
Cash flows from investing activities						
Proceeds from sale of investment securities		**147**	928	680	**133**	483
Proceeds from matured investment securities		**148**	52	1,266	**42**	45
Purchase of investment securities		**(444)**	(656)	(1,348)	**(264)**	(285)
Proceeds from securitised loans		**2,568**	3,190	3,183	**2,568**	3,190
Net (increase)/decrease in:						
loans		**(11,124)**	(7,811)	250	**(10,185)**	(6,462)
due from other financial institutions		**(898)**	960	2,483	**(815)**	789
regulatory deposits		**752**	(106)	(30)	**728**	(71)
investments in controlled entities		**–**	–	–	**(12)**	745
due from controlled entities		**–**	–	–	**(392)**	2,634
other assets		**(554)**	1,191	589	**(527)**	965
Purchase of fixed assets		**(362)**	(398)	(318)	**(212)**	(321)
Proceeds from disposal of fixed assets		**119**	273	300	**59**	58
Controlled entities acquired/disposed (net of cash held)	43	**58**	(174)	(346)	**58**	(174)
Net cash provided by/(used in) investing activities		**(9,590)**	(2,551)	6,709	**(8,819)**	1,596
Cash flows from financing activities						
Issue of loan capital		**460**	350	(479)	**460**	350
Redemption of loan capital		**(147)**	(94)	–	**(143)**	(94)
Proceeds from issue of shares		**95**	89	30	**95**	89
Buyback of shares		**(933)**	(1,306)	(251)	**(933)**	(1,306)
Proceeds from issue of TOPrS, net of issue costs paid of $20m		**465**	–	–	**–**	–
Proceeds from issue of convertible debenture, net of issue costs of $20m		**–**	–	–	**465**	–
Net increase/(decrease) in:						
due to other financial institutions		**(266)**	(800)	(1,280)	**(192)**	(859)
deposits and public borrowings		**5,113**	1,131	(2,919)	**4,885**	3,991
due to controlled entities		**–**	–	–	**4,021**	(5,848)
other liabilities		**419**	(126)	(113)	**324**	(178)
bonds, notes and commercial paper		**4,450**	2,109	(1,103)	**723**	2,042
Payment of distributions and dividends		**(627)**	(708)	(684)	**(627)**	(708)
Payment of dividends to outside equity interests		**(4)**	(1)	(2)	**–**	–
Net cash provided by/(used in) financing activities		**9,025**	644	(6,801)	**9,078**	(2,521)
Net (decrease)/increase in cash and cash equivalents		**(64)**	81	(87)	**(62)**	72
Effect of exchange rate changes on cash and cash equivalents		**6**	1	–	**5**	2
Cash and cash equivalents at beginning of year		**403**	321	408	**385**	311
Cash and cash equivalents at year end	43	**345**	403	321	**328**	385

Details of reconciliation of net cash provided by operating activities to operating profit after income tax are provided at note 43.

The accompanying notes, numbered 1 to 44, form part of these financial statements for purposes of Australian reporting requirements.
A summary of material adjustments to operating profit after income tax (net income) and equity that would be required if US GAAP had been applied is disclosed in note 45.

Statements of changes in equity for the years ended 30 September

Westpac Banking Corporation and its controlled entities

	Note	Consolidated 1999 $m	Consolidated 1998 $m	Consolidated 1997 $m	Parent Entity 1999 $m	Parent Entity 1998 $m
Share capital						
Balance at beginning of year		**1,899**	1,861	1,887	**1,899**	1,861
Shares issued:						
under the Chief Executive Share Option Agreement	21	**3**	–	2	**3**	–
under the Dividend Reinvestment Plan	21	**22**	9	–	**22**	9
under the Senior Officers' Share Purchase Scheme		**17**	19	6	**17**	19
for acquisition of Bank of Melbourne Limited		**–**	142	–	**–**	142
Shares previously paid to $0.10 or $0.01, fully paid up	21	**–**	–	1	**–**	–
Shares bought back	21	**(88)**	(132)	(35)	**(88)**	(132)
Balance at year end		**1,853**	1,899	1,861	**1,853**	1,899
Trust originated preferred securities (TOPrS)						
Securities issued during the year	21	**485**	–	–	**–**	–
Issue costs		**(20)**	–	–	**–**	–
Balance at year end		**465**	–	–	**–**	–
Convertible debenture						
Debenture issued during the year	21	**–**	–	–	**485**	–
Issue costs		**–**	–	–	**(20)**	–
Balance at year end		**–**	–	–	**465**	–
Reserves						
Reserve fund						
Balance at beginning of year		**727**	663	589	**727**	663
Transfer from retained profits		**49**	64	74	**49**	64
Balance at year end		**776**	727	663	**776**	727
Share premium reserve						
Balance at beginning of year		**3,475**	3,470	3,665	**3,475**	3,470
Premium on shares issued		**273**	1,179	21	**273**	1,179
Premium on shares bought back		**(845)**	(1,174)	(216)	**(845)**	(1,174)
Balance at year end		**2,903**	3,475	3,470	**2,903**	3,475
Premises revaluation reserve						
Balance at beginning of year		**144**	202	260	**145**	161
Revaluation of premises		**(20)**	(33)	(21)	**(4)**	(12)
Transfer to retained profits of realised revaluation gains on sale of premises		**(3)**	(17)	(31)	**(3)**	(4)
Other adjustments		**(8)**	(8)	(6)	**–**	–
Balance at year end		**113**	144	202	**138**	145
Investment revaluation reserve						
Balance at beginning of year		**–**	–	–	**479**	528
Revaluation of investments in controlled entities		**–**	–	–	**432**	(49)
Balance at year end		**–**	–	–	**911**	479
Capital redemption reserve		**135**	135	135	**131**	131
Foreign currency translation reserve						
Balance at beginning of year		**(15)**	(4)	(17)	**(25)**	(24)
Transfer (to)/from retained profits		**(11)**	4	10	**12**	(2)
Exchange differences on translation net of hedging		**(13)**	(15)	3	**(12)**	1
Balance at year end		**(39)**	(15)	(4)	**(25)**	(25)
Total reserves		**3,888**	4,466	4,466	**4,834**	4,932
Retained profits						
Balance at beginning of year		**2,241**	1,873	1,366	**1,775**	1,410
Aggregate of amounts transferred (to)/from reserves		**(35)**	(51)	(53)	**(58)**	(58)
Operating profit after tax attributable to shareholders		**1,456**	1,272	1,291	**999**	1,276
Dividends provided for or paid	7	**(866)**	(853)	(731)	**(866)**	(853)
Distributions on other equity instruments		**(8)**	–	–	**(8)**	–
Balance at year end		**2,788**	2,241	1,873	**1,842**	1,775
Total equity attributable to equity holders of Westpac Banking Corporation at year end		**8,994**	8,606	8,200	**8,994**	8,606

The accompanying notes, numbered 1 to 44, form part of these financial statements for purposes of Australian reporting requirements. A summary of material adjustments to operating profit after income tax (net income) and equity that would be required if US GAAP had been applied is disclosed in note 45.

NOTE 1. SUMMARY OF THE SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

(A) BASES OF ACCOUNTING

i. General

The financial statements are a general purpose financial report. The report complies with 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 a banking corporation 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.

The report is drawn up in accordance with the historical cost convention, except where indicated otherwise. The carrying value of non-current assets does not exceed their recoverable amount. Except where otherwise indicated, recoverable amount is determined as the undiscounted amount expected to be recovered from the net cash flows arising from the assets' continued use and subsequent disposal.

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

The financial statements also include disclosures required by the United States Securities and Exchange Commission in respect of foreign registrants (see note 45).

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although a system of internal control is in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. It is not anticipated that such differences would be material.

ii. Consolidation

The consolidated financial statements comprise the financial statements of Westpac Banking Corporation (the Parent Entity) and all entities it controlled during the year ended 30 September 1999. The Parent Entity and controlled entities are referred to collectively as the 'Group' or 'Westpac'. The effects of all transactions between entities in the Group are eliminated in full. Controlled entities are listed in note 34.

iii. Currency

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

In the consolidated financial statements, the foreign currency translation reserve also reflects exchange differences on translation of the Parent Entity's net investment in overseas controlled entities after allowing for foreign currency hedges.

Exchange differences relating to foreign currency monetary items (other than those used to hedge the net investment in overseas branches and controlled entities) are included in the profit and loss statement as part of the operating results. Foreign currency liabilities are generally matched by assets in the same currency. The total amounts of unmatched foreign currency assets and liabilities and consequent foreign currency exposures are not material.

(B) INCOME RECOGNITION

i. Interest income

Interest income is brought to account on an accruals basis. Interest, including premiums and discounts on trading and investment securities, is brought to account on a yield to maturity basis. Interest relating to impaired loans is recognised as income only when received. When a loan is categorised as non-accrual, unpaid interest accrued since the last reporting date is reversed against income. Unpaid interest relating to prior reporting periods is either written off as a bad debt or specific provision is made as necessary.

ii. Dividends on redeemable preference share finance

Dividend income is disclosed as part of interest income and is recorded in the profit and loss statement on an accruals basis.

iii. Leasing

Finance leases are accounted for under the finance method whereby income is taken to account progressively over the life of the lease in proportion to the outstanding investment balance.

iv. Fee income

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

v. Trading income

Gains and losses realised from the sale of trading securities and unrealised fair value adjustments are reflected in the profit and loss statement.

Income or expense on derivative financial instruments used to hedge interest rate exposure is recorded on an accruals basis. Both realised and unrealised gains and losses on trading derivative contracts are taken to the profit and loss statement.

vi. Dividend income

Dividend income is recorded in the profit and loss statement as declared.

vii. Profit or loss on sale of fixed assets

Profit or loss on sale of fixed assets are treated as operating income or expense.

(C) EXPENSE RECOGNITION

i. Interest expense

Interest expense is brought to account on an accruals basis. Interest, including premiums or discounts incurred on issue of securities is brought to account on a yield to maturity basis.

ii. Bad and doubtful debts

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

iii. Leasing

Operating lease payments are charged to the profit and loss statement in the periods in which they are incurred, representing the pattern of benefits derived from the leased assets. Incentives received on entering into operating leases are recognised as liabilities. Lease payments, for such leases, are allocated between interest, rental expense and reduction of the liability on a straight line basis over the term of the lease. Lease commitments are disclosed in the financial statements prior to the deduction of incentives (refer note 28).

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

(D) INCOME TAX

Tax effect accounting procedures under the liability method have been adopted whereby income tax expense for the year is matched with the accounting results after allowing for permanent differences. The tax effect of cumulative timing differences, which occur where items are included for income tax purposes in a period different from that in the financial statements, is shown in the provision for deferred income tax or future income tax benefit, as applicable. The Australian timing differences have been measured using the current company tax rate of 36%. These balances have not been adjusted to reflect any reductions that may result if legislative effect is given to the proposal to decrease the company tax rate to 34% and then to 30% as part of the Business Tax Reform announced on 21 September 1999.

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

(E) ASSETS

i. Cash and balances with central banks
Cash and balances with central banks includes cash at branches. They are brought to account at the face value or the gross value of the outstanding balance where appropriate.

ii. Due from other financial institutions
Receivables from other financial institutions includes loans, nostro balances, certificates of deposit and settlement account balances due from other financial institutions. They are brought to account at the gross value of the outstanding balance.

iii. Trading and investment securities
Trading securities: are short and long term public, bank or other debt securities and equities, which are held for resale in day to day trading operations. Trading securities are recorded at fair value.

Investment securities: are public and other debt securities, which are intended to be held to maturity. They are recorded at cost, or at cost adjusted for premium or discount amortisation. Gains and losses on the sale of investment securities are calculated using the specific identification method.

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

Repurchase and reverse repurchase agreements: securities sold under agreements to repurchase (repurchase agreements) are retained within the trading or investment portfolio and the obligation to repurchase is included in the balance sheet under ‘other liabilities’. Securities purchased under agreements to resell (reverse repurchase agreements) are included in the balance sheet under ‘other assets’.

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

Securities sold short: short trading positions are included in the balance sheet under ‘other liabilities’ as shown in note 19.

iv. Loans, advances and other receivables
Loans, advances and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, leasing, bill financing, redeemable preference share finance and leveraged leases. They are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for provisions for bad and doubtful debts and unearned income.

Collateral is obtained if, based on an evaluation of the customer’s credit worthiness, it is considered necessary for the customer’s overall borrowing facility. Collateral would normally consist of assets such as cash deposits, receivables, inventory, plant and equipment, real estate and investments.

Provisions for bad and doubtful debts
All known bad debts are written off against the provisions in the year in which they are classified as irrecoverable. Bad debts, in respect of which no specific provisions have been established, are written off against the general provision. Credit card and certain other consumer loan balances are written off when a payment is 180 days in arrears.

Specific provisions: are raised as soon as a loan has been identified as doubtful and when the estimated repayment realisable from the borrower is likely to fall short of the amount of principal and interest outstanding. Such loans are treated as impaired assets and are included in note 13.

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

Impaired assets
The Group has disclosed, in note 13, components of its loan portfolio that have been classified as impaired assets. In determining the impairment classification, the Group has adopted the Australian Prudential Regulation Authority’s (APRA) guidelines for classifying impaired assets, which consist of the following broad categories:

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

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

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

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

v. Acceptances of customers
The exposure arising from the acceptance of bills of exchange that are sold into the market is brought to account as a liability. A contra asset, ‘acceptances’, is recognised to reflect the Parent Entity’s or Group’s claim against each drawer of the bills.

Bills that have been accepted by the Group and are held in its own portfolio are included in the balance sheet under ‘loans’ as shown in note 11.

vi. Regulatory deposits
In several countries in which the Group operates, the law requires that regulatory deposits be lodged with the local central bank at a rate of interest generally below that prevailing in the market. The amount of the deposit and the interest rate receivable are determined in accordance with the requirements of the local central bank.

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

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

Other investments, comprising unlisted shares in other companies, as shown in note 16 and listed in note 35, are generally held as long-term investments and are recorded at cost. The equity method of accounting for associates is not adopted as its impact on the consolidated financial statements is not material. Gains and losses on sale are measured as the difference between the carrying value as at the date of sale and the net proceeds, and are reflected in the profit and loss statement. For details on the investment in Westpac Life Insurance Services Limited ('Westpac Life') refer to note 1(h)vi.

viii. Fixed assets

Premises and sites are carried at cost or valuation. Valuations are undertaken every three years, supported in the case of major Australian properties and all New Zealand properties, by independent valuers' advice. The revaluation increments are not brought to account, while decrements are recognised whenever the recoverable value of any individual property is determined to be less than its carrying value. Such property is revalued down to the recoverable value, with the decrement being taken to the premises revaluation reserve. The most recent valuation of premises and sites was undertaken in July 1998.

Substantially all of the Group's premises to which the premises revaluation reserve relates were assets originally acquired prior to 20 September 1985 and were outside the scope of Australian capital gains tax legislation. Any future liability for capital gains tax which might arise in the event of disposal of any of these premises has not been disclosed as it would not be material.

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

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

Furniture and equipment are shown at cost less depreciation which is calculated on a straight line basis at rates appropriate to their estimated useful life, which ranges from 3 to 15 years.

Internal and external costs directly incurred in the purchase or development of computer software, including subsequent upgrades and enhancements, are capitalised. Capitalised software is amortised over its expected life, which is usually 3 years but no greater than 10 years. Costs incurred on computer software maintenance and modifications of existing computer software for Year 2000 compatibility are expensed as incurred.

ix. Intangible assets

Intangible assets are amortised on a straight-line basis over the period in which the benefits are expected to arise, but not exceeding 20 years. The carrying value of intangibles is reviewed at least annually. If the carrying value of intangibles exceeds the value of the expected future benefits, the difference is charged to the profit and loss statement.

(F) LIABILITIES

i. Due to other financial institutions

Due to other financial institutions includes deposits, vostro balances and settlement account balances due to other financial institutions. They are brought to account at the gross value of the outstanding balance.

ii. Deposits and public borrowings

Deposits and public borrowings include non-interest bearing deposits repayable at call, certificates of deposit, interest bearing deposits, debentures and other funds raised publicly by borrowing corporations. They are brought to account at the gross value of the outstanding balance.

iii. Bonds, notes, commercial paper and loan capital

These are bonds, notes, commercial paper and loan capital that have been issued by the Group and are recorded at cost or amortised cost. Premiums, discounts and any issue expenses are amortised to the profit and loss statement from the date of issue until the maturity of the security.

iv. Employee entitlements

Liabilities for wages and salaries and annual leave are recorded as the amount unpaid at year end, at the current rate of pay and reflecting the employees' services up to that date.

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

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

v. Restructuring provisions

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

(G) EQUITY

Ordinary share capital is recognised at the par value of the amount paid up. Any excess between the par value and the issue price is recorded in the share premium reserve, in accordance with the Parent Entity's Deed of Settlement.

Trust originated preferred securities (TOPrS[SM]) and the convertible debenture are recognised at the amount of consideration received, net of direct costs of issue. The TOPrS and the convertible debenture are translated into Australian currency using the rate of exchange on issue date. Distributions on the TOPrS and convertible debenture are recognised when entitlements accrue in accordance with the terms of each issue.

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

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

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

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

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

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

(H) OTHER ACCOUNTING PRINCIPLES AND POLICIES

i. Superannuation costs

Contributions, as specified in the rules of the respective defined benefit and defined contribution schemes, are made by the Parent Entity or the respective controlled entity. Actuarially assessed surpluses in the Group's principal defined benefit employee superannuation schemes are recognised in the balance sheet as non-current assets, representing a prepayment of contributions to the schemes (see note 16).

Superannuation costs are recognised over employees' service lives so that the annual charge to the profit and loss statement is an approximately level percentage of current and expected future pensionable pay, less the anticipated benefit accruing from the existing prepayment of contributions. In the event of a curtailment or partial curtailment of a defined benefit scheme, a gain or loss is recognised in the profit and loss statement. The amount recorded in the profit and loss statement is based on the advice of a qualified actuary.

During the year the members of the Group's principal defined benefit scheme were given the opportunity to elect to change their scheme membership from defined benefit to defined contribution. This change in the operation of the principal scheme was accounted for as a partial curtailment.

When the actuarial surplus in a principal employee superannuation scheme is initially recognised by the Group, the surplus is recognised in the profit and loss statement.

Variations in the value of the surpluses, which result from periodic actuarial valuations, are recognised in the profit and loss statement over the average remaining service lives of employees.

ii. Employee share and option ownership schemes

Certain employees are entitled to participate in share and option ownership schemes. Details of the schemes are described in note 21. No remuneration expense is recognised in respect of employee shares and options issued.

iii. Derivative financial instruments

Trading

The fair value of trading derivative financial instruments are included in the balance sheet under 'other financial markets assets' and 'other financial markets liabilities' respectively, as shown in notes 16 and 19.

Foreign exchange and interest rate forwards, futures, options and forward purchases and sales of securities entered into for trading purposes are valued at prevailing market rates. Interest rate and currency swap agreements are valued at their net present value after allowance for future costs and risk exposure.

Hedging

Foreign exchange and interest rate forwards, futures, swaps and options entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged item. To qualify as a hedge, the swap, forward, futures or option position must be designated as a hedge and be effective in reducing the market risk of an existing asset, liability, firm commitment, or anticipated transaction where there is a high probability of the transaction occurring and the extent, term and nature of the exposure is capable of being estimated. Effectiveness of the hedge is evaluated on an initial and on-going basis by comparing the correlation of the change in market or fair value of the hedge with the changes in value of the hedged item.

If an interest rate hedge contract is terminated early, any resulting gain or loss is deferred and amortised over the periods corresponding to the hedged item. Where the hedged item ceases to exist, the corresponding derivative hedge contract is settled or closed out and any resulting unrecognised gains and losses are taken to the profit and loss statement.

iv. Loan securitisation

The Group, through its loan securitisation program, packages and sells loans (principally housing mortgage loans) as securities to investors. In such transactions the Group receives fees for various services provided to the program on an arms-length basis, including servicing fees, management fees and trustee fees. These fees are recognised over the period in which the relevant costs are borne. The Group also provides arms length interest rate swaps and loan facilities to the program in accordance with APRA Prudential Guidelines. The consideration for the sale of the loans includes the outstanding loan amount received at the date of the sale less other expenses of the securitisation program, plus an entitlement to receive deferred consideration, comprising mortgage loan interest (net of swap payments) not due to the investors.

The timing and amount of the swap cash flows and the deferred consideration cannot be reliably measured because of the significant uncertainties inherent in estimating future movements in the repayment rates on the underlying mortgage loans and the mortgage loan interest margins. Consequently, the swap and the deferred consideration receivable are not recognised as assets and no gain is recognised on the sale of the loans. The swap income/expense and deferred consideration are therefore being recognised when payable/receivable.

The deferred consideration is included in other non-risk fee income and classified as profit on sale of loans.

v. Funds management and trust activities

The Group conducts investment management and other fiduciary activities through Westpac Financial Services Group Limited and its controlled entities and through certain other controlled entities overseas. These activities result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. At 30 September 1999, the value of such assets under discretionary management by the Group was approximately $23.8 billion (1998 approximately $20.2 billion). These assets are not the property of the Group and are not included in the financial statements.

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

vi. Life insurance business

The Group conducts life insurance business through its controlled entity Westpac Life. The Group's interest in the profits of the life insurance statutory funds have been included in the consolidated profit and loss statement. The profits have been determined in accordance with the 'Margin on Services' methodology for the valuation of policy liabilities under Actuarial Standard 1.01 'Valuation of Policy Liabilities' of the Life Insurance Actuarial Standards Board. These profits are not available for distribution until the requirements of the Life Insurance Act 1995 have been met.

The 'Investment in Westpac Life' in note 16 comprises the net assets of the shareholders' funds on acquisition and any additional shares issued. The accumulated Margin on Services profit after tax is recognised in 'other investments' in note 16.

Under the provisions of the Life Insurance Act (1995), the assets and liabilities of the life insurance statutory funds attributable to policyholders are not controlled by the Group and therefore are not consolidated.

Recently released accounting standard AASB 1038 Life Insurance Business will become operative for the Group from 1 October 1999. This standard requires the consolidation of all life insurance assets, liabilities, revenues and expenses. Assets of the life insurer are measured at net market value and all liabilities at net present value. There are approximately $7.7 billion assets and liabilities in the statutory fund that will be recognised in the next financial year.

vii. Rounding of amounts

In accordance with Australian Securities and Investments Commission (ASIC) Class Order 98/100, all amounts have been rounded to the nearest million dollars unless otherwise stated.

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
NOTE 2. INTEREST					
Interest income					
Loans	**7,423**	7,921	7,206	**6,301**	6,336
Deposits with other financial institutions	**192**	282	455	**179**	271
Investment securities	**134**	130	118	**98**	99
Trading securities	**456**	451	621	**453**	445
Regulatory deposits	**15**	13	24	**15**	13
Dividends on redeemable preference share finance	**38**	46	84	**38**	42
Controlled entities	**–**	–	–	**270**	193
Other	**90**	53	43	**78**	37
Total interest income	**8,348**	8,896	8,551	**7,432**	7,436
Interest expense					
Current and term deposits	**3,385**	3,927	3,672	**3,372**	3,691
Deposits from other financial institutions	**194**	275	391	**194**	275
Bonds, notes and commercial paper	**710**	551	396	**466**	424
Public borrowings by subsidiary borrowing corporations	**317**	360	423	**2**	–
Loan capital	**175**	173	162	**175**	171
Controlled entities	**–**	–	–	**453**	460
Other	**75**	118	154	**50**	20
Total interest expense	**4,856**	5,404	5,198	**4,712**	5,041

	Consolidated			Parent Entity	
NOTE 3. NON-INTEREST INCOME					
Lending fees (loan and risk)	**512**	508	439	**508**	489
Transaction fees and commissions received	**917**	725	594	**892**	707
Other non-risk fee income[1]	**348**	341	278	**207**	203
Fees and commissions paid	**(302)**	(198)	(117)	**(277)**	(193)
Trading income:					
Foreign exchange income	**246**	295	182	**230**	279
Trading securities	**32**	34	26	**32**	34
Other financial instruments	**6**	81	30	**6**	81
Rental income	**10**	12	21	**3**	4
General insurance commissions and premiums earned (net of claims)	**30**	44	32	**16**	19
Life insurance margin on services profit (before income tax)	**124**	90	67	**–**	–
Dividends from controlled entities	**–**	–	–	**132**	508
Dividends from other entities	**35**	15	38	**32**	10
Net profit/(loss) on sale of premises	**2**	30	20	**2**	(3)
Net profit on sale of investment securities	**–**	–	2	**–**	–
Net profit on sale of other investments	**70**	4	73	**38**	–
Cost of hedging overseas operations	**14**	(13)	(1)	**8**	2
Service and management fees	**7**	2	9	**117**	223
Other	**88**	33	46	**93**	50
Total non-interest income	**2,139**	2,003	1,739	**2,039**	2,413

1 Includes $28 million received as profit on sale of housing loans pursuant to the securitisation program, of which $25 million relates to sales in prior years (1998 $23 million and $18 million, 1997 $7 million and $2 million, respectively).

	Consolidated 1999 $m	1998 $m	1997 $m	Parent Entity 1999 $m	1998 $m
NOTE 4. NON-INTEREST EXPENSES					
Salaries and other staff expenses					
Salaries and wages	**1,434**	1,407	1,347	**1,242**	1,165
Provision for employee entitlements	**132**	83	116	**121**	77
Superannuation contributions	**18**	24	17	**15**	21
Superannuation prepayment adjustment	**(51)**	(57)	16	**(50)**	(56)
Payroll tax	**87**	88	78	**76**	79
Fringe benefits tax	**38**	41	49	**32**	38
Restructuring costs	**14**	–	–	**12**	–
Other	**158**	118	131	**161**	85
Total salaries and other staff expenses	**1,830**	1,704	1,754	**1,609**	1,409
Equipment and occupancy expenses					
Operating lease rentals	**244**	279	222	**281**	304
Depreciation and amortisation:					
Premises	**12**	14	17	**4**	5
Leasehold improvements	**17**	25	10	**12**	20
Furniture, equipment and computer software	**45**	47	51	**35**	36
Technology	**163**	158	140	**148**	145
Equipment repairs and maintenance	**58**	62	65	**57**	60
Electricity, water and rates	**27**	30	33	**26**	30
Land tax	**6**	6	7	**6**	6
Other	**30**	20	38	**23**	–
Total equipment and occupancy expenses	**602**	641	583	**592**	606
Other expenses					
Amortisation of intangible assets (note 16)	**100**	106	62	**80**	71
Amortisation of deferred expenditure (note 16)	**18**	24	21	**16**	24
Non-lending losses	**30**	25	24	**24**	24
Consultancy fees, computer software maintenance and other professional services	**309**	318	294	**262**	269
Stationery	**94**	91	84	**85**	81
Postage and telecommunication costs	**201**	203	185	**189**	188
Insurance	**11**	12	12	**10**	11
Advertising	**100**	99	74	**92**	88
Transaction taxes	**10**	12	7	**4**	6
Training	**23**	21	19	**18**	18
Travel	**55**	61	57	**46**	52
Other	**51**	75	52	**316**	171
Total other expenses	**1,002**	1,047	891	**1,142**	1,003
Total non-interest expenses	**3,434**	3,392	3,228	**3,343**	3,018

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
NOTE 5. ABNORMAL ITEMS					
Abnormal expense item					
Restructuring expenses	**–**	(106)	–	**–**	(106)
Total abnormal expense item	**–**	(106)	–	**–**	(106)
Income tax credit applicable to the above abnormal item					
Restructuring expenses	**–**	36	–	**–**	36
Total income tax credit applicable to abnormal expense item	**–**	36	–	**–**	36
Net effect of abnormal item on operating profit after income tax	**–**	(70)	–	**–**	(70)

The prior year abnormal item principally relates 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 can be more effectively delivered. This progressive approach to improving service delivery will involve the introduction of new sales and service outlets and the refurbishment and restructure of existing network outlets.

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
NOTE 6. INCOME TAX					
Reconciliation of income tax expense shown in the profit and loss statements with prima facie tax payable on pre-tax operating profit after abnormal items					
Operating profit before income tax after abnormals	**2,026**	1,829	1,786	**1,332**	1,626
Prima facie tax on operating profit based on the company tax rate of 36% in Australia	**729**	658	643	**480**	585
Add/(deduct) tax effect of permanent differences:					
Rebateable and exempt dividends	**(84)**	(72)	(75)	**(122)**	(241)
Tax losses now tax effected	**(10)**	(30)	(33)	**(10)**	(29)
Non-assessable items:					
Unit trust income	**(22)**	(16)	(8)	**(20)**	(16)
Capital profits	**(24)**	(2)	–	**(14)**	–
Other	**(22)**	(39)	(20)	**15**	(24)
Non-deductible items:					
Depreciation and amortisation	**6**	8	6	**6**	7
Other	**64**	69	57	**47**	53
Adjustment for overseas tax rates	**(12)**	(14)	(47)	**(1)**	2
Tax over provision in prior years	**(43)**	(12)	(5)	**(41)**	(7)
Other items	**(15)**	3	(25)	**(7)**	20
	(162)	(105)	(150)	**(147)**	(235)
Total income tax expense attributable to operating profit after abnormals	**567**	553	493	**333**	350
Income tax attributable to operating profit comprises:					
Income tax attributable to operating profit before abnormal items	**567**	589	493	**333**	386
Income tax attributable to abnormal items	**–**	(36)	–	**–**	(36)
	567	553	493	**333**	350
Income tax – abnormal items:					
Prima facie tax on abnormal items at 36%	**–**	(38)	–	**–**	(38)
Add/(deduct) tax effect of permanent differences:					
Adjustment for overseas tax rates	**–**	2	–	**–**	2
Income tax credit – abnormal items	**–**	(36)	–	**–**	(36)

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
NOTE 6. INCOME TAX (CONTINUED)					
Income tax analysis					
Income tax expense attributable to operating profit comprises:					
Current income tax					
Australia	**384**	449	240	**195**	278
Overseas	**141**	(8)	110	**119**	(22)
	525	441	350	**314**	256
Deferred income tax					
Australia	**96**	63	108	**72**	52
Overseas	**(11)**	61	37	**(12)**	49
	85	124	145	**60**	101
(Over)/under provision in prior years					
Australia	**(43)**	(18)	(2)	**(41)**	(7)
Overseas	**–**	6	–	**–**	–
	(43)	(12)	(2)	**(41)**	(7)
Total Australia	**437**	494	346	**226**	323
Total Overseas	**130**	59	147	**107**	27
Total income tax expense attributable to operating profit after abnormals	**567**	553	493	**333**	350

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
NOTE 7. DIVIDENDS AND DISTRIBUTIONS PROVIDED FOR OR PAID					
Converting preference share dividends provided for or paid (fully franked at 36%)	**–**	24	39	**–**	24
Ordinary dividends					
Interim ordinary dividend paid:					
1999 23 cents per share; 1998 21 cents per share; 1997 19 cents per share (all fully franked at 36%)	**426**	388	338	**426**	388
(Over)/under provision of dividend in prior year[1]	**(5)**	23	–	**(5)**	23
Final ordinary dividend provided for:					
1999 24 cents per share (unfranked); 1998 22 cents per share (fully franked at 36%); 1997 20 cents per share (fully franked at 36%)	**445**	418	354	**445**	418
Total ordinary dividends provided for or paid	**866**	829	692	**866**	829
Total dividends provided for or paid	**866**	853	731	**866**	853

1 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.

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
Distributions on other equity instruments					
Distributions paid:					
TOPrS	**8**	–	–	**–**	–
Convertible debenture	**–**	–	–	**8**	
Total distributions on other equity instruments	**8**	–	–	**8**	–

	1999 $m	1998 $m
Franking account balance		
Franking account balance as at the end of the financial year	**(173)**	(146)
Franking credits arising from payment of current income tax payable	**102**	370
Franking credits utilised for payment of final dividend proposed	**–**	(418)
Estimated franking credits arising from the payment of income tax instalments and receipt of franked dividend	**123**	291
Estimated franking account balance as at 30 June 2000 (end of franking account year)	**52**	97

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

	Consolidated		Parent Entity	
	1999 $m	1998 $m	**1999 $m**	1998 $m
NOTE 8. DUE FROM OTHER FINANCIAL INSTITUTIONS				
Australia				
Interest earning	**2,088**	478	**2,088**	478
Non-interest earning	**269**	28	**136**	28
Total Australia	**2,357**	506	**2,224**	506
Overseas				
Interest earning	**1,256**	2,318	**1,099**	2,154
Non-interest earning	**393**	466	**390**	428
Total Overseas	**1,649**	2,784	**1,489**	2,582
Total due from other financial institutions	**4,006**	3,290	**3,713**	3,088

NOTE 9. TRADING SECURITIES				
Listed				
Australian public securities				
Commonwealth securities	**1,500**	782	**1,500**	782
Semi-government securities	**504**	334	**504**	334
Australian equity securities	**695**	1,006	**695**	1,006
Australian debt securities	**–**	5	**–**	5
Overseas public securities	**1,041**	932	**1,038**	921
Overseas debt securities	**120**	42	**71**	–
Total listed securities	**3,860**	3,101	**3,808**	3,048
Unlisted				
Australian public securities				
Treasury notes	**3,582**	3,082	**3,582**	3,082
Semi-government securities	**13**	48	**13**	48
Australian debt securities	**1,093**	524	**1,093**	524
Overseas debt securities	**509**	71	**509**	71
Total unlisted securities	**5,197**	3,725	**5,197**	3,725
Total trading securities	**9,057**	6,826	**9,005**	6,773

As at 30 September 1999 Group trading securities include $71 million in unrealised gains (1998 $13 million in losses).

	Consolidated				Parent Entity			
	1999		1998		**1999**		1998	
	Book Value $m	**Market Value $m**	Book Value $m	Market Value $m	**Book Value $m**	**Market Value $m**	Book Value $m	Market Value $m
NOTE 10. INVESTMENT SECURITIES								
Listed								
Australian public securities								
Commonwealth securities	**113**	**118**	112	117	**113**	**118**	112	117
Overseas public securities	**12**	**12**	5	5	**12**	**12**	5	5
Overseas debt securities	**427**	**401**	43	43	**427**	**401**	43	43
Total listed securities	**552**	**531**	160	165	**552**	**531**	160	165
Unlisted								
Australian debt securities	**4**	**4**	6	6	**–**	**–**	–	–
Overseas public securities	**179**	**179**	167	173	**34**	**34**	69	75
Overseas debt securities	**1,473**	**1,457**	1,835	1,834	**888**	**875**	1,220	1,219
Total unlisted securities	**1,656**	**1,640**	2,008	2,013	**922**	**909**	1,289	1,294
Total investment securities	**2,208**	**2,171**	2,168	2,178	**1,474**	**1,440**	1,449	1,459

Other than Australian Commonwealth Government securities, the Group held no trading and investment securities of a single issuer, the book value of which, in aggregate, exceeded 10% of the shareholders' equity.

	Within 1 year $m	Over 1 year to 5 years $m	Over 5 years to 10 years $m	Over 10 years $m	Total $m
NOTE 10. INVESTMENT SECURITIES (CONTINUED)					
Maturities of the Group's investment securities are as follows:					
1999 Book value					
Australian public securities					
Commonwealth securities	**–**	**–**	**113**	**–**	**113**
Australian debt securities	**–**	**4**	**–**	**–**	**4**
Overseas public securities	**97**	**93**	**1**	**–**	**191**
Overseas debt securities	**120**	**1,432**	**132**	**216**	**1,900**
Total book value by maturity	**217**	**1,529**	**246**	**216**	**2,208**
Total market value by maturity	**217**	**1,515**	**240**	**199**	**2,171**
1998 Book value					
Australian public securities					
Commonwealth securities	–	–	112	–	112
Australian debt securities	–	–	6	–	6
Overseas public securities	62	110	–	–	172
Overseas debt securities	107	1,443	328	–	1,878
Total book value by maturity	169	1,553	446	–	2,168
Total market value by maturity	169	1,559	450	–	2,178

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

	1999				1998			
	Book Value $m	**Unrealised Gains $m**	**Unrealised Losses $m**	**Market Value $m**	Book Value $m	Unrealised Gains $m	Unrealised Losses $m	Market Value $m
Listed								
Australian public securities								
Commonwealth securities	**113**	**5**	**–**	**118**	112	5	–	117
Overseas public securities	**12**	**–**	**–**	**12**	5	–	–	5
Overseas debt securities	**427**	**–**	**(26)**	**401**	43	–	–	43
Total listed securities	**552**	**5**	**(26)**	**531**	160	5	–	165
Unlisted								
Australian debt securities	**4**	**–**	**–**	**4**	6	–	–	6
Overseas public securities	**179**	**–**	**–**	**179**	167	6	–	173
Overseas debt securities	**1,473**	**–**	**(16)**	**1,457**	1,835	–	(1)	1,834
Total unlisted securities	**1,656**	**–**	**(16)**	**1,640**	2,008	6	(1)	2,013
Total listed and unlisted securities	**2,208**	**5**	**(42)**	**2,171**	2,168	11	(1)	2,178

	1999 $m	1998 $m	1997 $m
Details of sales of investment securities during the year were as follows:			
Proceeds from sales	**147**	928	680
Gross gains realised on sales	**–**	–	2
Gross losses realised on sales	**–**	–	–

The following table shows the weighted-average carrying yield for each range of securities as at 30 September 1999. There are no tax-exempt securities.

	Within 1 year %	Over 1 year to 5 years %	Over 5 years to 10 years %	Over 10 years %	Total %
Australian Commonwealth securities	–	–	5.3	–	5.3
Overseas public securities	10.7	7.2	6.9	–	9.1
Overseas debt securities	5.8	6.4	6.9	7.0	6.4
Total investments	**7.7**	**6.4**	**6.0**	**7.0**	**6.5**

NOTE 11. LOANS

Loans are classified as Australia or Overseas based on the location of the lending office.

	Consolidated 1999 $m	Consolidated 1998 $m	Parent Entity 1999 $m	Parent Entity 1998 $m
Australia				
Overdrafts	**2,802**	2,664	**2,802**	2,664
Credit card outstandings	**3,750**	2,952	**2,352**	1,776
Overnight and call money market loans	**102**	86	**102**	86
Own acceptances discounted	**1,957**	2,498	**1,857**	2,327
Term loans:				
Housing	**40,544**	35,378	**40,544**	35,378
Non-housing	**22,465**	19,920	**17,607**	15,249
Finance leases	**2,359**	2,216	**492**	535
Investments in leveraged lease and equity lease partnerships	**285**	306	**263**	283
Redeemable preference share finance	**1,096**	1,175	**1,096**	1,175
Other	**2,614**	3,134	**1,718**	2,190
Total Australia	**77,974**	70,329	**68,833**	61,663
New Zealand				
Overdrafts	**744**	1,019	**744**	1,019
Credit card outstandings	**520**	503	**428**	451
Overnight and call money market loans	**443**	388	**443**	388
Own acceptances discounted	**1**	29	**1**	29
Term loans:				
Housing	**9,845**	10,396	**9,370**	9,853
Non-housing	**5,758**	6,084	**5,379**	5,732
Finance leases	**25**	23	**–**	–
Redeemable preference share finance	**1,003**	379	**–**	–
Other	**522**	110	**486**	74
Total New Zealand	**18,861**	18,931	**16,851**	17,546
Other Overseas	**2,381**	4,078	**1,979**	3,173
Total Overseas	**21,242**	23,009	**18,830**	20,719
Total loans (net of unearned income)	**99,216**	93,338	**87,663**	82,382
Provisions for bad and doubtful debts (note 12)	**(1,500)**	(1,600)	**(1,319)**	(1,415)
Total net loans	**97,716**	91,738	**86,344**	80,967

Securitisation of loans

At 30 September 1999 the Group had securitised assets amounting to $9,777 million (1998 $7,209 million) via the Westpac Securitisation Trust program ('WST program') and various private placements. Outstanding securitised assets totalled $6,420 million as at 30 September 1999 (1998 $5,639 million) after allowing for amortisation of the initial assets securitised.

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

	Consolidated				
	1999 $m	1998 $m	1997 $m	1996 $m	1995 $m
NOTE 11. LOANS (CONTINUED)					
Loans by type of customer					
Australia					
Government and other public authorities	**284**	328	472	730	807
Agriculture, forestry and fishing [1]	**1,642**	1,077	1,010	1,103	1,207
Commercial and financial [2]	**20,744**	16,811	16,037	13,721	12,548
Real estate – construction	**1,158**	1,634	1,357	1,128	671
Real estate – mortgage [1]	**40,544**	38,911	26,223	31,428	24,511
Instalment loans and other personal lending [1]	**9,001**	6,816	8,474	8,114	8,140
Subtotal	**73,373**	65,577	53,573	56,224	47,884
Other real estate owned	**–**	–	–	80	82
Lease financing	**2,644**	2,254	1,477	2,472	2,417
Own acceptances discounted	**1,957**	2,498	774	821	1,350
Total Australia	**77,974**	70,329	55,824	59,597	51,733
Overseas					
Government and other public authorities	**270**	281	371	544	291
Agriculture, forestry and fishing [1]	**1,419**	1,652	1,474	1,492	893
Commercial and financial	**6,972**	8,589	8,688	8,498	7,526
Real estate – construction	**132**	217	264	372	401
Real estate – mortgage [1]	**10,170**	11,551	12,266	10,999	3,788
Instalment loans and other personal lending [1]	**2,222**	506	489	1,257	1,252
Subtotal	**21,185**	22,796	23,552	23,162	14,151
Lease financing	**56**	184	86	132	145
Own acceptances discounted	**1**	29	–	157	266
Total Overseas	**21,242**	23,009	23,638	23,451	14,562
Total loans (net of unearned income)	**99,216**	93,338	79,462	83,048	66,295
Provisions for bad and doubtful debts	**(1,500)**	(1,600)	(1,588)	(1,847)	(1,930)
Total net loans	**97,716**	91,738	77,874	81,201	64,365

The increase in loans in Australia in 1998 and 1996 are due principally to acquisitions in those years.

1 Real estate mortgage loans and instalment loans and personal lending include a total of $1.6 billion of personal lending to the agricultural sector, (1998 $1.8 billion, 1997 $1.2 billion, 1996 $1.5 billion, 1995 $1.4 billion). In addition, $1.0 billion of finance had been provided to the agricultural sector, (1998 $0.8 billion, 1997 $0.8 billion, 1996 $0.9 billion, 1995 $1.0 billion) in the form of acceptances which are excluded from the above table.

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

	Consolidated				
	1999 %	1998 %	1997 %	1996 %	1995 %
Percentage of loans in each customer category to total loans					
Australia					
Government and other public authorities	**0.3**	0.4	0.6	0.9	1.2
Agriculture, forestry and fishing	**1.7**	1.2	1.3	1.3	1.8
Commercial and financial	**20.8**	18.0	20.2	16.5	18.9
Real estate – construction	**1.2**	1.8	1.7	1.4	1.0
Real estate – mortgage	**40.8**	41.7	33.0	37.8	37.0
Instalment loans and other personal lending	**9.1**	7.3	10.7	9.8	12.3
Other real estate owned	**–**	–	–	0.1	0.1
Lease financing	**2.7**	2.4	1.9	3.0	3.7
Own acceptances discounted	**2.0**	2.7	0.9	1.0	2.0
Overseas	**21.4**	24.5	29.7	28.2	22.0
	100.0	100.0	100.0	100.0	100.0

NOTE 11. LOANS (CONTINUED)

Maturity distribution of loans by type of customer as at 30 September 1999

	Within 1 year	1 to 5 years	Over 5 years	Total
By offices in Australia				
Government and other public authorities	15	144	125	284
Agriculture, forestry and fishing	626	233	783	1,642
Commercial and financial	9,485	7,862	3,397	20,744
Real estate – construction	405	132	621	1,158
Real estate – mortgage	1,180	2,509	36,855	40,544
Instalment loans and other personal lending	4,593	2,077	2,331	9,001
Lease financing	784	1,577	283	2,644
Own acceptances discounted	1,957	–	–	1,957
Total Australia	**19,045**	**14,534**	**44,395**	**77,974**
Total Overseas	**5,151**	**3,585**	**12,506**	**21,242**
Total loans (net of unearned income)	**24,196**	**18,119**	**56,901**	**99,216**

	Consolidated					
	1999			1998		
	Loans at Variable Interest Rates $m	**Loans at Fixed Interest Rates $m**	**Total $m**	Loans at Variable Interest Rates $m	Loans at Fixed Interest Rates $m	Total $m
Interest rate segmentation of Group loans maturing after one year						
By offices in Australia	**34,607**	**24,322**	**58,929**	29,955	16,583	46,538
By offices Overseas	**7,099**	**8,992**	**16,091**	7,339	8,233	15,572
Total loans maturing after one year	**41,706**	**33,314**	**75,020**	37,294	24,816	62,110

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
NOTE 12. PROVISIONS FOR BAD AND DOUBTFUL DEBTS					
General provision					
Balance at beginning of year	**1,238**	1,249	1,316	**1,089**	1,111
Exchange rate and other adjustments	**(12)**	–	(15)	**6**	(3)
Provisions of controlled entities/businesses acquired/(disposed)	**(14)**	60	–	**(13)**	60
Charge to operating profit	**119**	84	145	**32**	3
Recoveries of debts previously written off	**75**	89	93	**50**	64
Write-offs	**(236)**	(244)	(290)	**(136)**	(146)
Balance at year end[1]	**1,170**	1,238	1,249	**1,028**	1,089
Specific provisions					
Balance at beginning of year	**362**	339	531	**326**	336
Exchange rate and other adjustments	**(8)**	(11)	(1)	**(19)**	(15)
Provisions of controlled entities/businesses acquired/(disposed)	**(10)**	17	–	**(8)**	17
New specific provisions	**165**	225	146	**153**	179
Specific provisions no longer required	**(113)**	(141)	(213)	**(101)**	(124)
Write-offs	**(66)**	(67)	(124)	**(60)**	(67)
Balance at year end	**330**	362	339	**291**	326
Total provisions for bad and doubtful debts	**1,500**	1,600	1,588	**1,319**	1,415

1 Includes provision for off-balance sheet credit related commitments. Group $144 million (1998 $153 million, 1997 $154 million) Parent Entity $128 million (1998 $136 million).

	Consolidated 1999 $m	1998 $m	1997 $m	Parent Entity 1999 $m	1998 $m
NOTE 12. PROVISIONS FOR BAD AND DOUBTFUL DEBTS (CONTINUED)					
Charge to operating profit for bad and doubtful debts comprises:					
General provision	**119**	84	145	**32**	3
New specific provisions	**165**	225	146	**153**	179
Specific provisions no longer required	**(113)**	(141)	(213)	**(101)**	(124)
Total charge to operating profit	**171**	168	78	**84**	58

The 1999 charge to operating profit of $171 million represents a 2% increase from 1998's charge of $168 million which, in turn, was up 119% from 1997. The coverage ratio of total provisions (specific and general) to total impaired assets at 30 September 1999 increased to 233% against 188% at 30 September 1998 and 183% at 30 September 1997.

	Consolidated 1999 $m	1998 $m	1997 $m	1996 $m	1995 $m
Specific provision by type of customer					
Australia					
Agriculture, forestry and fishing	**7**	28	33	59	58
Commercial and financial	**102**	92	60	242	521
Real estate – construction	**3**	20	3	25	26
Real estate – mortgage	**4**	14	6	10	43
Instalment loans and personal lending	**34**	31	119	27	74
Total Australia	**150**	185	221	363	722
New Zealand					
Agriculture, forestry and fishing	**5**	–	–	8	2
Commercial and financial	**18**	–	4	54	45
Real estate – construction	**–**	–	7	–	–
Real estate – mortgage	**–**	37	51	28	33
Instalment loans and other personal lending	**9**	6	3	9	29
Total New Zealand	**32**	43	65	99	109
Other Overseas					
Government and other public authorities	**20**	–	–	–	–
Agriculture, forestry and fishing	**3**	2	7	1	2
Commercial and financial	**124**	123	32	46	90
Real estate – construction	**1**	2	8	6	11
Real estate – mortgage	**–**	–	–	1	1
Instalment loans and other personal lending	**–**	7	6	15	15
Total Other Overseas	**148**	134	53	69	119
Total Overseas	**180**	177	118	168	228
Total specific provisions	**330**	362	339	531	950

NOTE 12. PROVISIONS FOR BAD AND DOUBTFUL DEBTS (CONTINUED)

The following tables show details of loans written off and recoveries of loans written off by type of customer and geographic category for the past five years.

	Consolidated				
	1999 $m	1998 $m	1997 $m	1996 $m	1995 $m
Balance of provision for bad and doubtful debts (specific and general) at beginning of year	**1,600**	1,588	1,847	1,930	2,342
Write-offs					
Australia					
Agriculture, forestry and fishing	**–**	7	10	15	3
Commercial and financial[1]	**38**	45	67	176	454
Real estate – construction	**2**	4	2	10	54
Real estate – mortgage	**–**	2	15	5	16
Instalment loans and other personal lending	**203**	193	246	163	98
Other real estate owned	**–**	–	–	2	(1)
Total Australia	**243**	251	340	371	624
New Zealand					
Agriculture, forestry and fishing	**4**	–	–	–	–
Commercial and financial[1]	**8**	–	5	25	19
Real estate – construction	**–**	–	3	–	–
Real estate – mortgage	**3**	38	45	1	1
Instalment loans and other personal lending	**29**	6	7	22	16
Total New Zealand	**44**	44	60	48	36
Total Other Overseas	**15**	16	14	32	179
Total write-offs	**302**	311	414	451	839
Recoveries					
Australia					
Agriculture, forestry and fishing	**–**	6	3	1	1
Commercial and financial[1]	**5**	19	10	37	40
Real estate – construction	**–**	1	1	1	2
Real estate – mortgage	**–**	–	1	2	1
Instalment loans and other personal lending	**55**	53	52	40	25
Other real estate owned	**–**	–	–	(10)	9
Australia	**60**	79	67	71	78
New Zealand	**11**	8	13	8	15
Other Overseas	**4**	2	13	6	8
Total recoveries	**75**	89	93	85	101
Net write-offs	**(227)**	(222)	(321)	(366)	(738)
Charge to operating profit	**171**	168	78	121	330
Provisions of controlled entities/businesses acquired/(disposed)	**(24)**	77	–	175	–
Exchange rate and other adjustments	**(20)**	(11)	(16)	(13)	(4)
Balance of provision for bad and doubtful debts at year end	**1,500**	1,600	1,588	1,847	1,930

1 Lease finance write-offs and recoveries, which were not material, are included in the ‘Commercial and financial’ category.

	Consolidated				
	1999 $m	1998 $m	1997 $m	1996 $m	1995 $m
NOTE 13. IMPAIRED ASSETS					
Australia					
Non-accrual assets[1]					
Gross	**347**	457	609	974	1,638
Specific provisions	**(149)**	(176)	(205)	(346)	(702)
Net	**198**	281	404	628	936
Restructured loans					
Gross	**13**	39	38	61	77
Specific provisions	**(1)**	(9)	(16)	(17)	(20)
Net	**12**	30	22	44	57
Net Australian impaired assets	**210**	311	426	672	993
New Zealand					
Non-accrual assets[1]					
Gross	**100**	121	104	178	196
Specific provisions	**(32)**	(42)	(41)	(77)	(91)
Net	**68**	79	63	101	105
Restructured loans					
Gross	**1**	8	41	24	22
Specific provisions	**–**	(1)	(24)	(22)	(18)
Net	**1**	7	17	2	4
Net New Zealand impaired assets	**69**	86	80	103	109
Other Overseas					
Non-accrual assets[1]					
Gross	**172**	206	70	109	247
Specific provisions	**(144)**	(130)	(49)	(65)	(111)
Net	**28**	76	21	44	136
Restructured loans					
Gross	**11**	21	7	7	16
Specific provisions	**(4)**	(4)	(4)	(4)	(8)
Net	**7**	17	3	3	8
Net Other Overseas impaired assets	**35**	93	24	47	144
Total net impaired assets[2]	**314**	490	530	822	1,246
Accruing items past due 90 days (with adequate security)					
Australia	**156**	181	312	398	364
New Zealand	**30**	66	55	42	32
Other Overseas	**4**	105	14	9	15
Total	**190**	352	381	449	411

1 Includes assets acquired through security enforcement (OREO), recorded at net market value. Since 1995 this has not been a significant amount.
2 Includes off balance sheet impaired items $16 million (1998 $36 million; 1997 $36 million; 1996 $61 million; 1995 $248 million).

	1999 $m	1998 $m	1997 $m	1996 $m	1995 $m
Interest received for the year on the above non-accrual and restructured assets is:					
Australia	**16**	15	39	61	79
New Zealand	**5**	6	12	9	15
Overseas	**1**	1	2	7	10
Total	**22**	22	53	77	104
Interest forgone for the year on the above non-accrual and restructured assets is estimated at:					
Australia	**38**	54	92	162	167
New Zealand	**1**	8	7	9	10
Overseas	**1**	2	3	6	14
Total	**40**	64	102	177	191

	Consolidated		Parent Entity	
	1999 $m	1998 $m	**1999 $m**	1998 $m
NOTE 14. REGULATORY DEPOSITS				
Non-callable deposits with the RBA[1]	**–**	788	**–**	788
Regulatory deposits with central banks overseas	**398**	408	**384**	371
Total regulatory deposits	**398**	1,196	**384**	1,159

1 Non-callable deposits were redeemed from the RBA from 1 July 1999 in accordance with the changes in regulatory requirements.

	Consolidated		Parent Entity	
	1999 $m	1998 $m	**1999 $m**	1998 $m
NOTE 15. FIXED ASSETS				
Premises and sites (note 1(e)viii)				
At Directors' valuation 1999	**199**	–	**24**	–
At Directors' valuation 1998	**83**	267	**56**	74
At Directors' valuation 1997	**19**	61	**–**	–
At Directors' valuation 1995	**383**	422	**170**	229
At cost	**56**	140	**40**	139
Accumulated depreciation	**(27)**	(38)	**(9)**	(21)
	713	852	**281**	421
Leasehold improvements				
At cost	**209**	175	**167**	128
Accumulated amortisation	**(93)**	(89)	**(66)**	(61)
	116	86	**101**	67
Furniture, equipment and computer software				
At cost	**1,463**	1,469	**1,228**	1,268
Accumulated depreciation	**(765)**	(808)	**(674)**	(722)
	698	661	**554**	546
Total fixed assets	**1,527**	1,599	**936**	1,034

In July 1998, a valuation of premises and sites was undertaken, based on their estimated market value, supported by independent valuers' advice. Based on these valuations, the value of premises held at 30 September 1999 would have been $781 millions (30 September 1998 $931 millions). In accordance with group policy, only the decrements for each property have been recognised as a reduction in the premises revaluation reserve.

	Consolidated		Parent Entity	
	1999 $m	1998 $m	**1999 $m**	1998 $m
NOTE 16. OTHER ASSETS				
Accrued interest receivable	**415**	412	**375**	371
Future income tax benefits	**523**	725	**490**	574
Securities purchased under agreements to resell	**174**	370	**174**	370
Securities sold not delivered	**3,650**	1,527	**3,650**	1,527
Other financial markets assets	**5,992**	13,007	**6,016**	13,021
Intangible assets (after accumulated amortisation of $316m, 1998 $226m)	**1,665**	1,788	**1,368**	1,468
Deferred expenditure (after accumulated amortisation of $4m, 1998 $122m)	**129**	105	**65**	54
Prepayment of superannuation fund contributions	**807**	758	**736**	688
Investment in Westpac Life	**419**	379	**–**	–
Other investments	**361**	201	**129**	44
Other	**579**	502	**460**	382
Total other assets	**14,714**	19,774	**13,463**	18,499
Future income tax benefits comprise:				
Provision for bad and doubtful debts	**473**	547	**427**	485
Provision for employee entitlements	**111**	109	**101**	100
Treasury/financial products	**155**	229	**155**	229
Depreciation	**24**	23	**16**	15
Tax losses	**223**	326	**95**	106
Other timing differences	**(463)**	(509)	**(304)**	(361)
	523	725	**490**	574
Potential future income tax benefits not brought to account as realisation is not considered virtually certain:				
Related to losses	**42**	48	**33**	42
Other	**82**	113	**82**	111
	124	161	**115**	153

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

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

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

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

	Consolidated		Parent Entity	
	1999 $m	1998 $m	**1999 $m**	1998 $m
NOTE 17. DUE TO OTHER FINANCIAL INSTITUTIONS				
Australia				
Interest earning	**376**	205	**376**	205
Non-interest earning	**498**	765	**498**	698
Total Australia	**874**	970	**874**	903
Overseas				
Interest earning	**2,438**	3,148	**2,436**	3,143
Non-interest earning	**250**	225	**250**	225
Total Overseas	**2,688**	3,373	**2,686**	3,368
Total due to other financial institutions	**3,562**	4,343	**3,560**	4,271

	Consolidated		Parent Entity	
	1999 $m	1998 $m	**1999 $m**	1998 $m
NOTE 18. DEPOSITS AND PUBLIC BORROWINGS				
Deposits				
Australia				
Non-interest bearing, repayable at call	**3,522**	3,663	**3,522**	3,663
Certificates of deposit	**6,010**	3,588	**6,010**	3,588
Other interest bearing				
At call	**28,163**	25,602	**28,316**	25,755
Term [1]	**18,058**	18,870	**18,058**	18,868
Total Australia	**55,753**	51,723	**55,906**	51,874
New Zealand				
Non-interest bearing, repayable at call	**771**	657	**771**	657
Certificates of deposit	**2,046**	1,836	**2,046**	1,836
Other interest bearing				
At call	**4,412**	5,920	**4,412**	5,920
Term	**8,014**	7,790	**8,014**	7,790
Total New Zealand	**15,243**	16,203	**15,243**	16,203
Other Overseas				
Non-interest bearing, repayable at call	**185**	519	**111**	434
Certificates of deposit	**2,771**	1,522	**2,771**	1,522
Other interest bearing				
At call	**321**	670	**220**	565
Term	**5,414**	6,842	**5,266**	6,632
Total Other Overseas	**8,691**	9,553	**8,368**	9,153
Total Overseas	**23,934**	25,756	**23,611**	25,356
Total deposits	**79,687**	77,479	**79,517**	77,230
Public borrowings by subsidiary borrowing corporations				
Australia				
Secured [2]	**3,631**	3,851	**–**	–
Unsecured	**2,129**	1,479	**–**	–
Total Australia	**5,760**	5,330	**–**	–
Overseas				
Secured [2]	**99**	347	**–**	–
Unsecured	**–**	8	**–**	–
Total Overseas	**99**	355	**–**	–
Total public borrowings by subsidiary borrowing corporations	**5,859**	5,685	**–**	–
Total deposits and public borrowings	**85,546**	83,164	**79,517**	77,230

1 Includes floating rate depository receipts of USD 500 million (AUD 765 million; 1998 AUD 842 million) and GBP 250 million (AUD 629 million; 1998 AUD 718 million) maturing in 2001 and 2002, respectively.

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

	Consolidated					
	1999		1998		1997	
	Average Balance $m	**Average Rate %**	Average Balance $m	Average Rate %	Average Balance $m	Average Rate %
NOTE 18. DEPOSITS AND PUBLIC BORROWINGS (CONTINUED)						
Average balances and interest rates in each of the past three fiscal years for major categories of deposits were:						
Australia						
Non-interest bearing	**3,258**	**–**	3,249	–	2,844	–
Other interest bearing demand	**27,008**	**4.4**	25,485	4.0	18,888	3.8
Certificates of deposit	**4,688**	**4.9**	4,153	4.5	3,698	6.5
Other interest bearing term	**18,671**	**4.6**	18,134	5.8	18,143	6.0
Total Australia	**53,625**		51,021		43,573	
Overseas						
Non-interest bearing	**1,186**	**–**	1,409	–	1,496	–
Other interest bearing demand	**5,740**	**2.1**	6,087	5.0	5,878	5.3
Certificates of deposit	**4,582**	**5.3**	4,400	7.1	4,990	6.7
Other interest bearing term	**13,799**	**5.4**	14,142	7.4	13,784	7.0
Total Overseas	**25,307**		26,038		26,148	

Certificates of deposit issued by the Group represent negotiable certificates of deposit, transferable certificates of deposit and euro certifcates of deposit. Negotiable certificates of deposit are negotiable securities and are of minimum denominations of A$50,000. Transferable certificates of deposit are longer-term instruments with a fixed rate of interest. Minimum denominations are A$100,000. Euro certificates of deposit are issued in currencies other than the country of origin. Westpac has issued euro certificates of deposits largely in London, in a range of currencies, including Australian dollars, US dollars and Hong Kong dollars. Original terms to maturity typically range from 30 days to 180 days for negotiable certificates of deposit, 3 to 5 years for transferable certificates of deposit and typically less than 90 days for euro certificates of deposits, although maturity may extend to up to 12 months. Certificates of deposit issued by the Parent Entity 30 September 1999 totalled $7.8 billion for negotiable certificates of deposit (1998 $5.4 billion), $0.3 billion for transferable certificates of deposit (1998 $nil) and $2.8 billion for euro certificates of deposit (1998 $1.5 billion).

Other interest bearing deposits comprise principally interest-bearing cheque and savings accounts and call and time deposits obtained through and administered by Westpac's branch network.

Public borrowings by subsidiary borrowing corporations, which may be for individual amounts as small as $2,000, comprise principally secured debentures, unsecured notes and secured and unsecured deposits of the AGC Group. Debentures are collateralised by floating charges over the assets of AGC and some of its subsidiaries in Australia and in AGC(NZ) in New Zealand and are distributed among approximately 145,000 and 9,000 investors in Australia and New Zealand, respectively.

	Consolidated		Parent Entity	
	1999 $m	1998 $m	**1999 $m**	1998 $m
NOTE 19. OTHER LIABILITIES				
Provision for:				
proposed dividends	**445**	418	**445**	418
income taxes	**204**	207	**95**	146
deferred income tax	**237**	256	**170**	230
long service leave	**159**	161	**146**	149
holiday leave and other staff benefits	**136**	131	**122**	117
non-lending losses	**14**	27	**12**	25
restructuring and premises expenses (note 1(f)v)	**211**	272	**209**	267
subsidiary integration costs	**–**	15	**–**	15
Unearned general insurance premiums	**84**	54	**–**	–
Outstanding general insurance claims	**42**	24	**–**	–
Accrued interest payable	**792**	954	**663**	837
Securities sold under agreements to repurchase	**188**	139	**188**	139
Securities sold short	**1,377**	1,071	**1,377**	1,071
Securities purchased not delivered	**3,084**	1,119	**3,084**	1,119
Other financial markets liabilities	**5,523**	11,486	**5,523**	11,472
Other	**1,768**	1,439	**1,513**	1,304
Total other liabilities	**14,264**	17,773	**13,547**	17,309

Provision for deferred income tax comprises:				
Leverage lease transactions	**266**	311	**265**	310
Finance lease transactions	**107**	110	**44**	48
Treasury/financial markets products	**29**	37	**29**	35
Depreciation	**47**	58	**36**	46
Other timing differences	**(212)**	(260)	**(204)**	(209)
	237	256	**170**	230

NOTE 20. DEBT ISSUES				
Short term debt	**5,605**	4,463	**1,341**	1,629
Long term debt	**9,305**	6,117	**7,007**	6,053
Total	**14,910**	10,580	**8,348**	7,682
Short term debt				
USD commercial paper	**4,087**	2,804	**–**	–
CHF medium term notes	**1,267**	1,622	**1,090**	1,592
Other debt	**251**	37	**251**	37
Total short term debt	**5,605**	4,463	**1,341**	1,629

The maturity profile for bonds, notes and commercial paper is shown in note 23.

NOTE 20. DEBT ISSUES (CONTINUED)

Long term debt

The following table sets out the maturity analysis of long term bonds and notes.

Issue Currency	Issue Range (in millions)	Interest Rate	Consolidated 1999 $m	Consolidated 1998 $m	Parent Entity 1999 $m	Parent Entity 1998 $m
Due from 1 October 1998 to 30 September 1999						
Euro medium term notes						
AUD	25-200	Floating rate note	–	225	–	225
JPY	500-2,000	Fixed rate ranging from 0.05%-5.00%	–	219	–	219
JPY	5,000	Floating rate note	–	124	–	124
DEM	350	Floating rate note	–	706	–	706
CHF	50	Floating rate note	–	122	–	122
			–	1,396	–	1,396
Domestic medium term notes						
NZD	193	Floating rate note	–	163	–	163
NZD medium term notes						
NZD	74	Floating rate note	–	62	–	62
			–	1,621	–	1,621
Due from 1 October 1999 to 30 September 2000						
Euro medium term notes						
AUD	25-55	Fixed rate ranging from 5.03%-5.05%	**80**	64	**–**	–
AUD	20	Floating rate note	**20**	–	**20**	–
USD	25-50	Floating rate note	**115**	–	**115**	–
JPY	2,000-2,730	Fixed rate ranging from 0.05%-5.00%	**107**	58	**107**	58
NZD	97-100	Fixed rate 8.00%	**77**	84	**77**	84
CHF	10-100	Floating rate note	**213**	194	**10**	194
HKD	300	Fixed rate 6.80%	**59**	–	**–**	–
			671	400	**329**	336
Due from 1 October 2000 to 30 September 2001						
Euro medium term notes						
USD	15-50	Fixed rate ranging from 5.25%-5.27%	**100**	84	**100**	84
USD	75-500	Floating rate note	**1,070**	841	**–**	841
JPY	1,000-15,000	Fixed rate ranging from 0.098%-5.00%	**230**	186	**216**	186
JPY	3,000-35,000	Floating rate note	**547**	37	**547**	37
CHF	75	Floating rate note	**76**	–	**–**	–
HKD	140	Fixed rate 7.62%	**28**	–	**28**	–
CAD	15	Floating rate note	**16**	–	**–**	–
			2,067	1,148	**891**	1,148
Domestic medium term notes						
NZD	5-49	Fixed rate ranging from 5.97%-8.00%	**43**	42	**43**	42
			2,110	1,190	**934**	1,190
Due from 1 October 2001 to 30 September 2002						
Euro medium term notes						
AUD	125-200	Fixed rate ranging from 4.80%-4.90%	**325**	–	**325**	–
USD	20	Fixed rate 5.03%	**31**	–	**31**	–
USD	10-300	Floating rate note	**626**	–	**15**	–
JPY	1,000	Fixed rate ranging from 0.28%-3.00%	**42**	36	**42**	36
JPY	2,000	Floating rate note	**145**	122	**145**	122
GBP	20	Floating rate note	**50**	–	**–**	–
NZD	50	Fixed rate 5.69%	**40**	–	**–**	–
HKD	400	Fixed rate 7.65%	**79**	–	**79**	–
HKD	30-1,000	Floating rate note	**243**	–	**243**	–
			1,581	158	**880**	158

NOTE 20. DEBT ISSUES (CONTINUED)

Long term debt (continued)

Issue Currency	Issue Range (in millions)	Interest Rate	Consolidated 1999 $m	Consolidated 1998 $m	Parent Entity 1999 $m	Parent Entity 1998 $m
Due from 1 October 2002 to 30 September 2003						
Euro medium term notes						
AUD	300	Floating rate note	**300**	300	**300**	300
USD	500	Fixed rate 6.38%	**764**	–	**764**	–
USD	200-300	Floating rate note	**765**	505	**765**	505
JPY	500-1,000	Fixed rate ranging from 3.00%-3.50%	**28**	24	**28**	24
GBP	15	Fixed rate 5.50%	**38**	43	**38**	43
GBP	250	Floating rate note	**628**	718	**628**	718
GBP	77	Zero coupon rate	**194**	–	**194**	–
CHF	200	Floating rate note	**204**	243	**204**	243
			2,921	1,833	**2,921**	1,833
Domestic medium term notes						
NZD	55	Fixed rate 6.50%	**44**	–	**44**	–
			2,965	1,833	**2,965**	1,833
Due from 1 October 2003 to 30 September 2004						
Euro medium term notes						
USD	500	Fixed rate 5.75%	**765**	–	**765**	–
USD	20	Zero coupon rate	**30**	–	**30**	–
JPY	2,000	Fixed rate 5.25%	**29**	25	**29**	25
EUR	500	Floating rate note	**816**	842	**816**	842
SGD	150	Fixed rate 4.75%	**135**	–	**135**	–
			1,775	867	**1,775**	867
Domestic medium term notes						
NZD	100	Fixed rate 5.90%	**79**	–	**–**	–
			1,854	867	**1,775**	867
Due from 1 October 2004						
Euro medium term notes						
USD	5	Floating rate note	**8**	8	**8**	8
USD	5-20	Structured	**93**	8	**93**	8
JPY	1,400[1]	Structured	**10**	17	**10**	17
ITL	15,000	Fixed rate 6.50%	**13**	15	**13**	15
			124	48	**124**	48
Total long term debt			**9,305**	6,117	**7,007**	6,053

1 JPY 0.7bn redeemed 16 February 1999.

	Consolidated 1999 $m	Consolidated 1998 $m	Consolidated 1997 $m
Short-term borrowings			
US commercial paper			
Maximum amount outstanding at any month end	**5,368**	2,481	2,341
Approximate average amount outstanding	**3,803**	1,407	2,015
Approximate weighted-average interest rate on:			
average amount outstanding	**5.4%**	5.6%	5.6%
outstanding at period end	**5.6%**	5.6%	5.7%
Euro commercial paper			
Maximum amount outstanding at any month end	**3,248**	2,019	2,095
Approximate average amount outstanding	**1,950**	1,689	1,841
Approximate weighted-average interest rate on:			
average amount outstanding	**5.3%**	5.9%	6.2%
outstanding at period end	**5.6%**	5.9%	5.8%
Other commercial paper			
Maximum amount outstanding at any month end	**–**	97	207
Approximate average amount outstanding	**–**	73	138
Approximate weighted-average interest rate on:			
average amount outstanding	**–**	6.5%	7.6%
outstanding at period end	**–**	–	7.2%

NOTE 20. DEBT ISSUES (CONTINUED)

	Consolidated 1999 $m	Consolidated 1998 $m	Parent Entity 1999 $m	Parent Entity 1998 $m
Subordinated bonds, notes and debentures				
JPY 10 billion dual currency subordinated bonds due 1999	–	124	–	124
USD 400 million 9.125% subordinated debentures due 2001 [1]	**612**	673	**612**	673
USD 350 million 7.875% subordinated debentures due 2002 [1]	**535**	589	**535**	589
NZD 50 million subordinated bonds due 2005 [2]	**40**	42	**40**	42
AUD 350 million subordinated bonds due 2008 [3]	**350**	350	**350**	350
AUD 300 million subordinated bonds due 2009 [4]	**300**	–	**300**	–
NZD 50 million subordinated bonds due 2009 [5]	**40**	–	**40**	–
USD 100 million subordinated bonds due 2009 [6]	**153**	–	**153**	–
Total subordinated bonds, notes and debentures	**2,030**	1,778	**2,030**	1,778

1 Swap arrangements (to US currency at a floating interest rate) have been entered into in respect of these debentures.
2 The bonds pay a coupon of 9.05% until the fifth anniversary (15 August 2000). From the fifth anniversary until maturity a fixed rate coupon is payable as determined by the Registrar and Paying Agent in accordance with a Deed Poll dated 5 July 1995.
3 AUD 112 million of these bonds pay a coupon of 6.0% until the fifth anniversary (28 May 2003). From the fifth anniversary until maturity the bonds pay a floating rate coupon. The remaining AUD 238 million of bonds pay a floating rate coupon.
4 AUD 215.5 million of these bonds pay a coupon of 6.25% until the fifth anniversary (2 March 2004). From the fifth anniversary until maturity the bonds pay a floating rate coupon. The remaining AUD 84.5 million of bonds pay a floating rate coupon.
5 The bonds pay a coupon of 7.59% until the fifth anniversary (15 July 2004). Swap arrangements (to NZ currency at a floating interest rate) have been entered into until the fifth anniversary. From the fifth anniversary until maturity a floating rate coupon is payable.
6 The bonds pay a floating rate coupon.

Premiums and discounts, and fees and commissions paid on each issue have been deferred and are being amortised to income over the life of the respective bonds or notes. Net unamortised expenses at 30 September 1999 amounted to $16 million (30 September 1998 $5 million).

Subordinated bonds, notes and debentures with an original maturity of at least five years constitute tier 2 capital as defined by the APRA for capital adequacy purposes. The value assigned is based on the remaining years to maturity.

	Consolidated 1999 $m	Consolidated 1998 $m	Parent Entity 1999 $m	Parent Entity 1998 $m
Subordinated perpetual notes				
USD 432.3 million (1998 USD 442.3 million) subordinated perpetual floating rate notes	**662**	745	**662**	745

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

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

Westpac debt programs

Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programs and issuing shelves:

Program/Issuing Shelf	Outstanding	Program/Issuing Shelf Type
Australia		
No limit	AUD$300 million	Debt issuance program
No limit	AUD$650 million	Subordinated debt issuance program
Euro Market		
AUD 2 billion	AUD$707 million	Asian debt program
USD 1 billion	USD$75 million	Euro certificate of deposit program
USD 3 billion	USD$560 million	Euro commercial paper progam [1]
USD 7.5 billion	USD$6,066 million	Euro medium term note [1]
Japan		
JPY 100 billion	Nil	Samurai shelf
JPY 100 billion	JPY54 billion	Uridashi shelf
New Zealand		
NZD 750 million	NZD$210 million	Medium term note program [2]
NZD 500 million	NZD$100 million	Subordinated note program
United States		
USD 4 billion	USD$2,100 million	Commercial paper program
USD 2 billion	USD$466 million	Commercial paper program [2]
USD 4 billion	USD$2,495 million	Medium term deposit program
USD 1.2 billion	USD$323 million	SEC registered shelf

1 WestpacTrust Securities NZ Limited is also an issuer under this program.
2 Sole issuer is WestpacTrust Securities NZ Limited.

NOTE 21. EQUITY

	Parent Entity	
	1999	1998
Share capital		
Authorised capital 3,100 million ordinary shares of $1 each	**3,100**	3,100
Issued and paid up capital		
1,852,618,757 (1998 1,898,993,864) ordinary shares of $1 each fully paid	**1,853**	1,899
20,000 (1998 40,000) ordinary shares of $1 each paid to $0.10	**–**	–
71,500 (1998 107,500) ordinary shares of $1 each paid to $0.01	**–**	–
Total issued and paid up capital	**1,853**	1,899

During the year the following shares were issued:

To the former Chief Executive under the Chief Executive Share Option Agreement upon exercise of options:
3,333,334 ordinary shares of $1 each fully paid at a premium of $1.85.

To shareholders in terms of the Dividend Reinvestment Plan:
21,513,731 ordinary shares of $1 each fully paid at a premium of $9.28.

To senior officers under the Senior Officers' Share Purchase Scheme upon exercise of options:
16,386,000 ordinary shares of $1 each fully paid at an average premium of $4.15.

In addition, 56,000 shares issued in terms of the Senior Officers' Share Purchase Scheme previously paid to $0.01 or $0.10 were fully paid up at an average premium of $3.65.

During the year 87,664,172 ordinary shares of $1 each were bought back 'on market' at an average premium of $9.63.

	Consolidated		Parent Entity	
	1999 $m	1998 $m	**1999 $m**	1998 $m
Other equity instruments				
12,900,000 trust originated preferred securities (TOPrS) of US$25 each fully paid – US$ 322,500,000	**485**	–	**–**	–
1 convertible debenture of NZ$611,724,203	**–**	–	**485**	–
Issue costs	**(20)**	–	**(20)**	–
Total issued	**465**	–	**465**	–

NOTE 21. EQUITY (CONTINUED)

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, US government securities purchased with the proceeds of the common securities, and a currency swap with the Parent Entity.

The convertible debenture is an unsecured, junior subordinated obligation of the Parent Entity and will rank subordinate and junior in right of payment of principal and distributions to the Parent Entity's obligations to its depositors and creditors. The convertible debentures will only pay a distribution to the extent it is declared by the Board of Directors of the Parent Entity, or an authorised committee of the Board. If certain conditions exist a distribution is not permitted to be declared unless approved by APRA. The convertible debenture will automatically convert into American Depository Receipts (ADRs) representing Parent Entity preference shares (8% non-cumulative preference shares in the Parent Entity with a liquidation amount of US$25) on 16 July 2049, or earlier in the event that a distribution is not made or certain other events occur. The dividend payment dates on the Parent Entity preference shares will be the same days of the year as the distribution payment dates on the TOPrS. The TOPrS will then be redeemed for ADRs.

Under the currency swap, the Funding Trust paid an amount equal to the proceeds of the issue of the Funding TOPrS in US dollars to the Parent Entity, which paid the Funding Trust the New Zealand dollar equivalent using a fixed exchange rate of NZ$1.00 = US$0.5272. The Funding Trust is also required to pay to the Parent Entity any amount in New Zealand dollars it receives under the convertible debenture, in return for an amount denominated in US dollars at the fixed exchange rate.

The currency swap terminates upon:

- payment in full of the cash redemption price of the outstanding convertible debenture and the exchange of such redemption price for US dollars; or
- the conversion of the convertible debenture into ADRs.

A netting agreement has been entered between the Parent Entity and the Funding Trust. Pursuant to the netting agreement, the distributions on the convertible debenture will be treated as payment by the Funding Trust under the currency swap. In return, the Parent Entity will pay US dollars to the Funding Trust under the currency swap equal to the NZ dollars it receives from the Funding Trust under the currency swap (calculated by reference to the fixed exchange rate).

As a consequence of the terms of the currency swap, and the netting agreement, the convertible debentures and their distributions are treated as a US dollar denominated instrument.

The Parent Entity has guaranteed, on a subordinated basis, the payment in full of distributions or redemption amounts, the delivery of ADRs and other payments on the TOPrS and the Funding TOPrS to the extent that the Capital Trust and the Funding Trust have funds available.

With the prior written consent of APRA, if required, the Parent Entity may elect to redeem the convertible debenture for cash before 16 July 2004 in whole upon the occurrence of certain specific events, and in whole or part on one or more occasions any time on or after 16 July 2004. The proceeds received by Funding Trust from the redemption of the convertible debenture must be used to redeem the Funding TOPrS and ultimately the TOPrS. The redemption price of the TOPrS will equal US$25 per TOPrS plus the accrued and unpaid distribution for the then current quarterly period to the date of redemption or, if the date of redemption is a distribution payment date, the accrued and unpaid distribution for the most recent quarterly period from the assets of Capital Trust available for distribution.

The holders of the convertible debenture, Funding TOPrS and TOPrS do not have an option to require redemption of these instruments.

NOTE 21. EQUITY (CONTINUED)

Options

Options are granted to selected executives and senior officers under the following two schemes:

(i) General Management Share Option Plan ('GMSOP')

The following table relates to options granted to selected executives at General Manager level or above under the GMSOP to take up ordinary shares in the Parent Entity:

		Number of options				
Latest Date for Exercise of Options	Exercise Price	At 1 October 1998	Issued During the Year	Exercised During the Year	Lapsed During the Year	At 30 September 1999
1 March 2009	$10.85	–	140,000	–	–	140,000
6 April 2009	$10.60	–	575,000	–	–	575,000
19 April 2009	$11.45	–	100,000	–	–	100,000
3 August 2009	$9.99	–	375,000	–	–	375,000
Total		–	1,190,000	–	–	1,190,000

	Weighted average exercise price $	Weighted average market price $
515,000 options whose exercise price exceeds the market price on grant date	10.22	10.10
675,000 options whose exercise price is less than the market price on grant date	10.73	11.60

Under the GMSOP, approved by shareholders in December 1998, the Parent Entity has granted options to acquire fully paid ordinary shares issued by the Parent Entity.

Participants in the GMSOP are limited to selected executives at General Manager level or above. Non-executive Directors are not eligible to participate in the plan and no Executive Directors may participate in the plan without specific shareholder approval.

No consideration is payable for the grant of an option under the GMSOP. The exercise price is equal to the average closing price of the Parent Entity's ordinary shares on the Australian Stock Exchange Limited during the five business days before the date of the offer of options to the selected executive.

The options have a ten year life, and are subject to a performance requirement that will determine the particular proportion which may be exercised following the end of the performance period. The performance requirement reflects how well Parent Entity shareholders have fared compared with shareholders of other Australian companies.

Upon exercising an option, the officer has the right to take up their entitlement in whole or in part (but in multiples of 1,000) as fully paid ordinary shares. The exercise price is payable at that time. If an option is not exercised prior to the end of its term, it lapses.

At 30 September 1999, 14 officers held options under the GMSOP.

NOTE 21. EQUITY (CONTINUED)

(ii) Senior Officers Share Purchase Scheme

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

		Number of options				
Latest Date for Exercise of Options	Exercise Price	At 1 October 1998	Issued During the Year	Exercised During the Year	Lapsed During the Year	**At 30 September 1999**
11 October 1998	$4.18	65,000	–	40,000	25,000	**–**
8 November 1998	$4.10	1,000,000	–	1,000,000	–	**–**
2 February 1999	$4.21	265,000	–	250,000	15,000	**–**
16 May 1999	$4.57	700,000	–	700,000	–	**–**
19 December 1999	$4.20	25,000	–	25,000	–	**–**
24 January 2000	$4.20	3,130,000	–	2,425,000	50,000	**655,000**
16 March 2000	$4.63	750,000	–	750,000	–	**–**
20 June 2000	$5.17	695,000	–	615,000	–	**80,000**
10 July 2000	$4.94	30,000	–	30,000	–	**–**
17 July 2000	$4.87	25,000	–	25,000	–	**–**
28 August 2000	$5.07	375,000	–	375,000	–	**–**
25 September 2000	$4.95	150,000	–	150,000	–	**–**
3 October 2000	$5.10	170,000	–	170,000	–	**–**
23 October 2000	$5.34	95,000	–	75,000	–	**20,000**
4 December 2000	$5.48	50,000	–	50,000	–	**–**
19 December 2000	$5.51	225,000	–	160,000	–	**65,000**
21 December 2000	$5.47	100,000	–	–	100,000	**–**
29 January 2001	$5.51	11,818,000	–	8,041,000	155,000	**3,622,000**
1 February 2001	$5.94	50,000	–	–	–	**50,000**
19 February 2001	$5.69	370,000	–	295,000	75,000	**–**
15 April 2001	$5.58	600,000	–	465,000	–	**135,000**
15 April 2001	$5.95	100,000	–	100,000	–	**–**
29 April 2001	$6.00	225,000	–	225,000	–	**–**
24 July 2001	$5.64	370,000	–	25,000	–	**345,000**
27 August 2001	$5.80	350,000	–	–	–	**350,000**
28 January 2002	$7.10	11,694,000	–	135,000	1,025,000	**10,534,000**
7 April 2002	$7.05	275,000	–	–	–	**275,000**
14 April 2002	$7.08	250,000	–	150,000	–	**100,000**
14 April 2002	$7.05	100,000	–	–	–	**100,000**
19 May 2002	$6.85	100,000	–	–	–	**100,000**
5 August 2002	$7.84	90,000	–	–	–	**90,000**
29 September 2002	$7.89	1,550,000	–	–	–	**1,550,000**
22 December 2002	$8.60	11,063,000	–	110,000	651,000	**10,302,000**
2 March 2003	$9.92	335,000	–	–	50,000	**285,000**
9 March 2003	$9.91	20,000	–	–	–	**20,000**
6 April 2003	$10.24	30,000	–	–	–	**30,000**
4 May 2003	$11.04	100,000	–	–	–	**100,000**
11 May 2003	$11.04	50,000	–	–	–	**50,000**
18 May 2003	$10.60	180,000	–	–	–	**180,000**
9 June 2003	$10.61	315,000	–	–	–	**315,000**
22 June 2003	$10.41	60,000	–	–	–	**60,000**
27 July 2003	$10.00	680,000	–	–	–	**680,000**
10 August 2003	$10.67	120,000	–	–	–	**120,000**
24 August 2003	$10.50	70,000	–	–	–	**70,000**
28 August 2003	$10.04	125,000	–	–	–	**125,000**
14 September 2003	$9.94	75,000	–	–	–	**75,000**
18 September 2003	$9.30	20,000	–	–	–	**20,000**
21 December 2003	$9.56	–	10,274,000	–	452,000	**9,822,000**
4 January 2004	$9.56	–	200,000	–	–	**200,000**
15 February 2009	$10.75	–	100,000	–	–	**100,000**
1 March 2009	$10.63	–	250,000	–	–	**250,000**
8 March 2009	$10.28	–	75,000	–	–	**75,000**
10 May 2009	$11.56	–	165,000	–	–	**165,000**
3 August 2009	$9.83	–	20,000	–	–	**20,000**
30 August 2009	$10.10	–	35,000	–	–	**35,000**
		49,035,000	11,119,000	16,386,000	2,598,000	**41,170,000**

The weighted average exercise price of options issued during the year was $9.63.

NOTE 21. EQUITY (CONTINUED)

Under the SOSPS, senior officers had been able to purchase a limited number of new ordinary shares issued by the Parent Entity at market price, but paid up initially to only $0.10 or $0.01. The residual is payable when called by the Parent Entity. Only fully paid ordinary shares qualify for the payment of dividends. The market price of shares at 30 September 1999 was $9.45 (1998 $9.28).

Pursuant to amendments to the SOSPS rules, approved by shareholders in January 1988, the Parent Entity has granted options to senior officers to purchase ordinary shares. The option term is five years. Options are exercisable during the last two years of the term or within twelve months of retirement or death in service.

Pursuant to further amendments to the SOSPS rules, approved by shareholders in December 1998, options granted by the Parent Entity following those amendments have a term of ten years and are exercisable during the last seven years of the term or within twelve months of retirement or death in service.

The consideration payable for the grant of an option prior to December 1998 was $0.01 per share. From December 1998, no consideration is payable. The exercise price is equal to the closing market price of the Parent Entity's ordinary shares on the Australian Stock Exchange Limited (ASX) on the day before the option is offered to the senior officer. Upon exercising an option, the officer has the right to take up his or her entitlement in whole or in part (but in multiples of 1,000) as fully paid shares, in which event the whole of the exercise price (less the 1 cent per share if paid upon grant of the option) becomes payable.

If an option is not exercised prior to the end of its term, it lapses and the $0.01 per share, if previously paid, is forfeited by the officer.

Eligibility for participation in SOSPS, as now constituted, is restricted to full-time Group employees who do not qualify for the GMSOP and who are designated by the Directors from time to time to have achieved the status equal to or above senior officer. At 30 September 1999, 757 (1998 767) officers held partly paid ordinary shares or options under the SOSPS. Managing Director Dr D.R. Morgan held 175,000 options at $7.10 per ordinary share exercisable by 28 January 2002 and 500,000 options at $7.89 per ordinary share exercisable by 29 September 2002. Executive Director Mr R.P. Handley held 200,000 options at $5.51 per ordinary share exercisable by 29 January 2001 and 500,000 options at $7.89 per ordinary share exercisable by 29 September 2002.

Pursuant to a resolution passed at a special general meeting of the Parent Entity on 2 September 1999, Managing Director Dr D.R. Morgan holds three tranches of non-transferable options, each enabling him to subscribe for 1,000,000 ordinary shares at a price of $10.83 per share. The first tranche is exercisable between 1 March 2002 and 1 March 2009. The second tranche is exercisable between 1 March 2003 and 1 March 2009. The third tranche is exercisable between 1 March 2004 and 1 March 2009. All tranches are subject to a performance requirement that will determine the particular proportion which may be exercised following the end of the performance period for that tranche. The performance hurdles compare the total shareholder returns received by the Parent Entity's 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 ASX at the time of the commencement of each performance period.

Pursuant to a resolution passed at a special general meeting of the Parent Entity on 15 July 1993, former Managing Director Mr R.L. Joss held three tranches of non-transferable options, each enabling him to subscribe for 1,666,667 ordinary shares at a price of $2.85 per share. The first tranche was exercised during 1997 and the second and third tranches during 1999.

Pursuant to a resolution passed at the annual general meeting of the Parent Entity on 18 December 1997, former Managing Director Mr R.L. Joss also held three tranches of non-transferable options, each enabling him to subscribe for 700,000 ordinary shares at a price of $10.27 per share. These options lapsed upon Mr Joss's resignation as a Director on 30 June 1999.

The number of unissued shares offered under the SOSPS and GMSOP in a 12 month period, when aggregated with the number of issued and unissued ordinary shares the subject of allocations, awards or offers under all other the Parent Entity employee incentive schemes during that same period, will not exceed 1% of the largest number of ordinary shares on issue during that period. The plans also contain a provision which ensures compliance with the 5% over 5 years rule set under the ASIC Class Order 94/1289, which provides relief from the prospectus regime of the Corporations Law.

The names of all persons who hold options currently on issue are entered in the Parent Entity's register of option holders which may be inspected at Computershare Registry Services Pty Limited, 60 Carrington Street, Sydney, New South Wales.

NOTE 22. CAPITAL ADEQUACY

	Consolidated 1999 $m	Consolidated 1998 $m
Eligible capital and relevant ratios		
As at 30 September		
Tier 1 capital		
Total equity	**8,997**	8,611
Premises revaluation reserves	**(113)**	(144)
Intangible assets	**(1,665)**	(1,788)
Future income tax benefit net of deferred tax liability	**–**	(24)
Total tier 1 capital	**7,219**	6,655
Tier 2 capital		
Premises revaluation reserves	**113**	144
Subordinated undated capital notes	**662**	745
General provision for doubtful debts	**1,170**	1,238
Future income tax benefit related to general provision	**(421)**	(446)
Eligible subordinated bonds, notes and debentures	**1,536**	1,390
Total tier 2 capital	**3,060**	3,071
Tier 1 and tier 2 capital	**10,279**	9,726
Deductions:		
Other banks' capital instruments	**(9)**	(9)
Investment in controlled entities or associates[1]	**(419)**	(379)
Capital in funds management and securitisation activities[2]	**(371)**	(277)
Net qualifying capital	**9,480**	9,061
Risk adjusted assets	**102,592**	97,430
Tier 1 capital ratio	**7.0%**	6.8%
Tier 2 capital ratio	**3.0%**	3.2%
Deductions	**(0.8)%**	(0.7)%
Net capital ratio	**9.2%**	9.3%

1 This deduction represents the Group's investment in Westpac Life.

2 This deduction has been made pursuant to APRA Prudential Statement C2 'Funds Management and Securitisation', issued in October 1995, which requires that where a bank (or another member of a banking group) invests capital in, or provides guarantees or similar support to, a controlled entity which undertakes the role of manager, responsible entity, trustee or custodian, then the capital or the guarantee will for capital adequacy purposes be deducted from the bank's, and the banking group's capital base.

	Balance 1999 $m	Balance 1998 $m	Risk Weight %	Risk Adjusted Balance 1999 $m	Risk Adjusted Balance 1998 $m
Risk adjusted assets					
On-balance sheet assets					
Cash, claims on Reserve Bank, Australian Commonwealth Government securities under one year, and other zero-weighted assets[1]	**21,145**	26,499	0%	**–**	–
Other claims on Australian Commonwealth Government, claims on state governments, OECD governments and central banks, and money market dealers	**–**	629	10%	**–**	63
Claims on OECD banks and local governments	**4,751**	2,899	20%	**950**	580
Loans secured by residential mortgages	**56,958**	51,774	50%	**28,479**	25,887
All other assets	**57,366**	55,518	100%	**57,366**	55,518
Total on-balance sheet assets – credit risk	**140,220**	137,319		**86,795**	82,048

	Contract or Notional Amount 1999 $m	Contract or Notional Amount 1998 $m	Credit Equivalent Amount 1999 $m	Credit Equivalent Amount 1998 $m	Risk Adjusted Balance 1999 $m	Risk Adjusted Balance 1998 $m
Total off-balance sheet exposures – credit risk	**561,985**	626,400	**29,821**	31,983	**15,192**	14,846
Total risk adjusted assets – credit risk					**101,987**	96,894
Risk adjusted assets – market risk					**605**	536
Total risk adjusted assets					**102,592**	97,430

1 Other zero-weighted assets include gross unrealised gains on trading derivative financial instruments of $5,329 million (1998: $12,391 million), which are included in the credit equivalent amount of off-balance sheet exposures.

The Australian Prudential Regulation Authority (APRA) was established on 1 July 1998, and took responsibility for the prudential supervision of deposit taking institutions, life and general insurance companies and superannuation funds. This role in relation to banks was previously undertaken by the Reserve Bank of Australia (RBA). The prudential standards which the RBA had applied to banks in Australia have been adopted by APRA. Continued non-compliance with these standards by an Australian bank could potentially result in its banking licence being revoked.

Australia's risk-based capital adequacy guidelines are generally consistent with the approach agreed upon by the Basle Committee on Banking Regulation and Supervisory Practices (Bank for International Settlements).

Australian banks are required to maintain a minimum ratio of capital to risk-weighted assets of 8%. At least half of this capital must be in the form of 'core' or 'tier 1' capital. Subject to certain limitations, core capital basically consists of shareholders' equity, i.e. paid-up share capital, retained earnings and certain reserves. The balance of eligible capital is defined as 'supplementary' or 'tier 2' capital. Certain deductions are made for holdings of other banks' capital instruments and capital invested in non-consolidated subsidiaries, such as general and life insurance subsidiaries. From October 1995, banks have also been required to deduct any capital invested or guarantee provided to subsidiaries involved in funds management or the securitisation of assets. Supplementary capital includes, subject to limitations, asset revaluation reserves, general provisions for doubtful debts, mandatory convertible notes, perpetual floating rate notes and like instruments, and term subordinated debt provided such term debt is not in excess of 50% of tier 1 capital.

In determining risk adjusted assets, assets (including off-balance-sheet assets) are weighted according to notional credit risk. Classes of asset are assigned a risk-weighting according to the amount of capital required to support that asset. Four categories of risk-weights (0%, 20%, 50% and 100%) are applied to the different types of assets. For example, cash, bullion, claims on the RBA and Commonwealth of Australia securities have a zero risk-weighting, meaning that no capital is required to support the holding of these assets. Loans to corporations and individuals carry a 100% risk-weighting, meaning that they must be supported by capital equal to 8% of the amounts outstanding. Other asset categories have intermediate weightings, e.g. loans secured by residential housing mortgages generally carry a 50% weighting and claims on other Australian and other OECD banks carry a 20% weighting. For loans secured by residential housing mortgages approved after September 5, 1994, where the loan-to-valuation ratio is in excess of 80%, a 100% risk weight applies; except where the loan is 100% mortgage insured through an acceptable lender's mortgage insurer. Off-balance-sheet exposures are taken into account by applying different categories of 'credit conversion factors' to arrive at credit-equivalent amounts, which are then weighted in the same manner as balance-sheet assets according to counterparty, except that, in respect of derivatives a maximum weighting of 50% for corporations and individuals normally applies.

Effective from 2 January 1998, APRA also required Australian banks to hold additional capital against market risk.

NOTE 23. MATURITY ANALYSIS

The following maturity analysis of monetary assets and liabilities is based on contractual terms. The majority of the longer term maturity assets are variable rate products. When managing interest rate and liquidity risks, the Group adjusts this contractual profile for customer behaviour.

Consolidated Maturity Analysis as at 30 September 1999

	At Call $m	Overdrafts $m	1 day to 3 months $m	Over 3 months to 1 year $m	Over 1 year to 5 years $m	Over 5 years $m	No specific maturity $m	Total $m
Australia								
Assets								
Cash and balances with central banks	267	–	–	–	–	–	–	267
Due from other financial institutions	1,005	–	1,352	–	–	–	–	2,357
Trading securities	–	–	3,103	2,955	886	443	–	7,387
Investment securities	–	–	–	–	4	113	–	117
Loans	–	2,802	6,974	9,000	14,291	43,656	–	76,723
Acceptances of customers	–	–	6,896	1,046	2,014	285	–	10,241
Regulatory deposits	–	–	–	–	–	–	–	–
All other assets	–	–	3,879	886	1,427	804	6,466	13,462
Total assets	1,272	2,802	22,204	13,887	18,622	45,301	6,466	110,554
Liabilities								
Due to other financial institutions	874	–	–	–	–	–	–	874
Deposits and public borrowings	34,100	–	12,837	10,833	3,743	–	–	61,513
Bonds, notes and commercial paper	–	–	689	855	6,365	121	–	8,030
Acceptances	–	–	6,896	1,046	2,014	285	–	10,241
All other liabilities	311	–	5,059	358	148	–	5,893	11,769
Intragroup payable	8,973	–	–	–	–	–	–	8,973
Total liabilities excluding loan capital	44,258	–	25,481	13,092	12,270	406	5,893	101,400
Loan capital	–	–	–	–	1,147	1,465	–	2,612
Total liabilities	44,258	–	25,481	13,092	13,417	1,871	5,893	104,012
Net assets Australia	(42,986)	2,802	(3,277)	795	5,205	43,430	573	6,542
Overseas								
Assets								
Cash and balances with central banks	78	–	–	–	–	–	–	78
Due from other financial institutions	535	–	737	225	1	151	–	1,649
Trading securities	–	–	852	386	355	77	–	1,670
Investment securities	–	–	217	–	1,525	349	–	2,091
Loans	–	846	3,289	964	3,541	12,353	–	20,993
Acceptances of customers	–	–	8	–	–	–	–	8
Regulatory deposits	–	–	192	206	–	–	–	398
All other assets	–	–	1,239	–	–	–	1,540	2,779
Intragroup receivable	8,973	–	–	–	–	–	–	8,973
Total assets	9,586	846	6,534	1,781	5,422	12,930	1,540	38,639
Liabilities								
Due to other financial institutions	332	–	2,039	317	–	–	–	2,688
Deposits and public borrowings	6,722	–	8,520	8,030	528	233	–	24,033
Bonds, notes and commercial paper	–	–	3,890	714	2,276	–	–	6,880
Acceptances	–	–	8	–	–	–	–	8
All other liabilities	–	–	1,391	14	–	–	1,090	2,495
Total liabilities excluding loan capital	7,054	–	15,848	9,075	2,804	233	1,090	36,104
Loan capital	–	–	–	–	–	80	–	80
Total liabilities	7,054	–	15,848	9,075	2,804	313	1,090	36,184
Net assets Overseas	2,532	846	(9,314)	(7,294)	2,618	12,617	450	2,455
Net assets total	(40,454)	3,648	(12,591)	(6,499)	7,823	56,047	1,023	8,997

NOTE 23. MATURITY ANALYSIS (CONTINUED)

Consolidated Maturity Analysis as at 30 September 1998

	At Call $m	Overdrafts $m	1 day to 3 months $m	Over 3 months to 1 year $m	Over 1 year to 5 years $m	Over 5 years $m	No specific maturity $m	Total $m
Australia								
Assets								
Cash and balances with central banks	316	–	–	–	–	–	–	316
Due from other financial institutions	207	–	299	–	–	–	–	506
Trading securities	–	–	2,485	2,291	558	447	–	5,781
Investment securities	–	–	–	–	–	118	–	118
Loans	1,193	2,664	10,968	8,834	23,267	22,057	–	68,983
Acceptances of customers	640	–	7,136	650	1,791	65	–	10,282
Regulatory deposits	–	–	–	–	–	–	788	788
All other assets	997	–	1,183	367	1,261	2,769	11,003	17,580
Total assets	3,353	2,664	22,071	12,142	26,877	25,456	11,791	104,354
Liabilities								
Due to other financial institutions	970	–	–	–	–	–	–	970
Deposits and public borrowings	33,293	–	12,496	5,059	3,665	2,540	–	57,053
Bonds, notes and commercial paper	–	–	951	1,346	2,978	104	–	5,379
Acceptances	640	–	7,136	650	1,791	65	–	10,282
All other liabilities	1,774	–	1,773	554	404	476	9,701	14,682
Intragroup payable	7,704	–	–	–	–	–	–	7,704
Total liabilities excluding loan capital	44,381	–	22,356	7,609	8,838	3,185	9,701	96,070
Loan capital	–	–	–	–	1,386	350	745	2,481
Total liabilities	44,381	–	22,356	7,609	10,224	3,535	10,446	98,551
Net assets Australia	(41,028)	2,664	(285)	4,533	16,653	21,921	1,345	5,803
Overseas								
Assets								
Cash and balances with central banks	87	–	–	–	–	–	–	87
Due from other financial institutions	882	–	1,064	327	291	220	–	2,784
Trading securities	–	–	558	152	323	12	–	1,045
Investment securities	–	–	66	58	862	1,064	–	2,050
Loans	816	1,208	3,096	2,159	4,108	11,368	–	22,755
Acceptances of customers	–	–	43	–	–	–	–	43
Regulatory deposits	48	–	325	–	35	–	–	408
All other assets	960	–	318	15	1	–	2,499	3,793
Intragroup receivable	7,704	–	–	–	–	–	–	7,704
Total assets	10,497	1,208	5,470	2,711	5,620	12,664	2,499	40,669
Liabilities								
Due to other financial institutions	937	–	1,056	1,218	162	–	–	3,373
Deposits and public borrowings	8,171	–	8,928	8,158	394	460	–	26,111
Bonds, notes and commercial paper	–	–	2,168	1,383	1,637	13	–	5,201
Acceptances	–	–	43	–	–	–	–	43
All other liabilities	1,051	–	620	20	–	–	1,400	3,091
Total liabilities excluding loan capital	10,159	–	12,815	10,779	2,193	473	1,400	37,819
Loan capital	–	–	–	–	–	42	–	42
Total liabilities	10,159	–	12,815	10,779	2,193	515	1,400	37,861
Net assets Overseas	338	1,208	(7,345)	(8,068)	3,427	12,149	1,099	2,808
Net assets total	(40,690)	3,872	(7,630)	(3,535)	20,080	34,070	2,444	8,611

NOTE 24. AVERAGE BALANCE SHEET AND RELATED INTEREST

The following table lists the average balances and related interest for the major categories of the Group's interest earning assets and interest bearing liabilites. Averages used are predominantly daily averages:

	Consolidated								
		1999			1998			1997	
	Average Balance $m	**Interest $m**	**Average Rate %**	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Assets									
Interest earning assets									
Due from other financial instititutions									
Australia	**956**	**30**	**3.1**	872	34	3.9	845	51	6.0
New Zealand	**1,120**	**54**	**4.8**	1,421	115	8.1	1,009	93	9.2
Other Overseas	**1,849**	**108**	**5.8**	2,315	133	5.7	3,773	312	8.3
Investment and trading securities									
Australia	**6,528**	**400**	**6.1**	5,592	347	6.2	6,018	566	9.4
New Zealand	**586**	**37**	**6.3**	1,217	76	6.2	820	49	6.0
Other Overseas	**2,368**	**153**	**6.5**	2,118	158	7.5	1,967	125	6.4
Regulatory deposits									
Australia	**–**	**–**	**–**	–	–	–	648	7	1.1
New Zealand	**–**	**–**	**–**	–	–	–	1	–	–
Other Overseas	**302**	**15**	**5.0**	252	13	5.2	292	17	5.8
Loans and other receivables									
Australia	**73,693**	**5,944**	**8.1**	67,496	5,794	8.6	57,087	5,073	8.9
New Zealand	**19,332**	**1,451**	**7.5**	19,131	1,987	10.4	19,695	2,040	10.4
Other Overseas	**3,251**	**261**	**8.0**	4,094	345	8.4	3,820	292	7.7
Impaired loans									
Australia	**428**	**16**	**3.7**	570	15	2.6	628	39	6.2
New Zealand	**114**	**5**	**4.4**	122	6	4.9	140	12	7.9
Other Overseas	**207**	**1**	**0.5**	138	1	0.7	84	2	2.4
Intragroup receivable									
Other Overseas	**9,988**	**535**	**5.4**	8,902	536	6.0	7,992	485	6.1
Interest earning assets and interest income including intragroup	**120,722**	**9,010**	**7.5**	114,240	9,560	8.4	104,819	9,163	8.7
Intragroup elimination	**(9,988)**	**(535)**		(8,902)	(536)		(7,992)	(485)	
Total interest earning assets and interest income	**110,734**	**8,475**	**7.7**	105,338	9,024	8.6	96,827	8,678	9.0
Non-interest earning assets									
Cash, bullion, due from other financial institutions and regulatory deposits	**861**			1,253			460		
Other assets	**19,369**			23,217			17,876		
Provisions for doubtful debts									
Australia	**(1,324)**			(1,379)			(1,511)		
New Zealand	**(106)**			(117)			(149)		
Other Overseas	**(146)**			(97)			(91)		
Total non-interest earning assets	**18,654**			22,877			16,585		
Acceptances of customers									
Australia	**10,905**			11,315			11,298		
New Zealand	**7**			43			13		
Other Overseas	**50**			74			55		
Total acceptances	**10,962**			11,432			11,366		
Total assets	**140,350**			139,647			124,778		

NOTE 24. AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

	Consolidated								
	1999			1998			1997		
	Average Balance $m	**Interest $m**	**Average Rate %**	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Liabilities									
Interest bearing liabilities									
Deposits									
Australia	**50,367**	**2,273**	**4.5**	47,772	2,261	4.7	40,729	2,054	5.0
New Zealand	**15,431**	**647**	**4.2**	15,459	1,128	7.3	15,809	1,125	7.1
Other Overseas	**8,690**	**465**	**5.4**	9,170	538	5.9	8,843	492	5.6
Public borrowings by subsidiary borrowing corporations									
Australia	**5,495**	**298**	**5.4**	5,383	329	6.1	5,367	384	7.2
New Zealand	**247**	**19**	**7.7**	392	31	7.9	450	38	8.4
Other Overseas	**–**	**–**	**–**	2	–	–	16	2	12.5
Due to other financial institutions									
Australia	**314**	**13**	**4.1**	498	22	4.4	300	19	6.3
New Zealand	**138**	**8**	**5.8**	110	15	13.6	81	11	13.6
Other Overseas	**3,264**	**173**	**5.3**	3,803	238	6.3	4,454	361	8.1
Loan capital									
Australia	**2,386**	**170**	**7.1**	2,110	169	8.0	2,001	157	7.8
New Zealand	**52**	**5**	**9.6**	42	4	9.5	52	5	9.6
Other Overseas	**–**	**–**	**–**	15	–	–	–	–	–
Other interest bearing liabilities									
Australia	**6,951**	**501**	**7.2**	5,876	384	6.5	4,371	318	7.3
New Zealand	**2,662**	**98**	**3.7**	1,644	147	8.9	846	121	14.3
Other Overseas	**3,905**	**186**	**4.8**	2,357	138	5.9	2,096	111	5.3
Intragroup payable									
Australia	**7,862**	**424**	**5.4**	5,014	294	5.9	4,118	236	5.7
New Zealand	**2,126**	**111**	**5.2**	3,888	242	6.2	3,874	249	6.4
Interest earning liabilities and interest expense including intragroup	**109,890**	**5,391**	**4.9**	103,535	5,940	5.7	93,407	5,683	6.1
Intragroup elimination	**(9,988)**	**(535)**		(8,902)	(536)		(7,992)	(485)	
Total interest bearing liabilities and interest expense	**99,902**	**4,856**	**4.9**	94,633	5,404	5.7	85,415	5,198	6.1
Non-interest bearing liabilities									
Deposits and due to other financial institutions									
Australia	**3,603**			3,581			3,169		
New Zealand	**959**			1,049			1,168		
Other Overseas	**527**			515			448		
Other liabilities	**15,685**			19,575			15,229		
Total non-interest bearing liabilities	**20,774**			24,720			20,014		
Acceptances									
Australia	**10,905**			11,315			11,298		
New Zealand	**4**			43			13		
Other Overseas	**50**			74			55		
Total acceptances of customers	**10,959**			11,432			11,366		
Total liabilities	**131,635**			130,785			116,795		
Ordinary shareholders' equity	**8,609**			8,484			7,380		
TOPrS	**103**			–			–		
Preference shareholders' equity	**–**			375			600		
Outside equity interests	**3**			3			3		
Total equity	**8,715**			8,862			7,983		
Total liabilities and equity	**140,350**			139,647			124,778		

NOTE 24. AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

The following table allocates changes in net interest income between changes in volume and changes in rate for the last two fiscal years. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest-earning assets and average interest-bearing liabilities. The variance caused by change in both volume and rate has been allocated in proportion to the relationship of the absolute dollar amount of each change to the total.

	Consolidated					
	1999 Change due to			1998 Change due to		
	Volume $m	**Rate $m**	**Total $m**	Volume $m	Rate $m	Total $m
Interest-earning assets						
Due from other financial institutions						
Australia	**3**	**(7)**	**(4)**	2	(19)	(17)
New Zealand	**(24)**	**(37)**	**(61)**	38	(16)	22
Other Overseas	**(27)**	**2**	**(25)**	(121)	(58)	(179)
Investment and trading securities						
Australia	**58**	**(5)**	**53**	(40)	(179)	(219)
New Zealand	**(39)**	**–**	**(39)**	24	3	27
Other Overseas	**19**	**(24)**	**(5)**	10	23	33
Regulatory deposits						
Australia	**–**	**–**	**–**	(7)	–	(7)
Other Overseas	**3**	**(1)**	**2**	(2)	(2)	(4)
Loans and other receivables						
Australia	**532**	**(382)**	**150**	924	(203)	721
New Zealand	**21**	**(557)**	**(536)**	(58)	5	(53)
Other Overseas	**(71)**	**(13)**	**(84)**	21	32	53
Impaired loans						
Australia	**(4)**	**5**	**1**	(4)	(20)	(24)
New Zealand	**–**	**(1)**	**(1)**	(1)	(5)	(6)
Other Overseas	**1**	**(1)**	**–**	1	(2)	(1)
Intragroup receivable						
Overseas	**65**	**(66)**	**(1)**	55	(4)	51
Total interest income including intragroup	**537**	**(1,087)**	**(550)**	842	(445)	397
Intragroup elimination	**(65)**	**66**	**1**	(55)	4	(51)
Total interest income	**472**	**(1,021)**	**(549)**	787	(441)	346
Interest-bearing liabilities						
Deposits						
Australia	**123**	**(111)**	**12**	355	(147)	208
New Zealand	**(2)**	**(479)**	**(481)**	(25)	28	3
Other Overseas	**(28)**	**(45)**	**(73)**	18	28	46
Public borrowings by subsidiary corporations						
Australia	**7**	**(38)**	**(31)**	1	(56)	(55)
New Zealand	**(11)**	**(1)**	**(12)**	(5)	(2)	(7)
Other Overseas	**–**	**–**	**–**	(2)	–	(2)
Due to other financial institutions						
Australia	**(8)**	**(1)**	**(9)**	13	(10)	3
New Zealand	**4**	**(11)**	**(7)**	4	–	4
Other Overseas	**(34)**	**(31)**	**(65)**	(53)	(70)	(123)
Loan capital						
Australia	**22**	**(21)**	**1**	9	3	12
New Zealand	**1**	**–**	**1**	(1)	–	(1)
Other interest-bearing liabilities						
Australia	**70**	**47**	**117**	109	(43)	66
New Zealand	**91**	**(140)**	**(49)**	114	(89)	25
Other Overseas	**91**	**(43)**	**48**	14	13	27
Intragroup payable						
Australia	**167**	**(37)**	**130**	51	6	57
New Zealand	**(110)**	**(21)**	**(131)**	1	(7)	(6)
Total interest expense including intragroup	**383**	**(932)**	**(549)**	603	(346)	257
Intragroup elimination	**(57)**	**58**	**1**	(52)	1	(51)
Total interest expense	**326**	**(874)**	**(548)**	551	(345)	206
Net interest income						
Australia	**375**	**(265)**	**110**	388	(168)	220
New Zealand	**(125)**	**36**	**(89)**	(84)	50	(34)
Other Overseas	**(104)**	**82**	**(22)**	(68)	22	(46)
Total net interest income	**146**	**(147)**	**(1)**	236	(96)	140

NOTE 25. 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.

	1999		1998		1997	
	$m	**%**	$m	%	$m	%
Geographic segments						
Assets						
Australia	**110,554**	**78.9**	104,354	75.9	85,123	71.4
New Zealand	**22,748**	**16.2**	23,799	17.4	24,157	20.4
Pacific Islands	**696**	**0.5**	1,786	1.3	1,629	1.4
Asia	**2,445**	**1.7**	2,992	2.2	3,736	3.2
Americas	**2,236**	**1.6**	2,439	1.8	1,746	1.5
Europe	**1,541**	**1.1**	1,949	1.4	2,572	2.1
Total	**140,220**	**100.0**	137,319	100.0	118,963	100.0
Operating revenue from outside the Group (excluding gross up)						
Australia	**8,014**	**76.4**	7,626	70.0	6,889	66.9
New Zealand	**1,838**	**17.5**	2,538	23.3	2,578	25.1
Pacific Islands	**179**	**1.7**	224	2.1	199	1.9
Asia	**135**	**1.3**	204	1.9	296	2.9
Americas	**153**	**1.5**	125	1.1	181	1.8
Europe	**168**	**1.6**	182	1.6	147	1.4
Total	**10,487**	**100.0**	10,899	100.0	10,290	100.0
Intersegment operating revenue						
Australia	**73**	**7.0**	129	11.2	60	6.2
New Zealand	**13**	**1.2**	5	0.4	5	0.5
Pacific Islands	**18**	**1.7**	25	2.2	21	2.2
Asia	**93**	**8.9**	193	16.7	245	25.3
Americas	**483**	**46.3**	465	40.3	486	50.2
Europe	**364**	**34.9**	337	29.2	151	15.6
Total	**1,044**	**100.0**	1,154	100.0	968	100.0
Operating profit before abnormal items and income tax (excluding gross up)						
Australia	**1,503**	**74.2**	1,472	76.1	1,198	67.1
New Zealand	**335**	**16.5**	320	16.5	407	22.8
Pacific Islands	**72**	**3.6**	83	4.3	52	2.9
Asia	**25**	**1.2**	(65)	(3.4)	25	1.4
Americas	**74**	**3.7**	54	2.8	50	2.8
Europe	**17**	**0.8**	71	3.7	54	3.0
Total	**2,026**	**100.0**	1,935	100.0	1,786	100.0
Operating profit after income tax attributable to shareholders of Westpac Banking Corporation						
Australia	**1,081**	**74.2**	963	75.7	881	68.2
New Zealand	**230**	**15.8**	211	16.6	245	18.9
Pacific Islands	**46**	**3.2**	62	4.9	37	2.9
Asia	**18**	**1.2**	(76)	(6.0)	24	1.9
Americas	**64**	**4.4**	41	3.2	50	3.9
Europe	**17**	**1.2**	71	5.6	54	4.2
Total	**1,456**	**100.0**	1,272	100.0	1,291	100.0

NOTE 25. GROUP SEGMENT INFORMATION (CONTINUED)

The following table shows the segment information required by US SFAS 131 Disclosure about Segments of an Enterprise and Related Information. The basis of reporting reflects the management of the business within the Group, rather than the legal structure of the Group. The business group results have been presented on a management reporting basis and consequently internal charges and transfer pricing adjustments have been reflected in the performance of each business group. Intersegment pricing is determined on an arm's length basis.

The business segments are defined by the customers they service and their services they provide. The banking segments are: Australian Retail Financial Services identified by the Australian Retail arm, Australian Guarantee Corporation and Westpac Financial Services. The Institutional Banking segment represents primarily corporate and government customers, services provided include the areas of corporate finance and financial markets. The New Zealand and Pacific Regional Banking segments comprises the retail arm of these regions. Other comprises Treasury, Global Transactions and Treasury Services and Head Office functions.

	Consolidated **1999**				
	Australian Retail Banking and Financial Services $m	Institutional Banking $m	New Zealand and Pacific Regional Banking $m	Other $m	**Total $m**
Profit and loss					
Net interest income	2,585	321	744	(31)	**3,619**
Lending fees (loan and risk)	383	82	50	(3)	**512**
Transaction fees and commissions received	663	17	165	72	**917**
Other non-risk fee income	191	50	102	5	**348**
Fees and commissions paid	(232)	(17)	(50)	(3)	**(302)**
Trading income	1	215	46	22	**284**
Other income	228	41	47	64	**380**
Internal charges[1]	(54)	(29)	–	83	**–**
Total operating income	3,765	680	1,104	209	**5,758**
Charge for bad and doubtful debts	(137)	(11)	14	(37)	**(171)**
Salaries and other staff expenses	(1,233)	(161)	(289)	(147)	**(1,830)**
Equipment and occupancy expenses					
Depreciation and amortisation	(193)	(10)	(34)	–	**(237)**
Other	(301)	(10)	(54)	–	**(365)**
Total equipment and occupancy expenses	(494)	(20)	(88)	–	**(602)**
Other expenses	(538)	(51)	(191)	(122)	**(902)**
Internal charges[1]	(50)	(60)	(15)	125	**–**
Total operating expenses	(2,315)	(292)	(583)	(144)	**(3,334)**
Amortisation of goodwill	(63)	–	(37)	–	**(100)**
Abnormal items	–	–	–	–	**–**
Profit before tax	1,250	377	498	28	**2,153**
Income tax expense	(432)	(134)	(169)	41	**(694)**
Outside equity interest	–	–	(3)	–	**(3)**
Profit after tax and abnormal items	818	243	326	69	**1,456**
Balance sheet					
Deposits and other public borrowings	42,213	7,128	11,922	24,283	**85,546**
Net loans and acceptances	72,564	18,201	15,410	1,790	**107,965**
Total assets	80,164	36,221	16,942	6,893	**140,220**

1 Internal charges are eliminated on consolidation.

NOTE 25. GROUP SEGMENT INFORMATION (CONTINUED)

	Consolidated 1998				
	Australian Retail Banking and Financial Services $m	Institutional Banking $m	New Zealand and Pacific Regional Banking $m	Other $m	**Total $m**
Profit and loss					
Net interest income	2,545	240	789	46	**3,620**
Lending fees (loan and risk)	372	85	32	19	**508**
Transaction fees and commissions received	551	15	88	71	**725**
Other non-risk fee income	160	40	140	1	**341**
Fees and commissions paid	(177)	(22)	–	1	**(198)**
Trading income	1	371	50	(12)	**410**
Other income	140	3	28	46	**217**
Internal charges[1]	(77)	(61)	–	138	**–**
Total operating income	3,515	671	1,127	310	**5,623**
Charge for bad and doubtful debts	(135)	(85)	(10)	62	**(168)**
Salaries and other staff expenses	(1,095)	(148)	(304)	(157)	**(1,704)**
Equipment and occupancy expenses					
Depreciation and amortisation	(188)	(3)	(50)	(3)	**(244)**
Other	(307)	(16)	(66)	(8)	**(397)**
Total equipment and occupancy expenses	(495)	(19)	(116)	(11)	**(641)**
Other expenses	(501)	(58)	(221)	(161)	**(941)**
Internal charges[1]	(100)	(69)	(12)	181	**–**
Total operating expenses	(2,191)	(294)	(653)	(148)	**(3,286)**
Amortisation of goodwill	(62)	–	(38)	(6)	**(106)**
Abnormal items	(83)	(12)	(7)	(4)	**(106)**
Profit before tax	1,044	280	419	214	**1,957**
Income tax expense	(357)	(110)	(137)	(77)	**(681)**
Outside equity interest	–	(1)	(3)	–	**(4)**
Profit after tax and abnormal items	687	169	279	137	**1,272**
Balance sheet					
Deposits and other public borrowings	41,912	12,700	13,961	14,591	**83,164**
Net loans and acceptances	65,729	17,148	17,138	2,048	**102,063**
Total assets	72,127	40,800	18,876	5,516	**137,319**

1 Internal charges are eliminated on consolidation.

NOTE 25. GROUP SEGMENT INFORMATION (CONTINUED)

	Consolidated 1997				
	Australian Retail Banking and Financial Services $m	Institutional Banking $m	New Zealand and Pacific Regional Banking $m	Other $m	**Total $m**
Profit and loss					
Net interest income	2,422	270	791	(3)	**3,480**
Lending fees (loan and risk)	263	123	33	20	**439**
Transaction fees and commissions received	425	2	96	71	**594**
Other non-risk fee income	106	35	137	–	**278**
Fees and commissions paid	(114)	(4)	–	1	**(117)**
Trading income	–	216	37	(15)	**238**
Other income	62	(52)	28	269	**307**
Internal charges [1]	–	–	–	–	**–**
Total operating income	3,164	590	1,122	343	**5,219**
Charge for bad and doubtful debts	(157)	16	(30)	93	**(78)**
Salaries and other staff expenses	(1,033)	(145)	(327)	(249)	**(1,754)**
Equipment and occupancy expenses					
Depreciation and amortisation	(167)	(3)	(48)	–	**(218)**
Other	(267)	(15)	(77)	(6)	**(365)**
Total equipment and occupancy expenses	(434)	(18)	(125)	(6)	**(583)**
Other expenses	(475)	(62)	(162)	(130)	**(829)**
Internal charges [1]	(49)	(110)	(14)	173	**–**
Total operating expenses	(1,991)	(335)	(628)	(212)	**(3,166)**
Amortisation of goodwill	(16)	–	(39)	(7)	**(62)**
Abnormal items	–	–	–	–	**–**
Profit before tax	1,000	271	425	217	**1,913**
Income tax expense	(345)	(98)	(138)	(39)	**(620)**
Outside equity interest	–	–	(2)	–	**(2)**
Profit after tax and abnormal items	655	173	285	178	**1,291**
Balance sheet					
Deposits and other public borrowings	34,815	13,689	14,060	10,072	**72,636**
Net loans and acceptances	51,721	18,603	18,022	770	**89,116**
Total assets	57,306	35,312	19,911	6,434	**118,963**

1 Internal charges are eliminated on consolidation.

NOTE 26. CREDIT RISK CONCENTRATIONS

Credit risk is the risk of financial loss from the failure of a customer to honour fully the terms of its contract with Westpac. It arises not only from lending activities, but from any transaction which requires assured payment of funds on a given date. The process of controlling credit risk is integrated in the form of portfolio management. The portfolio is reviewed regularly to ensure that credit risk remains well diversified.

The following table sets out the credit risk concentrations of the Group:

	Consolidated						
	Credit Risk Concentration as at 30 September 1999						
	Trading Securities $m	Investment Securities $m	Loans $m	Acceptances $m	Contingent Liabilities[1] $m	Derivatives[1] $m	**Total $m**
Australia							
Government and other public authorities	5,599	113	284	31	3,164	407	**9,598**
Agriculture, forestry and fishing	–	–	1,642	938	3	3	**2,586**
Commercial and financial	1,772	–	22,701	7,068	3,181	7,552	**42,274**
Real estate – construction	–	–	1,158	1,498	118	7	**2,781**
Real estate – mortgage	16	4	40,544	–	8,053	–	**48,617**
Instalment loans and other personal lending	–	–	9,001	706	36	–	**9,743**
Lease financing	–	–	2,644	–	106	–	**2,750**
Total Australia	7,387	117	77,974	10,241	14,661	7,969	**118,349**
New Zealand							
Government and other public authorities	881	–	211	–	45	202	**1,339**
Agriculture, forestry and fishing	–	–	1,397	–	85	28	**1,510**
Commercial and financial	102	–	5,063	1	715	915	**6,796**
Real estate – construction	–	–	106	–	24	13	**143**
Real estate – mortgage	–	–	9,907	–	1,136	–	**11,043**
Instalment loans and other personal lending	–	–	2,152	–	16	–	**2,168**
Lease financing	–	–	25	–	–	–	**25**
Total New Zealand	983	–	18,861	1	2,021	1,158	**23,024**
Other Overseas							
Government and other public authorities	160	191	59	–	–	69	**479**
Agriculture, forestry and fishing	–	–	22	–	1	–	**23**
Commercial and financial	527	1,900	1,910	7	3,226	709	**8,279**
Real estate – construction	–	–	26	–	–	3	**29**
Real estate – mortgage	–	–	263	–	–	–	**263**
Instalment loans and other personal lending	–	–	70	–	4	–	**74**
Lease financing	–	–	31	–	–	–	**31**
Total Other Overseas	687	2,091	2,381	7	3,231	781	**9,178**
Total	9,057	2,208	99,216	10,249	19,913	9,908	**150,551**
Other risk concentrations							
Amounts due from other financial institutions							**4,006**
Regulatory deposits							**398**
Total gross credit risk							**154,955**

1 Credit risk concentrations for contingent liabilities and derivatives are based on definitions per notes 30 and 31.

Collateral security, in the form of real property or a floating charge, is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance is generally secured against real estate while revolving consumer credit is generally unsecured.

NOTE 26. CREDIT RISK CONCENTRATIONS (CONTINUED)

	Consolidated Credit Risk Concentration as at 30 September 1998						
	Trading Securities $m	Investment Securities $m	Loans $m	Acceptances $m	Contingent Liabilities[1] $m	Derivatives[1] $m	**Total $m**
Australia							
Government and other public authorities	4,246	112	328	–	1,016	592	**6,294**
Agriculture, forestry and fishing	–	–	1,077	830	90	40	**2,037**
Commercial and financial	1,535	6	19,309	6,339	5,806	14,576	**47,571**
Real estate – construction	–	–	1,634	1,020	651	18	**3,323**
Real estate – mortgage	–	–	38,911	1,862	832	–	**41,605**
Instalment loans and other personal lending	–	–	6,816	231	225	–	**7,272**
Lease financing	–	–	2,254	–	–	–	**2,254**
Total Australia	5,781	118	70,329	10,282	8,620	15,226	**110,356**
New Zealand							
Government and other public authorities	900	–	225	–	95	101	**1,321**
Agriculture, forestry and fishing	–	–	1,614	–	53	30	**1,697**
Commercial and financial	94	–	6,203	29	404	1,927	**8,657**
Real estate – construction	–	–	143	–	–	19	**162**
Real estate – mortgage	–	–	10,469	–	798	–	**11,267**
Instalment loans and other personal lending	19	–	253	–	–	–	**272**
Lease financing	–	–	24	–	–	–	**24**
Total New Zealand	1,013	–	18,931	29	1,350	2,077	**23,400**
Other Overseas							
Government and other public authorities	32	172	56	–	23	12	**295**
Agriculture, forestry and fishing	–	–	38	–	14	–	**52**
Commercial and financial	–	1,878	2,386	14	3,468	1,089	**8,835**
Real estate – construction	–	–	74	–	40	3	**117**
Real estate – mortgage	–	–	1,082	–	8	–	**1,090**
Instalment loans and other personal lending	–	–	282	–	53	–	**335**
Lease financing	–	–	160	–	–	–	**160**
Total Other Overseas	32	2,050	4,078	14	3,606	1,104	**10,884**
Total	6,826	2,168	93,338	10,325	13,576	18,407	**144,640**
Other risk concentrations							
Amounts due from other financial institutions							**3,290**
Regulatory deposits							**1,196**
Total gross credit risk							**149,126**

1 Credit risk concentrations for contingent liabilities and derivatives are based on definitions per notes 30 and 31.

Collateral security, in the form of real property or a floating charge, is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance is generally secured against real estate while revolving consumer credit is generally unsecured.

	Consolidated			Parent Entity	
	1999 $'000	1998 $'000	1997 $'000	**1999 $'000**	1998 $'000
NOTE 27. AUDITORS' REMUNERATION					
Remuneration for audit or review of the financial statements					
Auditors of the Parent Entity[1]					
Messrs Lynn and Chowdry	**2,606**	2,347	2,134	**2,606**	2,347
PricewaterhouseCoopers	**1,139**	1,092	1,029	**–**	–
Other auditors of controlled entities	**17**	30	27	**–**	–
	3,762	3,469	3,190	**2,606**	2,347
Remuneration for other services by the Parent Entity auditors[1 2 3]					
Messrs Lynn and Chowdry	**794**	202	202	**794**	202
PricewaterhouseCoopers	**5,781**	3,447	2,595	**4,557**	2,899
	6,575	3,649	2,797	**5,351**	3,101

1 The auditors of the Parent Entity are Messrs Lynn and Chowdry. Their firm, PricewaterhouseCoopers (formerly Coopers & Lybrand), audited the controlled entities.
2 Other services includes $599,000 (1998 $564,000; 1997 $671,000) for regulatory and statutory reporting requirements.
3 Effective 1 July 1998, Coopers & Lybrand LLP became part of PricewaterhouseCoopers and as a result all fees are reported above. In 1998, Coopers & Lybrand LLP (USA firm) provided consultancy services of $746,000 to the Group (1997 $4,706,000). During that period the USA firm did not provide any auditing services to the Group.

PricewaterhouseCoopers ('PwC') is the auditor of the controlled entities with effect from 1 July 1998 (Coopers & Lybrand and Price Waterhouse merged on that date). In the 1998 financial year, auditors' remuneration for the prior period includes all amounts paid to Coopers and Lybrand in the 9 months to 30 June 1998 and all amounts paid to PwC in the 3 months to 30 September 1998.

A small number of former Price Waterhouse partners have loans with Westpac. In order to eliminate potential conflicts of interest, Class Order 98/1869 dated 22 September 1998 was received from ASIC which 'grandfathers' all indebtedness of these partners. This Class Order requires:

- Westpac to report to ASIC within thirty days of its occurence any event of default or any enforcement action taken on these loans;
- the Directors of Westpac to report to ASIC within 7 days after signing the Directors' Report whether, in the opinon of the Audit Committee, the Class Order has been complied with; and
- PwC to report to ASIC within 7 days after signing the Auditors' Report whether the audit has been influenced by the indebtedness.

	Consolidated		Parent Entity	
	1999 $m	1998 $m	**1999 $m**	1998 $m
NOTE 28. EXPENDITURE COMMITMENTS				
Commitments for capital expenditure not provided for in the financial statements:				
Payable within one year	**10**	49	**3**	35
Total commitments for capital expenditure not provided for in the financial statements	**10**	49	**3**	35
Lease commitments (all leases are classified as operating leases)				
Land and buildings	**829**	967	**801**	903
Plant and equipment	**96**	100	**96**	100
Total lease commitments	**925**	1,067	**897**	1,003
Due within one year	**214**	240	**204**	223
Due within 1–2 years	**176**	184	**163**	170
Due within 2–3 years	**109**	141	**110**	122
Due within 3–4 years	**82**	90	**85**	86
Due within 4–5 years	**63**	68	**65**	65
Due after 5 years	**281**	344	**270**	337
Total lease commitments	**925**	1,067	**897**	1,003

As at 30 September 1999, the total future minimum lease payments expected to be received by both the Consolidated and Parent Entity from non cancellable sub-leases was $93 million (1998 $125 million).

NOTE 29. SUPERANNUATION COMMITMENTS

There are numerous defined contribution and defined benefit superannuation schemes operating throughout the Group. Contributions, as specified in the rules of the respective defined benefit and defined contribution funds are made by the Parent Entity or the respective controlled entity and employees. Where required, actuarial valuations of the funds are undertaken every three years. Contributions to the various defined benefit schemes are at rates, reviewed from time to time, sufficient to keep the schemes solvent based on actuarial assessments.

The Group's two principal schemes for employees in Australia, the Westpac Staff Superannuation Plan ('WSSP') and the AGC Staff Retirement Fund ('AGCSRF') are defined benefit schemes and provide lump sum and pension benefits. WSSP also has a section which provides accumulation benefits. During the year members of the Group's principal defined benefit scheme were given the opportunity to elect to change their scheme membership from defined benefit to defined contribution (accumulation benefit). As both schemes are in surplus, the Group's contributions for the years ended 30 September 1999, 1998 and 1997 were nominal.

The continued existence of surpluses in the two principal schemes in Australia at 30 September 1999 has been confirmed. Actuarial reviews, as at 30 June 1997, were carried out by independent actuaries; Mr G.B.K. Trahair, FIA, FIAA, in respect of the WSSP and in respect of the AGCSRF, Mr J. Mitchell, Bsc FIA FIAA. See also notes 1(h)i, 4 and 16. The next full actuarial review is expected to be undertaken at 30 June 2000.

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

	WSSP $m	AGCSRF $m	Overseas Schemes $m	Total $m
(i) Present value of employees' accrued benefits[1]	1,304	101	328	1,733
(ii) Net market value of assets held by the scheme to meet future benefit payments	2,362	188	443	2,993
Excess of assets held to meet future benefit payments over present value of employees' accrued benefits	1,058	87	115	1,260
(iii) Vested benefits[2]	1,448	106	316	1,870

1 Accrued benefits represent the scheme's present obligation to pay benefits to members and beneficiaries based on the present value of the expected future payments which arise from membership of the scheme up to reporting date. The figure is determined by reference to expected future salary levels and by application of a market-based risk adjusted discount rate and relevant actuarial assumptions.

2 Vested benefits are benefits which are not conditional upon continued membership of the scheme (or any factor other than resignation from the scheme) and include benefits which members were entitled to receive had they terminated their scheme membership as at year end.

The above amounts have been extracted from the financial statements and actuarial valuations of the schemes as at:

WSSP and AGCSRF	item (i) 30 June 1997; items (ii) and (iii) 30 June 1999
Overseas Schemes	various dates between 5 April 1997 and 30 June 1999

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

NOTE 30. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

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

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

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

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

NOTE 30. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (CONTINUED)

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

	Consolidated				Parent Entity			
	1999		1998		**1999**		1998	
	Contract or Notional Amount $m	**Credit Equivalent[1] $m**	Contract or Notional Amount $m	Credit Equivalent[1] $m	**Contract or Notional Amount $m**	**Credit Equivalent[1] $m**	Contract or Notional Amount $m	Credit Equivalent[1] $m
Credit-risk related instruments								
Standby letters of credit and financial guarantees	**2,039**	**2,039**	1,841	1,841	**1,986**	**1,986**	1,745	1,745
Trade letters of credit[2]	**358**	**72**	372	74	**351**	**71**	365	73
Non-financial guarantees[3]	**3,185**	**1,593**	3,293	1,647	**3,180**	**1,590**	3,286	1,643
Commitments to extend credit:								
Residual maturity less than 1 year[4]	**31,398**	**–**	15,428	–	**31,398**	**–**	15,428	–
Residual maturity 1 year or more	**9,511**	**4,756**	7,033	3,516	**9,505**	**4,752**	7,033	3,516
Other commitments[5]	**11,528**	**11,453**	6,614	6,498	**11,788**	**11,529**	7,737	6,547
Total credit-risk-related instruments	**58,019**	**19,913**	34,581	13,576	**58,208**	**19,928**	35,594	13,524

1 Credit equivalents are determined in accordance with APRA's risk-weighted capital adequacy guidelines (refer note 31).
2 Trade letters of credit are for terms up to 1 year secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.
3 Non-financial guarantees include other trade related letters of credit and obligations backing the performance of commercial contracts.
4 The credit conversion factor is 0% for credit commitments with a residual maturity of less than one year or which can be unconditionally cancelled by the Group at any time without notice.
5 Other commitments include forward purchases of assets, forward deposits and underwriting commitments.

Additional liabilities and commitments

(i) An assessed liability of $1 million (1998 $1 million) based on an actuarial assessment as at 30 September 1999, as a self-insurer under the Accident Compensation Act, 1985 (Victoria) and an assessed liability of $8 million (1998 $9 million) based on an actuarial assessment as at 30 September 1999, as a self-insurer under the Workers' Compensation Act, 1987 (New South Wales). Adequate provision has been made for these liabilities in the provision for holiday leave and other staff benefits (note 19).

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

(iii) In accordance with the Regulations of the Australian Payments Clearing Association (APCA), the Parent Entity may be required to provide liquidity support for any other APCA member that fails to settle its clearing obligations.

Parent Entity guarantees and undertakings

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

(i) Guarantees of commercial paper and other debt securities issued by certain controlled entities;

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

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

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

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

NOTE 31. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative contracts include forwards, futures, swaps and options, all of which are bilateral contracts or payment exchange agreements, whose values derive from the value of an underlying asset, reference rate or index. Derivatives are flexible and cost-effective tools for assisting in the management of interest rate, exchange rate, commodity, credit and equity exposures.

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

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

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

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

The following terms are used in the remainder of this note to describe the Group's exposure to derivatives.

The 'notional amount' is a measure of volume which may be used for examining changes in derivative activity over time. The notional amount is the face value of the contract. Unlike an on-balance sheet financial instrument, the notional amount of a derivative does not reflect the amount at risk which is generally only a small fraction of this value.

The 'regulatory credit equivalent' is calculated for capital adequacy purposes using APRA's current exposure method. Credit equivalent amounts are calculated as replacement cost (positive mark-to-market) plus an add-on for potential credit exposure based on a credit conversion factor (percentage) of the notional amount. The credit conversion factors are as shown below:

	Less than 1 year %	Over 1 year to 5 years %	Over 5 years %
Interest rate	Nil	0.5	1.5
Foreign exchange (including gold)	1.0	5.0	7.5
Equities	6.0	8.0	10.0
Precious metals (excluding gold)	7.0	7.0	8.0
Other commodities	10.0	12.0	15.0

The 'positive mark-to-market' (replacement cost) is the cost of replacing all transactions in a gain position to the Group and is included in 'other assets' on the balance sheet. This measure is the industry standard for the calculation of current credit risk.

The 'negative mark-to-market' represents the cost to the Group's counterparties of replacing all transactions in a loss position to the Group and is included in 'other liabilities' on the balance sheet. The mark-to-market values do not include any offsetting physical positions that may exist, including structural balance sheet positions, and they do not include any benefits from master netting agreements.

The Group uses derivatives in two distinct capacities; as a dealer and as an end-user as part of its asset and liability management activities. As a dealer, the Group's primary objective is to derive income from the sale of derivatives to meet our customers needs. In addition to the sale of derivatives to customers, the Group also undertakes market making and discretionary trading activities. Market making involves providing quotes to other dealers who reciprocate by providing the Group with their own quotes. This process ensures liquidity in the key markets in which the Group operates. The Group also trades on its own account to exploit arbitrage opportunities and market anomalies, as well as to take outright views on market direction. These activities, known as proprietary trading, represent a limited part of the Group's derivative activities.

Certain leveraged derivatives include an explicit leverage factor in the payment formula. The leverage factor has the effect of multiplying the notional amount such that the impact of changes in the underlying price or prices may be greater than that indicated by the notional amount alone. It is not the Group's strategy to promote these types of transactions.

NOTE 31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Trading Derivatives Outstanding	Notional Amount $m	Regulatory Credit Equivalent $m	Positive Mark-to-market (replacement cost) $m	Negative Mark-to-market $m	Average Positive Mark-to-market (replacement cost) $m	Average Negative Mark-to-market $m
1999						
Interest rate						
Futures	**29,148**	**–**	**–**	**–**	**5**	**–**
Forwards	**32,828**	**6**	**6**	**5**	**7**	**5**
Swaps	**140,350**	**2,485**	**1,837**	**1,182**	**2,343**	**2,174**
Purchased options	**15,883**	**17**	**11**	**–**	**17**	**–**
Sold options	**3,941**	**8**	**–**	**12**	**–**	**11**
Foreign exchange						
Forwards	**211,665**	**4,753**	**2,356**	**2,357**	**3,477**	**3,420**
Swaps	**25,915**	**1,892**	**737**	**1,947**	**851**	**1,417**
Purchased options	**11,464**	**535**	**330**	**–**	**402**	**–**
Sold options	**12,206**	**–**	**–**	**246**	**–**	**255**
Commodities	**1,099**	**149**	**39**	**37**	**32**	**30**
Equities	**723**	**63**	**13**	**–**	**5**	**8**
Total trading derivatives outstanding	**485,222**	**9,908**	**5,329**	**5,786**	**7,139**	**7,320**
1998						
Interest rate						
Futures	15,095	–	10	–	7	–
Forwards	19,850	17	16	10	11	10
Swaps	126,747	3,598	3,030	3,208	2,738	3,021
Purchased options	4,731	35	28	3	29	4
Sold options	6,099	846	5	12	3	11
Foreign exchange						
Forwards	304,560	9,980	6,774	6,082	7,553	7,112
Swaps	26,354	2,691	1,644	1,505	1,695	1,373
Purchased options	14,398	1,091	857	–	651	–
Sold options	14,294	–	–	455	–	416
Commodities	696	90	27	26	33	32
Equities	1,016	59	–	265	4	71
Total trading derivatives outstanding	533,840	18,407	12,391	11,566	12,724	12,050

Derivative positions used in the Group's asset and liability management activities are transacted internally with the Group's independently managed dealing units. The dealing units, in turn, cover their position in the market place.

The following table shows the notional amount of such internal derivative transactions outstanding at year end. The notional amounts do not represent direct credit exposures. Credit risk does arise in respect of offsetting external transactions. The regulatory credit equivalent is included in the above table of trading derivatives.

	Notional Amount **1999** **$m**	Notional Amount 1998 $m
Derivatives used for asset and liability management purposes		
Interest rate		
Futures	**23,065**	9,288
Forwards	**6,693**	4,200
Swaps	**44,055**	33,932
Purchased options	**313**	86
Foreign exchange		
Forwards	**10,570**	7,180
Swaps	**14,280**	14,226
Equities	**43**	37
Total derivatives used for asset and liability management purposes	**99,019**	68,949

Where hedge transactions are terminated prior to the maturity of the underlying exposures, gains or losses on termination are deferred and recognised over the remaining term of the maturity. As at 30 September 1999, the net amount of the deferred gains in relation to terminated hedge contracts was $3.2 million (1998 $6.6 million deferred losses) which will be amortised to the profit and loss statement.

NOTE 32. INTEREST RATE RISK

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of the assets and their corresponding liability funding. One of the major causes of these mismatches is timing differences in the repricing of the asset and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with Group policy guidelines.

The following table represents a break down of the contractual repricing, by time, of the Group's net asset position as at 30 September 1999. The Group uses this contractual repricing information as a base, which is then altered to take account of consumer behaviour, to manage its interest rate risk.

	Consolidated **1999**							
	Less than 1 month $m	Over 1 month to 3 months $m	Over 3 months to 1 year $m	Over 1 year to 5 years $m	Over 5 years $m	Non-interest bearing $m	Total $m	Weighted Average Rate %
Australia								
Assets								
Cash and balances with central banks	–	–	–	–	–	267	267	–
Due from other financial institutions	2,088	–	–	–	–	269	2,357	3.0%
Trading securities	6,869	–	–	–	–	518	7,387	6.0%
Investment securities	117	–	–	–	–	–	117	2.8%
Loans	51,516	7,706	6,397	11,736	619	(1,251)	76,723	6.5%
Acceptances of customers	–	–	–	–	–	10,241	10,241	–
Fixed assets	–	–	–	–	–	1,279	1,279	–
Other assets	–	–	–	–	–	12,183	12,183	–
Total assets	60,590	7,706	6,397	11,736	619	23,506	110,554	
Liabilities								
Due to other financial institutions	376	–	–	–	–	498	874	3.8%
Deposits and public borrowings	47,284	8,088	2,366	232	21	3,522	61,513	3.6%
Bonds, notes and commercial paper	2,412	5,213	405	–	–	–	8,030	5.7%
Acceptances	–	–	–	–	–	10,241	10,241	–
Other liabilities	–	–	–	–	–	11,769	11,769	–
Intragroup payable	8,973	–	–	–	–	–	8,973	5.9%
Total liabilities excluding loan capital	59,045	13,301	2,771	232	21	26,030	101,400	
Loan capital	–	2,285	–	–	327	–	2,612	7.0%
Total liabilities	59,045	15,586	2,771	232	348	26,030	104,012	
Net assets	1,545	(7,880)	3,626	11,504	271	(2,524)	6,542	
Total equity	–	–	–	–	–	6,542	6,542	
Off-balance sheet items	2,778	2,557	(1,381)	(3,381)	(573)	–	–	
Net mismatch – Australia	4,323	(5,323)	2,245	8,123	(302)	(9,066)	–	

NOTE 32. INTEREST RATE RISK (CONTINUED)

Consolidated
1999

	Less than 1 month $m	Over 1 month to 3 months $m	Over 3 months to 1 year $m	Over 1 year to 5 years $m	Over 5 years $m	Non-interest bearing $m	Total $m	Weighted Average Rate %
New Zealand								
Assets								
Cash and balances with central banks	–	–	–	–	–	65	65	–
Due from other financial institutions	374	152	125	–	–	165	816	4.1%
Trading securities	795	–	–	–	–	188	983	5.2%
Loans	9,187	2,873	2,755	4,045	1	(94)	18,767	7.2%
Acceptances of customers	–	–	–	–	–	1	1	–
Fixed assets	–	–	–	–	–	214	214	–
Other assets	–	–	–	–	–	1,902	1,902	–
Total assets	10,356	3,025	2,880	4,045	1	2,441	22,748	
Liabilities								
Due to other financial institutions	160	–	–	–	–	250	410	2.0%
Deposits and public borrowings	8,591	3,373	2,219	388	–	771	15,342	3.8%
Bonds, notes and commercial paper	1,489	1,881	253	106	–	–	3,729	4.9%
Acceptances	–	–	–	–	–	1	1	–
Other liabilities	–	–	–	–	–	1,187	1,187	–
Intragroup payable	1,430	–	–	–	–	–	1,430	4.6%
Total liabilities excluding loan capital	11,670	5,254	2,472	494	–	2,209	22,099	
Loan capital	–	–	40	40	–	–	80	8.3%
Total liabilities	11,670	5,254	2,512	534	–	2,209	22,179	
Net assets	(1,314)	(2,229)	368	3,511	1	232	569	
Total equity	–	–	–	–	–	569	569	
Off-balance sheet items	372	1,832	(240)	(2,316)	352	–	–	
Net mismatch – New Zealand	(942)	(397)	128	1,195	353	(337)	–	
Other Overseas								
Total assets	13,201	940	809	–	–	941	**15,891**	5.8%
Total liabilities	1,670	3,476	7,245	405	164	1,045	**14,005**	5.0%
Net assets	11,531	(2,536)	(6,436)	(405)	(164)	(104)	**1,886**	
Total equity	–	–	–	–	–	1,886	**1,886**	
Off-balance sheet items	(90)	(178)	17	(57)	308	–	**–**	
Net mismatch – Other Overseas	11,441	(2,714)	(6,419)	(462)	144	(1,990)	**–**	

NOTE 32. INTEREST RATE RISK (CONTINUED)

Consolidated 1998

	Less than 1 month $m	Over 1 month to 3 months $m	Over 3 months to 1 year $m	Over 1 year to 5 years $m	Over 5 years $m	Non-interest bearing $m	Total $m	Weighted Average Rate %
Australia								
Assets								
Cash and balances with central banks	10	–	–	–	–	306	316	1.5%
Due from other financial institutions	478	–	–	–	–	28	506	3.7%
Trading securities	5,214	343	–	–	–	224	5,781	5.4%
Investment securities	118	–	–	–	–	–	118	2.5%
Loans	41,539	11,470	5,220	12,099	–	(1,345)	68,983	8.7%
Acceptances of customers	–	–	–	–	–	10,282	10,282	–
Regulatory deposits	–	–	–	–	–	788	788	–
Fixed assets	–	–	–	–	–	1,268	1,268	–
Other assets	616	–	–	–	–	15,696	16,312	0.3%
Total assets	47,975	11,813	5,220	12,099	–	27,247	104,354	
Liabilities								
Due to other financial institutions	205	–	–	–	–	765	970	5.8%
Deposits and public borrowings	42,781	6,738	3,562	309	–	3,663	57,053	6.9%
Bonds, notes and commercial paper	5,379	–	–	–	–	–	5,379	3.1%
Acceptances	–	–	–	–	–	10,282	10,282	–
Other liabilities	3	41	–	–	–	14,638	14,682	5.5%
Intragroup payable	7,704	–	–	–	–	–	7,704	6.2%
Total liabilities excluding loan capital	56,072	6,779	3,562	309	–	29,348	96,070	
Loan capital	–	–	2,481	–	–	–	2,481	9.5%
Total liabilities	56,072	6,779	6,043	309	–	29,348	98,551	
Net assets	(8,097)	5,034	(823)	11,790	–	(2,101)	5,803	
Equity	–	–	–	–	–	5,798	5,798	
Outside equity interests in controlled entities	–	–	–	–	–	5	5	
Total equity	–	–	–	–	–	5,803	5,803	
Off-balance sheet items	1,522	(5,755)	2,741	1,994	(502)	–	–	
Net mismatch – Australia	(6,575)	(721)	1,918	13,784	(502)	(7,904)	–	
New Zealand								
Assets								
Cash and balances with central banks	–	–	–	–	–	62	62	1.5%
Due from other financial institutions	1,010	14	–	–	–	144	1,168	3.7%
Trading securities	637	203	159	14	–	–	1,013	5.4%
Loans	8,850	2,759	2,687	4,633	3	(110)	18,822	8.7%
Acceptances of customers	–	–	–	–	–	29	29	–
Fixed assets	–	–	–	–	–	242	242	–
Other assets	–	–	–	–	–	2,463	2,463	0.3%
Total assets	10,497	2,976	2,846	4,647	3	2,830	23,799	
Liabilities								
Due to other financial institutions	142	2	–	–	–	218	362	5.8%
Deposits and public borrowings	10,000	3,191	2,497	213	–	657	16,558	6.9%
Bonds, notes and commercial paper	929	845	520	73	–	–	2,367	3.1%
Acceptances	–	–	–	–	–	29	29	–
Other liabilities	358	–	–	–	–	1,179	1,537	5.5%
Intragroup payable	2,356	–	–	–	–	–	2,356	6.2%
Total liabilities excluding loan capital	13,785	4,038	3,017	286	–	2,083	23,209	
Loan capital	–	–	–	42	–	–	42	8.0%
Total liabilities	13,785	4,038	3,017	328	–	2,083	23,251	
Net assets	(3,288)	(1,062)	(171)	4,319	3	747	548	
Total equity	–	–	–	–	–	548	548	
Off-balance sheet items	658	1,727	(290)	(2,095)	–	–	–	
Net mismatch – New Zealand	(2,630)	665	(461)	2,224	3	199	–	

NOTE 33. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following information represents estimates of fair values at a point in time. Quoted market prices, when available, are used as the measure of fair values. However, for a significant portion of the Group's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using net present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. In addition, the value of long term relationships with depositors (core deposit intangibles) and other customers (such as credit card intangibles) are not reflected. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amount the Group could have realised in a sales transaction at 30 September 1999.

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

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

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

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

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

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

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

Fair value of credit card receivables is based on the carrying value of receivables outstanding which is generally a reasonable estimate and does not include the value associated with the relationships Westpac has with its credit card customers.

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

In arriving at the fair values for loans on the above bases, the total fair value of the entire loan portfolio has been reduced by $1,170 million (1998: $1,238 million) being the carrying value of the general provision for doubtful debts which covers unidentified losses inherent in the portfolio.

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

Other investments
For shares in companies, the estimated fair values are based on quoted market prices, the expected future cash flows or on the Group's share of net assets at book value.

Deposits and public borrowings; due to other financial institutions; bonds, notes and commercial paper; and subordinated debt
The fair value of demand deposits is the amount payable on demand at the reporting date. For other liabilities with maturities of less than 3 months, the carrying amount is a reasonable estimate of fair value.

For liabilities with maturities of 3 months or longer, fair values have been based on quoted market prices, where such prices exist. Otherwise, fair values have been estimated using the rates currently offered for similar liabilities of similar remaining maturities.

Commitments to extend credit, financial guarantees, letters of credit and bill endorsements
A fair value has not been ascribed to commitments (contractual value 1999 $52.4 billion, 1998 $29.1 billion) and non-financial guarantees, letters of credit and bill endorsements (combined contractual value 1999 $5.6 billion, 1998 $5.5 billion) as estimated fair values are not readily ascertainable. These financial instruments are generally not sold nor traded. They generate ongoing fees at the Group's current pricing levels which are in line with general market prices. The fair value may be represented by the present value of fees expected to be received, less associated costs. The overall level of fees involved is not material.

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

NOTE 33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The net fair value of the financial assets and liabilities are materially the same as the fair values disclosed in the table below.

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

	1999		1998	
	Carrying Amount $m	**Estimated Fair Value $m**	Carrying Amount $m	Estimated Fair Value $m
Financial assets				
Cash and short-term liquid assets	**345**	**345**	403	403
Due from other financial institutions	**4,006**	**4,006**	3,290	3,290
Trading securities	**9,057**	**9,057**	6,826	6,826
Investment securities	**2,208**	**2,171**	2,168	2,178
Regulatory deposits	**398**	**398**	1,196	1,196
Loans (net of unearned income)				
Loans and other receivables	**96,539**		90,684	
Specific provisions for bad and doubtful debts	**(328)**		(357)	
General provisions for bad and doubtful debts	**(1,170)**		(1,238)	
	95,041	**94,978**	89,089	89,763
Finance and leveraged leases	**2,677**		2,654	
Specific provisions for bad and doubtful debts	**(2)**		(5)	
	2,675	**2,657**	2,649	2,663
Acceptances of customers	**10,249**	**10,201**	10,325	10,270
Other assets				
Accrued interest receivable	**415**	**415**	412	412
Securities purchased under agreement to resell	**174**	**174**	370	370
Securities sold not delivered	**3,650**	**3,650**	1,527	1,527
Other financial markets assets	**5,992**	**5,992**	13,007	13,007
Other investments	**780**	**780**	580	617
Financial liabilities				
Due to other financial institutions	**3,562**	**3,580**	4,343	4,343
Deposits and public borrowings	**85,546**	**85,255**	83,164	83,093
Bonds, notes and commercial paper	**14,910**	**14,828**	10,580	10,578
Acceptances	**10,249**	**10,201**	10,325	10,270
Other liabilities				
Accrued interest payable	**792**	**792**	954	954
Securities sold under agreement to repurchase	**188**	**188**	139	139
Securities short sold	**1,377**	**1,377**	1,071	1,071
Securities purchased not delivered	**3,084**	**3,084**	1,119	1,119
Other financial markets liabilities	**5,523**	**5,523**	11,486	11,486
Subordinated bonds, notes and debentures	**2,030**	**2,015**	1,778	1,781
Subordinated undated capital notes	**662**	**662**	745	745
Off-balance sheet derivative financial instruments				
Exchange-rate, interest-rate and equity contracts used for hedging purposes in:				
receivable position		**661**		1,216
payable position		**(819)**		(1,592)
net payable position		**(158)**		(376)

The estimated fair value of investment securities and loans is less than their carrying value. The directors have not written down the carrying value of the investments because it is their intention to hold them until their maturity when they will be redeemed for an amount no less than their carrying amount.

NOTE 34. GROUP ENTITIES

The consolidated financial statements at 30 September 1999 include the following controlled entities. The financial years of all controlled entities are the same as that of the Parent Entity.

Name	Notes	Country of Incorporation (b)
Westpac Banking Corporation	(a),(c)	Australia
52 Collins Street Pty Limited		Australia
A.G.C. (Advances) Limited		Australia
General Credits Holdings Limited		Australia
General Credits Limited		Australia
G.C.L. Investments Limited		Australia
Island Princess Holdings Pty Limited		Australia
The Airlie Trust		Australia
Reef International Pty Limited		Australia
Australian Guarantee Corporation Limited		Australia
A.G.C. (Commercial) Limited		Australia
M.A.C. Nominees Pty Limited		Australia
Mazbond Pty Limited		Australia
Palaver Pty Limited		Australia
Reveille Pty Limited		Australia
Runkelli Pty Limited		Australia
S.C.F. (No. 5) Limited		Australia
S.C.F. (No. 6) Limited		Australia
A.G.C. (Finance) Limited		Australia
A.G.C. (General Finance) Limited		Australia
A.G.C. (Industrial) Limited		Australia
A.G.C. (Industrial) Leasing Pty Limited		Australia
A.G.C. (Insurance Premium Funding) Limited		Australia
A.G.C. (Properties) Limited		Australia
A.G.C. House Limited		Australia
A.G.C. (Leasing) Limited		Australia
A.G.C. (Pacific) Limited		Papua New Guinea
A.G.C. Finance (Vanuatu) Limited		Vanuatu
A.G.C. (Securities) Limited		Australia
AOC Holdings Limited		Australia
Colmso Pty Limited		Australia
Colmtea Pty Limited		Australia
Como Properties Pty Limited		Australia
Ormiston Pty Limited		Australia
Broadbeach International Holding Trust		Australia
Pranbrooke Pty Limited		Australia
Hesse Pty Limited		Australia
Howlong Pty Limited		Australia
Piccadilly of Sydney Pty Limited	(f)	Australia
Jaunty Pty Limited		Australia
Piccadilly Plaza Trust		Australia
Sarnia Pty Limited	(f)	Australia
The Swan Trust		Australia
The Exchange Plaza Trust		Australia
Traders Finance Corporation Limited		Australia
Vicpac Chatswood Pty Limited	(f)	Australia
The Vicpac Unit Trust		Australia
Bank of Kiribati Limited	(i)	Kiribati
Beach Hill Investments (No 2) Pty Limited		Australia
Beach Hill Investments (No 3) Pty Limited		Australia
Beach Hill Investments Pty Limited		Australia

Name	Notes	Country of Incorporation (b)
Bill Acceptance Corporation Limited		Australia
Mortgage Management Limited		Australia
Biralo Pty Limited	(d)	Australia
Brenmar Holdings Pty Limited		Australia
BLE Capital Limited		Australia
BLE Capital Investment Pty Limited		Australia
BLE Development Pty Limited		Australia
BLE Holdings Pty Limited		Australia
BLE Capital (NZ) Limited		New Zealand
C.B.A. Limited		Australia
Belliston Pty Limited		Australia
Westpac Properties-Vic-Limited		Australia
Westpac Properties-NSW-Pty Limited		Australia
Carseldine Pty Limited		Australia
Challenge Limited		Australia
Challenge Finance Limited		Australia
Trioba Pty Limited		Australia
Challenge Funds Management Limited		Australia
Challenge Information Technology Pty Limited		Australia
Cold Storage Construction Pty Limited		Australia
Huben Holdings Pty Limited		Australia
Hull 4381 and 4382 Leasing Pty Limited		Australia
MFS Services Pty Limited		Australia
Maracorp Financial Services Pty Limited		Australia
Partnership Pacific Limited		Australia
Glenunga Pty Limited		Australia
Maliny Pty Limited		Australia
Partnership Pacific Securities Limited		Australia
Wistow Pty Limited		Australia
Pitco Pty Limited	(d)	Australia
The Pitco Trust	(d)	Australia
RESI – Statewide Corporation Limited		Australia
RESI – Statewide Mortgage Corporation Limited		Australia
S.A.L. Financial Services Pty Limited		Australia
RESI – Statewide Nominees Limited		Australia
Sallmoor Pty Limited		Australia
Sixty Martin Place (Holdings) Pty Limited		Australia
Brooklyn Amber Pty Limited		Australia
Claremont Bond Pty Limited		Australia
Comserv (No 3011) Pty Limited		Australia
Enfield Downs Pty Limited		Australia
Infrastructure Australia (No 1) Limited		Australia
Infrastructure Australia (No 2) Limited		Australia
Infrastructure Australia (No 3) Limited		Australia
Infrastructure Australia (No 4) Limited		Australia
Ivaness Pty Limited		Australia
Loy Yang B Agencies Pty Limited		Australia
Mayne Equipment Financing Pty Limited	(i)	Australia
Oakjet Pty Limited		Australia
Selbourne Pty Limited		Australia
Teuton Pty Limited		Australia

NOTE 34. GROUP ENTITIES (CONTINUED)

Name	Notes	Country of Incorporation (b)
Westpac Administration Pty Limited		Australia
Westpac Asian Lending Pty Limited		Australia
Westpac Debt Securities Pty Limited		Australia
Westpac Equipment Finance Limited		Australia
Westpac Equipment Finance (Vic) Pty Limited		Australia
Westpac Unit Trust		Australia
The Mortgage Company Pty Limited		Australia
The Home Loan Partnership Pty Limited		Australia
Westpac Bank-PNG-Limited	(i)	Papua New Guinea
Westpac Capital Corporation		U.S.A.
Westpac Capital Holdings Inc	(h)	U.S.A.
Westpac Capital Trust 1	(h)	U.S.A.
Westpac Derivative Products Limited		Australia
Westpac Employee Assistance Foundation Pty Limited		Australia
Westpac Equity Holdings Pty Limited		Australia
Autodirect Pty Limited		Australia
PersonalDirect Limited		Australia
Westpac Development Capital Limited		Australia
Westpac Financial Consultants Limited		Australia
Westpac Financial Services Group Limited		Australia
Westpac Financial Services Limited		Australia
Westpac Managed Funds Limited (in voluntary liquidation)		Australia
Westpac Insurance Services (Brokers) Limited		Australia
Westpac Equity Pty Limited		Australia
A.F.G. Insurance Limited		Australia
Westpac General Insurance Limited		Australia
Westpac Lenders Mortgage Insurance Limited		Australia
Westpac Investment Management Pty Limited		Australia
Westpac Investment Property Limited	(h)	Australia
Westpac Property Funds Management Limited	(h)	Australia
Westpac Life Insurance Services Limited		Australia
Westpac Securities Administration Limited		Australia
The Wales Nominees (Vic.) Pty Limited		Australia
Westpac Custodian Nominees Limited		Australia
Westpac Insurance Services Superannuation Fund Limited		Australia
Westpac Nominees-Canberra-Pty Limited		Australia
Westpac Nominees-SA-Pty Limited		Australia
Westpac Information Technology Services Pty Limited		Australia
Westpac Retirement Plan Pty Limited		Australia
Westpac Securities Limited	(h)	Australia
Westpac Securitisation Management Pty Limited		Australia
Westpac Training Services Pty Limited		Australia
Westpac Finance Pty Limited		Australia
Westpac Funding Holdings Pty Limited	(h)	Australia
Tavarua Funding Trust 1	(h)	U.S.A.
Westpac Investment Holdings Pty Limited		Australia
Westpac Investments LLC		U.S.A.
Westpac Leasing (UK) No.2 Limited (in liquidation)		U.K.
Westpac Leasing Nominees Pty Limited		Australia
Westpac Leasing Nominees-Vic.-Pty Limited		Australia
Westpac Leasing Pty Limited		Australia
Westpac OMG Holdings Pty Limited		Australia
Westpac Overseas Holdings Pty Limited		Australia
A.G.C. Finance (S.I.) Limited		Solomon Islands
Diversified Investments LLC		Cayman Islands
Westpac Americas Inc.		U.S.A.
Westpac Investment Capital Corporation		U.S.A.
Westpac USA Inc.		U.S.A.
Southern Cross Inc.		U.S.A.
Westpac Banking Corporation (Jersey) Limited		Jersey
Westpac Finance Asia Limited		Hong Kong
Westpac Asia (Securities) Limited		Hong Kong
Westpac Fund Managers (Jersey) Limited		Jersey
Westpac Group Investment-NZ-Limited		New Zealand
Westpac Holdings-NZ-Limited		New Zealand
Australian Guarantee Corporation (N.Z.) Limited		New Zealand
Mortgage Services Limited		New Zealand
Ngauranga Gorge Limited		New Zealand
TBNZ Limited		New Zealand
TBNZ Capital Limited	(h)	New Zealand
TBNZ Developments Limited		New Zealand
TBNZ Investments Limited		New Zealand
TBNZ Equity Limited	(h)	New Zealand
TBNZ Investments (UK) Limited (h)		U.K.
The Home Mortgage Company Limited		New Zealand
Westpac Finance Limited		New Zealand
WestpacTrust Financial Services-NZ-Limited		New Zealand
Westpac Nominees-NZ-Limited		New Zealand
Westpac Group Investment Trust		New Zealand
WestpacTrust Investment Management-NZ-Limited		New Zealand
WestpacTrust Life-NZ-Limited		New Zealand
WestpacTrust Superannuation Nominees-NZ-Limited		New Zealand
WestpacTrust Unit Investments-NZ-Limited		New Zealand
WestpacTrust Capital-NZ-Limited (formerly Westpac Equity-NZ-Limited)		New Zealand
Aotearoa Financial Services Ltd	(i)	New Zealand
C.B.A. Finance Nominees Limited		New Zealand
Sfaka Investments Limited		New Zealand
Systems and Technology Limited		New Zealand
Westpac Fund Acceptances-NZ-Limited		New Zealand
Westpac Lease Discounting-NZ-Limited		New Zealand
Toliman Investments Limited		New Zealand
WestpacTrust Investments Limited (formerly WestpacTrust Properties-NZ-Limited)		New Zealand
WestpacTrust Securities NZ Limited	(h)	New Zealand
Westpac Markets Inc		U.S.A.
Westpac Overseas Funding Pty Limited		Australia
Westpac Singapore Limited		Singapore
Westpac Properties Limited		Australia
60 Martin Place Unit Trust	(g),(h)	Australia
Collins Wales Pty Limited		Australia
Westpac Property Investments Pty Limited	(e)	Australia
Westpac Syndications Management Pty Limited		Australia

NOTE 34. GROUP ENTITIES (CONTINUED)

Notes

(a) Controlled entities shown in bold type are owned directly by the Parent Entity.
(b) Overseas companies predominantly carry on business in the country of incorporation. For unincorporated entities, 'Country of Incorporation' refers to the country where business is carried on.
(c) Westpac Banking Corporation carries on business in various countries throughout the world.
(d) 50% of equity or issued units in Pitco Pty Limited, Biralo Pty Limited and The Pitco Trust is held directly by Westpac Property Investments Pty Limited. The other 50% is held directly by the Parent Entity.
(e) Less than 1% of equity in Westpac Property Investments Pty Limited is held directly by Westpac Properties Limited. The remaining equity is held directly by the Parent Entity.
(f) 50% of equity or issued units in Piccadilly of Sydney Pty Limited, Sarnia Pty Limited, Vicpac Chatswood Pty Limited is held directly by Australian Guarantee Corporation Limited. The other 50% is held directly by the Parent Entity.
(g) Less than 1% of equity in 60 Martin Place Unit Trust is held directly by Westpac Securities Administration Limited. The remaining equity is held directly by Westpac Properties Limited.
(h) Incorporated or formed during the year.
(i) All entities listed in this note are wholly owned subsidiaries except the following:

	Percentage Owned	
	1999	1998
Aotearoa Financial Services Limited	**76.0%**	76.0%
Bank of Kiribati Limited	**51.0%**	51.0%
Mayne Equipment Financing Pty Limited	**95.0%**	95.0%
Westpac Bank-PNG-Limited	**89.9%**	89.9%

Credit Caledonie et Tahitien, Credit Foncier et Immobilier de la Nouvelle Caledonie et de la Polynesie and the branch operations in New Caledonia and French Polynesia were disposed of during the year for a consideration of $58m. The Group profit on sale of these subsidiaries and branches was $16m. Other entities were disposed of or liquidated during the year. These entities had no or nominal assets upon disposal/liquidation.

Bank of Melbourne and its consolidated entities were acquired in the previous year.

NOTE 35. OTHER GROUP INVESTMENTS

The Group has a significant non-controlling shareholding in the following entities as at 30 September 1999:

	Country where Business is Carried on	Westpac Banking Corporation Beneficial Interest	Nature of Business
Austraclear Limited	Australia	17.9%	Clearing house for bill transactions
Bank of Tonga	Tonga	30.0%	Banking
Cardlink Services Limited	Australia	16.7%	Computer bureau and authorisation centre
Colobus Pty Limited	Australia	50.0%	Corporate trustee
Electronic Transaction Services Limited	New Zealand	25.0%	Credit card processing
FAI First Mortgage Pty Limited	Australia	33.3%	Mortgage origination and servicing
Investment 2000 Pty Ltd	Australia	25.0%	Investment attraction for investment in Australia
Krava Nominees Pty Limited	Australia	50.0%	Corporate trustee
Lawrence Collateral Indemnity Pty Limited	Australia	50.0%	Corporate trustee
Mondex Australia Pty Limited	Australia	25.0%	Smart card operations
Mondex New Zealand Limited	New Zealand	16.7%	Smart card operations
Pacific Commercial Bank Limited	Western Samoa	42.7%	Banking
Runaway Bay Unit Trust	Australia	50.0%	Property development
Somersby Park Pty Ltd	Australia	25.0%	Property owner
The Conchi Leasing Limited Partnership	Hong Kong	50.0%	Aircraft leasing
Westpac Staff Superannuation Plan Pty Limited	Australia	50.0%	Corporate trustee

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

NOTE 36. RETIREMENT BENEFITS

The aggregate amount of 'prescribed benefits' (as defined by Section 237 of the Corporations Law) given by the Group and the Parent Entity or its controlled entities was:

	Consolidated		Parent Entity	
	1999 $'000	1998 $'000	**1999 $'000**	1998 $'000
Aggregate amount of prescribed benefits	**–**	1,137[1]	**–**	293

1 The benefits not pertaining to the Parent Entity were entitlements paid to former Directors of Bank of Melbourne Limited and an employee of the Group who, upon leaving service, was a Director of a controlled entity. The entitlement accrued to that person in his capacity as an employee and was not related in any way to his directorship. In the circumstances, the Directors consider that it would be unreasonable to provide full particulars of those benefits.

NOTE 37. DIRECTORS

Directors of the Parent Entity during the year ended 30 September 1999 were:

Mr J.A. Uhrig (Chairman)

Dr D.R. Morgan (Executive Director to 1 March 1999, appointed Managing Director effective 1 March 1999)

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

Mr R.L. Joss (Managing Director to 1 March 1999, Executive Director effective 1 March 1999. Resigned as an Executive Director 30 June 1999)

Ms H.A. Lynch

Ms E. Mahlab

Mr J.P. Morschel

Mr P.D. Ritchie

Mr C.J. Stewart

NOTE 38. LOANS TO DIRECTORS AND DIRECTOR-RELATED PARTIES

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

	Consolidated		Parent Entity	
	1999 $'000	1998 $'000	**1999 $'000**	1998 $'000
Aggregate amount of loans to Directors	**190,710**	197,988	**190,369**	197,662
Loans advanced during the year	**3,452**	96,187	**3,140**	95,875
Loan repayments received during the year	**10,716**	5,772	**10,432**	5,618

The Directors of the Parent Entity and other controlled entities concerned in the relevant loans made and repayments received during 1999, 1998 and 1997 were:

	1999	1998
N.J. Bayliss	**–**	5
W.B. Capp	**2,3**	1,3
H. Chan	**1,3**	–
Sir L. Edwards	**2,3**	1,3
J.B. Fairfax	**1,2,3**	1,3
I.R.L. Harper	**2,3**	1,2,3
H.A. Lynch	**2,3**	1,2,3
J.J. Moses	**5**	2,4
N.C. Musiker	**1,2,3**	–
J.B. Sinclair	**1,2,4**	1,2,4
P.A. Trowbridge	**1,2,3**	–
J.A. Uhrig	**1,2,3**	1,2,3
D. Weston	**–**	5
Y. Wong	**–**	1,2,4
R.J. Zubielevitch	**2,4**	1,2,4

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

NOTE 39. DIRECTORS' SHARES AND SHARE OPTION TRANSACTIONS

Details of share options issued to the Managing Director Dr D.R. Morgan and Executive Director Mr R.P. Handley are set out in note 21. No share options are granted to non-executive Directors.

	1999	1998
(i) Ordinary shares issued during the year The aggregate number of shares issued by the Parent Entity to the Directors of the Parent Entity and their Director-related entities during the year ended 30 September were:	**4,541,514**[1]	351,308
(ii) Ordinary shares disposed of during the year	**23,800**[2]	417,500
(iii) Ordinary shares held at the end of the year The aggregate number of shares of the Parent Entity held directly, indirectly or beneficially by Directors of the Parent Entity and their Director-related entities at 30 September were:	**2,541,236**[3]	2,773,523

1 Includes 1,200,000 (1998 350,000) options exercised under the Westpac Senior Officers' Share Purchase Scheme and 2,724 (1998 1,308) shares issued under the Dividend Reinvestment Plan, in addition to 3,333,334 options exercised by Mr R.J. Joss during 1999.
2 Includes 23,800 (1998 nil) disposed of by a staff/community related benefit fund of which some Directors are personal trustees.
3 Includes 105,018 (1998 123,362) shares and 161,655 (1998 161,655) equity instruments owned by a staff/community related benefit fund of which some Directors are personal trustees.

NOTE 40. DIRECTORS' REMUNERATION

Income received, or due and receivable, from the Parent Entity and related entities by Directors of the Parent Entity fell within the bands below:

	1999	1998
60,001 – 70,000	**1**	6
70,001 – 80,000	**6**	1
80,001 – 90,000	**2**	2
160,001 – 170,000	**1**	–
170,001 – 180,000	**–**	1
260,001 – 270,000	**1**	1
1,210,001 – 1,220,000	**–**	1
1,250,001 – 1,260,000	**1**	–
1,370,001 – 1,380,000	**1**	–
1,480,001 – 1,490,000	**–**	1
1,720,001 – 1,730,000	**1**	–
2,670,001 – 2,680,000	**–**	1
Total	**14**	14

	Directors of the Group		Directors of the Parent Entity	
	1999 $'000	1998 $'000	**1999 $'000**	1998 $'000
Income received, or due and receivable, from the Parent Entity and related entities by Directors	**7,561**	8,072	**5,457**	6,448

In accordance with Australian Accounting Standard AASB 1017 'Related Party Disclosures', Directors' remuneration has been determined on the basis of the cost of the remuneration to the Group. Where non-monetary benefits are provided to a Director, the amount of remuneration includes the total cost to the Group of providing the benefits, following the issue of ASIC Practice Note 68 in December 1998, remuneration for both 1999 and 1998 above now includes all fringe benefits tax and the notional cost of superannuation for Executive Directors who are members of the Westpac Staff Superannuation Plan.

NOTE 41. RELATED PARTY DISCLOSURES

Controlled entities

Transactions between the Parent Entity and its controlled entities during the year have included the provision of a wide range of banking and other financial facilities, some of which have been on commercial terms and conditions, others have been on terms and conditions which represented a concession to the controlled entities. Details of amounts paid to or received from related parties, in the form of dividends or interest, are set out in notes 2 and 3. Other intra-Group transactions, which may or may not be on commercial terms, include the provision of management and administration services, staff training, data processing facilities and leasing of properties, plant and equipment.

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

Related party financial instrument transactions

The Parent Entity and controlled entities have been exempted under the ASIC Class Order 98/110 dated 10 July 1998 from the requirement to disclose in the financial statements regular financial instrument transactions made by the bank with related parties (other than Directors), in the ordinary course of banking business and either on an arm's length basis or with the approval of the shareholders of the relevant entity and its ultimate parent entity.

A condition of the Class Order is that the Parent Entity must lodge a statutory declaration, signed by two Directors, with ASIC confirming that the Parent Entity has appropriate systems of internal controls and procedures in place.

All financial instrument transactions that have occurred during the financial year between the Directors and the Parent Entity were conducted on an arm's length basis in the ordinary course of business and on commercial terms and conditions. These transactions were trivial or domestic in nature and consisted principally of normal personal banking and financial investment services.

Directors' interests in contracts

As required by the Corporations Law, some Directors have given notice that they hold office in specified companies and as such are to be regarded as having an interest in any contract or proposed contract which may be made between the Parent Entity and those companies.

All other transactions with Directors, Director-related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services.

NOTE 42. EXECUTIVES' REMUNERATION

The following table shows the number of executives of the Parent Entity and Group in Australia whose income received, or due and receivable, from the Parent Entity and related entities fell within the stated bands. In accordance with the requirements of accounting standard AASB 1034 'Information to be disclosed in Financial Reports', remuneration includes any money, consideration or benefit, which following the issue of ASIC Practice Note 68 in December 1998, now includes all fringe benefits tax and a notional cost of superannuation for those executives who are members of the Westpac Staff Superannuation Plan. The comparatives have not been changed. No value has been ascribed to any options issued to any of the executives.

	Consolidated		Parent Entity	
	1999	1998	**1999**	1998
$60,001 – 70,000	–	1[1]	–	1[1]
110,001 – 120,000	–	1[2]	–	1[2]
180,001 – 190,000	–	1[1]	–	1[1]
190,001 – 200,000	–	1[1]	–	1[1]
200,001 – 210,000	**1**[1]	–	**1**[1]	–
220,001 – 230,000	–	1[1]	–	1[1]
250,001 – 260,000	**1**[1]	2	**1**[1]	2
260,001 – 270,000	**2**[2]	–	**2**[2]	–
270,001 – 280,000	**1**[2]	–	**1**[2]	–
290,001 – 300,000	–	2	–	2
300,001 – 310,000	**1**	–	**1**	–
310,001 – 320,000	**1**[1]	–	**1**[1]	–
340,001 – 350,000	–	1	–	1
350,001 – 360,000	**1**[1]	–	**1**[1]	–
360,001 – 370,000	–	2	–	2
380,001 – 390,000	**1**	1	**1**	1
390,001 – 400,000	–	1	–	1
400,001 – 410,000	**1**	1	**1**	1
410,001 – 420,000	**1**	–	**1**	–
420,001 – 430,000	**1**[1]	–	**1**[1]	–
430,001 – 440,000	–	3	–	3
440,001 – 450,000	**2**	1	**2**	1
450,001 – 460,000	**1**	–	**1**	–
460,001 – 470,000	**1**	–	**1**	–
470,001 – 480,000	–	1	–	1
480,001 – 490,000	**2**	1	**2**	1
490,001 – 500,000	**2**	–	**2**	–
500,001 – 510,000	**1**	–	**1**	–
510,001 – 520,000	**1**	2	**1**	2
540,001 – 550,000	**2**	–	**2**	–
550,001 – 560,000	–	1	–	1
570,001 – 580,000	**1**	1	**1**	1
580,001 – 590,000	**1**	–	**1**	–
630,001 – 640,000	**1**	–	**1**	–
640,001 – 650,000	**1**	–	**1**	–
670,001 – 680,000	–	2	–	2
690,001 – 700,000	–	1	–	1
700,001 – 710,000	**1**	–	**1**	–
720,001 – 730,000	**1**	–	**1**	–
730,001 – 740,000	**1**	–	**1**	–
760,001 – 770,000	**1**	1	**1**	1
770,001 – 780,000	**1**	–	**1**	–
810,001 – 820,000	**1**	1[1]	**1**	1[1]
820,001 – 830,000	–	1	–	1
850,001 – 860,000	–	1	–	1
860,001 – 870,000	**1**	–	**1**	–
870,001 – 880,000	**1**	1	**1**	1
880,001 – 890,000	**1**	–	**1**	–
900,001 – 910,000	–	1	–	1
1,150,001 – 1,160,000	–	1	–	1
1,170,001 – 1,180,000	–	1	–	1
1,250,001 – 1,260,000	**1**	–	**1**	–
1,320,001 – 1,330,000	–	1[1]	–	1[1]
1,360,001 – 1,370,000	–	1	–	1
1,370,001 – 1,380,000	**1**[1]	–	**1**[1]	–
1,720,001 – 1,730,000	**1**	–	**1**	–
1,740,001 – 1,750,000	**1**[1]	–	**1**[1]	–
2,080,001 – 2,090,000	–	1	–	1
2,400,001 – 2,410,000	–	1	–	1
2,770,001 – 2,780,000	**1**	–	**1**	–
Total	**42**	40	**42**	40

1 Includes payments (other than those included in note 36) to one or more executives in this remuneration band who retired/resigned during the year.
2 Includes payments to one or more executives in this remuneration band who commenced employment with Westpac during the year.

	Consolidated		Parent Entity	
	1999 $'000	1998 $'000	**1999 $'000**	1998 $'000
Total income received, or due and receivable, from the Parent Entity and related entities by Executive Officers whose income exceeded $100,000	**28,198**	25,521	**28,198**	25,521

The above table discloses data in respect of only those officers who are responsible for the strategic direction and operational management ('Executive Officers') of the Parent Entity and related entities.

There are also 74 (1998 63) other employees whose remuneration individually exceeds $100,000 per annum who are not Executive Officers but who, in the discharge of their duties in Australia as employees of the Parent Entity, serve as Directors of wholly-owned Australian controlled entities. Total income received, or due and receivable by these employees amounted to $18,491,000 (1998 $14,493,000).

NOTE 43. STATEMENTS OF CASH FLOWS

Reconciliation of net cash provided by operating activities to operating profit after income tax

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
Operating profit after income tax	**1,456**	1,272	1,291	**999**	1,276
Adjustments:					
Outside equity interests	**3**	4	2	**–**	–
Depreciation	**237**	244	218	**199**	206
Sundry provisions and other non cash items	**(177)**	961	(808)	**(170)**	757
Bad and doubtful debts	**246**	257	171	**134**	122
(Increase)/decrease in other financial market items	**1,052**	(1,427)	(833)	**1,056**	(1,427)
(Increase)/decrease in trading securities	**(2,204)**	484	(722)	**(2,217)**	(274)
(Increase)/decrease in accrued interest receivable	**(3)**	11	34	**(4)**	(3)
Increase/(decrease) in accrued interest payable	**(162)**	243	66	**(174)**	248
Increase/(decrease) in provision for income tax	**(3)**	57	(218)	**(51)**	146
Increase/(decrease) in provision for deferred income tax	**(19)**	(113)	(409)	**(60)**	61
(Increase)/decrease in future income tax benefits	**202**	106	521	**84**	(25)
Amounts paid out of sundry provisions	**(127)**	(111)	(141)	**(117)**	(90)
Total adjustments	**(955)**	716	(2,119)	**(1,320)**	(279)
Net cash provided by/(used in) operating activities	**501**	1,988	(828)	**(321)**	997

Non cash operating, investing and financing activities

Entities and businesses acquired

Issuance of 142 million $1 ordinary shares fully paid at a premium of $7.23 each as part consideration for acquisition of Bank of Melbourne Limited ('BML')

Details of assets and liabilities of controlled entities and businesses acquired are as follows:

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
Due from the Westpac Group	**–**	–	–	**–**	35
Due from other financial institutions	**–**	47	–	**–**	120
Trading securities	**–**	707	–	**–**	–
Investment securities	**–**	652	–	**–**	–
Regulatory deposits	**–**	109	–	**–**	104
Loans	**–**	9,972	–	**–**	10,238
Other investments	**–**	–	346	**–**	5
Fixed assets	**–**	49	–	**–**	63
Other assets	**–**	60	–	**–**	588
Deposits and public borrowings	**–**	(8,904)	–	**–**	(6,567)
Bonds, notes and commercial paper	**–**	(1,885)	–	**–**	(875)
Loan capital	**–**	–	–	**–**	–
Due to other financial institutions	**–**	(10)	–	**–**	–
Due to the Westpac Group	**–**	–	–	**–**	(2,893)
Other liabilities	**–**	(329)	–	**–**	(350)
	–	468	346	**–**	468
Integration costs provided, net of tax benefit	**–**	(63)	–	**–**	(63)
Fair value of net assets acquired	**–**	405	346	**–**	405
Intangible assets (note 16)	**–**	913	–	**–**	913
	–	1,318	346	**–**	1,318
Issuance of shares as part consideration	**–**	(1,169)	–	**–**	(1,169)
Prior period cash payment for investment	**–**	–	–	**–**	–
Current period cash payment for acquisition (net of cash acquired)	**–**	149	346	**–**	149
Cash acquired	**–**	25	–	**–**	25
Cash consideration and costs	**–**	174	346	**–**	174

	Consolidated			Parent Entity	
	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m

NOTE 43. STATEMENTS OF CASH FLOWS

Entities and businesses disposed

Details of assets and liabilities of controlled entities and businesses disposed are as follows:

	1999 $m	1998 $m	1997 $m	**1999 $m**	1998 $m
Due from other financial institutions	**15**	–	–	**15**	–
Statutory deposits	**14**	–	–	**14**	–
Loans	**785**	–	–	**742**	–
Due from/to related parties	**33**	–	–	**65**	–
Investment In controlled entities	**–**	–	–	**10**	–
Fixed assets	**38**	–	–	**38**	–
Other assets	**23**	–	–	**23**	–
Deposits and public borrowings	**(815)**	–	–	**(815)**	–
Due to other banks	**(20)**	–	–	**(19)**	–
Other liabilities	**(31)**	–	–	**(31)**	–
Net assets of entities and businesses disposed	**42**	–	–	**42**	–
Gain/(loss) on disposal	**16**	–	–	**16**	–
Cash consideration	**58**	–	–	**58**	–

Equity transactions

Shares issued under the Dividend Reinvestment Plan amounted to $221 million in the year ended 30 September 1999 (1998 $91 million).

Cash and cash equivalents

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

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

The statements of cashflows comply with International Accounting Standard No. 7.

NOTE 44. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end a controlled entity, WestpacTrust Investments Limited (WestpacTrust Investments) issued 54,393,306 partly paid NZ Class Shares. The first payment of NZ$7.20 (A$5.66) per NZ Class Share was paid on application and total received was NZ$392 million (A$308 million). The final payment 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 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 Parent Entity ordinary share, adjusted by 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 the Parent Entity, however, a special purpose company has been established to hold Enhanced Voting Shares in the Parent Entity, 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 the Parent Entity, upon the occurrence of certain limited events which may result in a compulsory exchange, an exchange at the option of the Parent Entity or an exchange at the option of the NZ Class Shareholder. The conversion ratio (the Exchange Fraction) is initially one Parent Entity 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 the Parent Entity or WestpacTrust Investments has not been mirrored by the other. The exchange events include a takeover of the Parent Entity, change in laws which adversely affect the rights of the NZ Class Shareholders, failure to pay a dividend on NZ Class Shares equivalent to the Parent Entity ordinary share dividend as adjusted by the Exchange Fraction, or commencement of liquidation, statutory management or administration of either the Parent Entity or WestpacTrust Investments.

NOTE 45. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP)

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

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

	1999 $m	1998 $m	1997 $m
Profit and loss statement			
Net profit as reported	**1,456**	1,272	1,291
Adjustments: (see following commentary for details)			
Item No.			
1 Depreciation on buildings	**7**	8	10
2 Gains on sale of properties (including amortisation of gains on sale of properties subject to leaseback arrangements)	**13**	(11)	52
3 Amortisation of goodwill	**(28)**	(15)	(15)
4 Superannuation (pension) expense adjustment	**4**	8	58
Related income tax expense	**(2)**	(2)	(21)
6 Adjustment re provision for employee redundancy benefits	**(51)**	51	–
Related income tax expense	**18**	(18)	–
7 Life insurance adjustment (net of tax)	**–**	8	(12)
14 TOPrS distribution	**(8)**	–	–
Adjusted net income according to US GAAP	**1,409**	1,301	1,363
Other comprehensive income			
Foreign currency translation reserve	**(13)**	(15)	3
Unrealised net gain/(loss) on available for sale securities	**(28)**	4	19
Reclassification adjustment for (gains)/losses included in net income	**–**	–	(1)
Total other comprehensive income	**(41)**	(11)	21
Total comprehensive income according to US GAAP	**1,368**	1,290	1,384
Adjusted net income per share (in cents):			
Basic	**74.9**	68.0	74.0
Fully diluted	**74.5**	66.7	72.4
Weighted average number of shares (in millions)	**1,881**	1,879	1,789
Non-interest expenses as reported	**3,434**	3,392	3,228
Adjustments: (see following commentary for details)			
Item No.			
1 Depreciation on buildings	**(7)**	(8)	(10)
3 Amortisation of goodwill	**28**	15	15
4 Superannuation (benefit)/expense	**(55)**	(65)	(42)
4 Superannuation prepayment adjustment	**51**	57	(16)
6 Adjustment re provision for employee redundancy benefits	**51**	(51)	–
10 Abnormal items	**–**	106	–
Non-interest expenses according to US GAAP	**3,502**	3,446	3,175

NOTE 45. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)

Tax effect of each component of other comprehensive income

	Consolidated								
	1999			1998			1997		
	Before Tax Amount $m	**Tax (Expense) or Benefit $m**	**After Tax Amount $m**	Before Tax Amount $m	Tax (Expense) or Benefit $m	After Tax Amount $m	Before Tax Amount $m	Tax (Expense) or Benefit $m	After Tax Amount $m
Available for sale securities adjustment:									
Unrealised holding gains/(losses) arising during the year	**(44)**	**16**	**(28)**	6	(2)	4	30	(11)	19
Less: Reclassification adjustment for gains included in net income	**–**	**–**	**–**	–	–	–	2	(1)	1
Net available for sale securities adjustment	**(44)**	**16**	**(28)**	6	(2)	4	28	(10)	18
Foreign currency translation adjustment	**(13)**	**–**	**(13)**	(15)	–	(15)	3	–	3
Total other comprehensive income	**(57)**	**16**	**(41)**	(9)	(2)	(11)	31	(10)	21

	1999 $m	1998 $m	1997 $m
Accumulated other comprehensive income balances			
Foreign currency translation reserve			
Balance at beginning of year	**(15)**	(4)	(17)
Foreign currency adjustments net of tax	**(13)**	(15)	3
Tranfers (to)/from retained profits	**(11)**	4	10
Balance at year end	**(39)**	(15)	(4)
Available for sale securities			
Balance at beginning of year	**3**	(1)	(19)
Adjustments	**(28)**	4	18
Balance at year end	**(25)**	3	(1)
Total other comprehensive income	**(64)**	(12)	(5)
Equity as reported	**8,994**	8,606	8,200
Adjustments: (see following commentary for details)			
Item No.			
1 Elimination of premises revaluation reserves	**(113)**	(144)	(202)
1 Depreciation on buildings	**55**	48	40
2 Deferred gains on sale of properties subject to leaseback arrangements	**(54)**	(76)	(40)
3 Goodwill not recognised on acquisitions (less amortisation)	**13**	40	55
3 Restoration of previously deducted goodwill (less amortisation and amounts written-off)	**4**	5	5
4 Superannuation (pension) expense adjustment	**(95)**	(97)	(103)
6 Adjustment re provision for employee redundancy benefits	**–**	33	–
7 Life insurance adjustment (net of tax)	**(8)**	4	(12)
8 Investment securities fair value adjustment (including life company investment)	**(25)**	3	(1)
9 Final dividend provided	**445**	418	354
14 TOPrS	**(465)**	–	–
Adjusted equity according to US GAAP	**8,751**	8,840	8,296

NOTE 45. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)

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

1 Premises and sites and certain equity investments have been revalued and the amount of such revaluation is included in the Group's reserves. Depreciation of buildings is based on revalued amounts. Under US GAAP, such revaluations are not permitted and depreciation is based on historical cost.

2 Where properties and equity investments are sold, the Group's policy of periodically revaluing such assets results in only the difference between net sale proceeds and the revalued amount of the assets sold being recorded in the profit and loss statement. Under US GAAP, the profit on sale of such assets to be reflected in the profit and loss statement (income statement) is calculated by reference to cost (less depreciation in respect of properties). Also under US GAAP, where properties are sold with a leaseback arrangement, the profit on sale is spread over the term of the initial lease.

3 Contrary to US GAAP, Westpac did not assign market values to the shares it issued in respect of certain acquisitions prior to 1982. The adjusted profit and loss statement and adjusted shareholders' equity statement reflect the assignment of market values to the shares issued by Westpac and the goodwill which emerges as a consequence.

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

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

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

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

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

Under Australian GAAP, the deferred tax assets and liabilities are offset to the extent that they are expected to reverse within the same financial year. US GAAP does not permit this offset. The gross deferred tax asset and liability under US GAAP before valuation allowance is $1,346 million and $936 million respectively (1998 $1,634 million and $1,004 million, respectively).

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

	1999 $m	1998 $m
Total deferred tax assets	**647**	886
Total valuation allowances recognised for deferred tax assets [1]	**(124)**	(161)
Deferred tax assets (future income tax benefits as per note 16)	**523**	725
Total deferred tax liabilities (note 19)	**(237)**	(256)
Net deferred tax assets	**286**	469
Net (decrease)/increase in the total valuation allowance during the year	**37**	(35)

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

6 The provision for restructuring costs as at 30 September 1998 of $106 million (refer note 5) includes staff redundancy costs of $51 million and a liability for premises costs of $55 million. The provision for restructuring principally covers the costs of the redevelopment of the distribution network in Australia and New Zealand and rationalisation of Westpac's operations in Asia. US GAAP requires that the plan of termination specifically identifies the number of employees to be terminated, their job classifications or functions, their locations and communication of the benefits to the affected employees. The staff redundancy provisions have been recognised as a US GAAP expense in this financial year.

7 For Australian GAAP the assets of the statutory funds of Westpac Life and the liabilities of the funds to the policy holders are excluded from the consolidated balance sheet. Under US GAAP, the amount of these funds and the related liabilities are included in consolidated assets and liabilities of the Group. The amount of the statutory funds and their related liabilities at 30 September 1999 is $7,667 million (1998 $6,405 million) which includes the shareholders' interest in these funds of $437 million (1998 $331 million). This amount forms part of the Group's investment in the life company. All related investments in the funds are reflected at market value.

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

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

NOTE 45. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)

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

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

11 Westpac has not attributed any cost to options granted to senior officers under the Senior Officers' Share Purchase Scheme (see note 21) in either its profit and loss statement prepared in accordance with Australian GAAP or in the statement reconciled to US GAAP. Had Westpac adopted the requirements of US accounting standard SFAS No. 123, 'Accounting for Stock-Based Compensation', net income according to US GAAP in the year ended 30 September 1999, would have reduced by $19 million or one cent per share (1998 $13m or 0.7 cents per share; 1997 $7m or 0.4 cents per share). The options have been calculated using the dividend adjusted Black & Scholes pricing model assuming an average life of 4 years, 25% (1998 and prior, 19%) volatility and a 85% probability for the performance.

12 In accordance with US accounting standard SFAS No. 114 'Accounting by Creditors for Impairment of a Loan' the measurement of impaired loans is to be based on the present value of expected future cash flows discounted at the loan's effective interest rate; or based on a loan's observable market price; or on the fair value of the collateral if the loan is collateral dependent, that is, repayment of the loan is expected to be provided solely by the underlying collateral.

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

13 Westpac has entered into various tax effective financing transactions that derive income that is subject to either a reduced or zero rate of income tax. In accordance with Australian GAAP in order to provide comparability of tax-exempt income to taxable income, fully tax equivalent gross up has been used in the financial statements. This has not been applied in the determination of the US GAAP income.

14 Under Australian GAAP, the TOPrS are considered as effectively equity holders in the Parent Entity and as such have not been classified as outside equity interest. Under US GAAP, the TOPrS would be classified as mezzanine in the balance sheet and the distributions would be included as a reduction in the net income attributable to the Parent Entity ordinary shareholders.

15 Westpac maintains a general provision for bad and doubtful debts which is treated as a deduction from loans. Included within the provision is the amount of $144 milion (1998 $153 million) in respect of off-balance sheet credit related commitments. Under US GAAP this component of the provision would be included with other liabilities.

Consolidated statement of changes in US GAAP shareholders' equity

	1999 $m	1998 $m	1997 $m
Balance at beginning of year	**8,840**	8,296	7,817
(Decrease)/ increase in share capital	**(46)**	38	(26)
Premium on shares issued	**273**	1,179	21
Premium on shares bought back	**(845)**	(1,174)	(216)
Currency translation adjustments (net of hedging gains/losses)	**(13)**	(15)	3
Net income	**1,409**	1,301	1,363
Dividends provided for or paid	**(866)**	(853)	(731)
US GAAP adjustments for:			
Final dividend proposed	**445**	418	354
Final dividend for prior year	**(418)**	(354)	(307)
Investment securities fair value adjustment (including life company investment)	**(28)**	4	18
Balance at year end	**8,751**	8,840	8,296

NOTE 45. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)

Superannuation (pension) expense

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

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

The reconciliation of net income calculated in accordance with Australian GAAP to net income calculated in accordance with US GAAP for the years ended 30 September 1999, 1998 and 1997 includes superannuation (pension) expense adjustments after tax of $2 million (credit), $6 million (credit) and $37 million (credit) respectively.

	1999 $m	1998 $m	1997 $m
These adjustments comprise:			
Elimination of superannuation expense/(benefit) for Australian accounting purposes	**(51)**	(57)	16
Income tax applicable	**18**	21	(6)
	(33)	(36)	10
Recognition of a pension benefit calculated in accordance with US GAAP	**55**	65	42
Income tax applicable	**(20)**	(23)	(15)
	35	42	27
Net adjustment	**2**	6	37
The pension benefit calculated in accordance with US GAAP at 30 June comprises:			
Service cost	**(98)**	(85)	(84)
Interest cost	**(98)**	(106)	(126)
Return on assets	**197**	198	209
Net amortisation and deferral	**58**	58	43
Net periodic pension benefit	**59**	65	42
Contributions to the accumulation plan	**(4)**	–	–
Net Group periodic pension benefit	**55**	65	42
The following table presents the funded status of the Group's two principle pension plans at 30 June:			
Change in benefit obligation:			
Benefit obligation at beginning of year	**1,723**	1,600	1,542
Net service cost	**98**	85	84
Member contributions	**41**	30	21
Interest cost	**98**	106	126
Benefit changes	**35**	–	–
Actuarial (losses)/gains	**(114)**	87	190
Curtailment and settlement of benefit obligation	**(152)**	–	–
Benefits and expenses paid	**(191)**	(185)	(363)
Benefit obligation at year end	**1,538**	1,723	1,600
Change in fair value of assets:			
Fair value of assets at beginning of year	**2,526**	2,387	2,246
Actual return on assets	**184**	294	483
Total contributions	**41**	30	21
Benefits and expenses paid	**(191)**	(185)	(363)
Contributions to the accumulation plan	**(4)**	–	–
Settlements	**(154)**	–	–
Fair value of assets at year end[1]	**2,402**	2,526	2,387
Funded status at measurement date	**864**	803	787
Assets not recognised:			
Transitional obligation assets	**(435)**	(573)	(669)
Unrecognised net loss	**178**	315	336
Unrecognised prior year service costs	**52**	59	86
Repayment of pension costs	**659**	604	540

1 Plan assets are invested primarily in fixed-interest securities, listed Australian and overseas stocks and real estate.

Included in the plan assets at 30 June 1999 are deposits with Westpac Banking Corporation totalling $22.6 million (1998 $21.6 million) and 5.5 million (1998 5.2 million) Westpac Banking Corporation ordinary shares having a total market value at that date of $53.8 million (1998 $51.5 million).

NOTE 45. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)

Assumptions used in determining the projected benefit obligation at 30 June 1999, 1998 and 1997 and in determining the pension benefit for the year ended on those dates included the following:

	1999	1998	1997
Pension benefit			
Assumed rate of return on plan assets	**8.0%**	8.5%	9.5%
Projected benefit obligation			
Average increase in future compensation levels[1]	**4.0%**	4.5%	5.0%
Discount rate	**5.5%**	6.5%	8.0%

1 Plus promotional scales equivalent to approximately 1.5%.

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

At 30 September 1999, Westpac's tier 1 and total capital ratios were 7.0% and 9.2%, respectively (1998 6.8% and 9.3%, respectively) well in excess of the APRA's minimum requirement.

Differences between the Australian and United States definitions of tier 1 and tier 2 capital which would have a significant effect on Westpac are:

(i) Premises revaluation reserves which qualify as tier 2 capital under the APRA's guidelines do not so qualify under United States guidelines

(ii) Under the APRA's guidelines, the general allowance for loan losses, net of associated future income tax benefits, qualifies as tier 2 capital Under United States guidelines, the associated future income tax benefit is not deducted from the general allowance but, subject to the exemption in (iii) below, is a direct deduction from tier 1 capital to the extent that the future income tax benefit exceeds off-setting deferred tax liabilities.

(iii) The United States guidelines allow net future income tax benefits reversing within 1 year to be included in tier 1 capital up to a bank's projected annual income or 10% of core capital, whichever is less.

Certain differences between Australian GAAP and US GAAP, detailed above also give rise to differences between tier 1 capital calculated in accordance with Australian guidelines and tier 1 capital calculated in accordance with United States guidelines.

After adjusting for the above items and differences between Australian GAAP and US GAAP, Westpac's tier 1 and total capital, at 30 September 1999, in accordance with United States guidelines, was 7.1% and 10.4% respectively. Westpac's leverage ratio for US GAAP purposes is 4.9% (1998 4.8%).

	Consolidated				
	1999 $m	1998 $m	1997 $m	1996 $m	1995 $m
Computation of ordinary share earnings					
AUSTRALIAN GAAP					
Net income after deducting converting preference dividends and TOPrS distribution	**1,448**	1,248	1,252	1,093	907
Average number of fully paid shares on issue (millions)	**1,881**	1,879	1,789	1,853	1,823
Net income per share (cents)	**77.0**	66.4	70.0	59.0	49.8
Converting preference dividends	**–**	24	39	39	40
TOPrS distribution	**8**	–	–	–	–
US GAAP					
Average issued fully paid $1 shares	**1,881**	1,879	1,789	1,853	1,823
Average convertible preference shares	**–**	50	73	97	118
Average partly paid shares issued	**–**	–	1	1	1
Average options	**11**	22	22	15	37
Average shares and share equivalents	**1,892**	1,951	1,885	1,966	1,979
Net income/(loss) after deducting converting preference dividends	**1,409**	1,277	1,324	1,094	1,012
Basic net income per share (cents)	**74.9**	68.0	74.0	59.0	55.5
Fully diluted net income per share (cents)	**74.5**	66.7	72.4	57.6	53.3
Earnings per ADS (5 times earnings per share in cents)	**374**	340	370	295	278
Converting preference dividends	**–**	24	39	39	39

Recent accounting pronouncements

There are a number of recently released United States accounting pronouncements which are not applicable to the financial year ended 30 September 1999. The requirements of Statements of Financial Accounting Standards (SFAS) Nos. 134 'Accounting for Mortgage-Backed Securities Retained After the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise' and 135 'Recission of FASB Statement No. 75 and Technical Corrections', have not been applied prior to their application date. The Group does not believe these standards will have a material effect on its financial position and results.

In June 1999, the FASB issued SFAS No. 137, 'Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133'. SFAS No. 137 defers the effective date of SFAS No. 133 for one year to fiscal years beginning after 15 June 2000. Westpac is currently evaluating the expected impact of adopting SFAS No. 133, which will be required from 1 October 2000.

DIRECTORS' DECLARATION

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

(a) the financial reports of the Parent Entity and consolidated financial reports of Westpac Banking Corporation ('the Group') are drawn up:

   (i) so as to give a true and fair view of the performance of the Parent Entity and Group for the year ended 30 September 1999 and the financial position of the Parent Entity and Group as at 30 September 1999;

   (ii) in accordance with Accounting Standards and other mandatory professional reporting requirements; and

   (iii) in accordance with the Corporations Law;

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

Dated at Sydney this 4th day of November 1999.

For and on behalf of the Board.

J.A. Uhrig
Chairman

D.R. Morgan
Managing Director

INDEPENDENT AUDIT REPORT TO THE SHAREHOLDERS OF WESTPAC BANKING CORPORATION

Scope

We have audited the financial report of Westpac Banking Corporation ('the Parent Entity') and the consolidated financial report of Westpac Banking Corporation Group ('the Group') for the year ended 30 September 1999, consisting of the balance sheets, statements of profit and loss, changes in shareholders' equity and cash flows and the accompanying notes to the financial statements as set out on pages 47 to 117. The Parent Entity's Directors are responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of this financial report in order to express an opinion on them to the shareholders of the Parent Entity.

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

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

Audit opinion

In our opinion, the financial report of the Parent Entity and the Group are in accordance with:

(a) the Corporations Law, including:

   (i) giving a true and fair view of the Parent Entity's and the Group's state of affairs as at 30 September 1999 and 1998 and of the Parent Entity's results of operations and its cash flows for each of the two years ended 30 September 1999 and the Group's results of operations and its cash flows for each of the three years ended 30 September 1999; and

   (ii) complying with Accounting Standards and the Corporations Regulations;

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

(c) other mandatory professional reporting requirements.

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

Generally accepted accounting principles in Australia vary in certain respects from generally accepted accounting principles in the United States. An explanation of the major differences between the two sets of principles is presented in note 45 to the financial statements. The application of the United States principles would have affected the determination of consolidated net income for each of the three years in the years ended 30 September 1999 and the determination of consolidated shareholders' equity at 30 September 1999, 1998 and 1997 to the extent summarised in note 45 to the financial statements.

R.S. Lynn

R. Chowdry

Chartered Accountants

Shareholding information

Top twenty ordinary shareholders as at 5 October 1999

	Number of Fully Paid Ordinary Shares	% Held
Chase Manhattan Nominees Ltd	232,214,652	12.53
National Australia Trustees Limited	164,200,000	8.86
Westpac Custodian Nominees Ltd	133,436,793	7.20
National Nominees Ltd	102,874,542	5.55
Lend Lease Custodian Pty Ltd	100,019,336	5.40
ANZ Nominees Ltd	47,152,366	2.55
Citicorp Nominees Pty Limited	30,994,764	1.67
Queensland Investment Corporation	30,391,834	1.64
Australian Mutual Provident Society	29,561,878	1.60
MLC Limited	23,445,611	1.27
BT Custodial Services Pty Limited	19,058,173	1.03
Cede & Co	18,911,625	1.02
Perpetual Trustees Nominees Ltd	17,761,077	0.96
Mercantile Mutual Life Insurance Company Limited	15,145,695	0.82
Australian Foundation Investment Company Limited	10,661,616	0.58
National Mutual Life Association of Australasia Limited	9,556,097	0.52
BTM Nominees (Australia) Pty Ltd	8,912,049	0.48
National Mutual Trustees Limited	7,722,242	0.42
AMP Nominees Pty Limited	7,508,385	0.41
NRMA Investments Pty Limited	7,303,600	0.39
	1,016,832,335	54.90

Top twenty shareholders hold 54.9% of total fully paid ordinary shares issued.

Substantial shareholders as at 5 October 1999

Shareholders appearing on the Register of Substantial Shareholders as at 5 October 1999 are:

	Number of Shares Held	% of Shares Held
Fully Paid Ordinary Shares		
Associates of Lend Lease Corporation Limited (by notice dated 7 April 1997)	180,752,427	10.15[1]
The Capital Group of Companies (by notice dated 9 January 1998)	156,740,747	8.26
Citibank Limited (by notice dated 13 October 1998)	134,740,368	7.00[1]
Australian Mutual Provident Society (and its associates) (by notice dated 10 November 1998)	220,364,227	11.60

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

Analysis of shareholdings as at 5 October 1999

By class:

	Ordinary Shares Fully Paid	%	No. of Ordinary Shares (000)	%	Ordinary Shares Partly Paid to 10¢	Ordinary Shares Partly Paid to 01¢	[1]Options to subscribe for Ordinary Shares
1 – 1,000	91,951	48.5	42,407	2.3	–	–	–
1,001 – 5,000	73,176	38.6	166,805	9.0	–	–	17
5,001 – 10,000	14,024	7.4	99,091	5.3	2	5	123
10,001 – 100,000	9,940	5.2	214,666	11.6	–	3	525
100,001 & over	526	0.3	1,329,610	71.8	–	–	88
Totals	189,617	100.0	1,852,579	100.0	2	8	753
Percentage of total securities held by Top 20 holders in each class				54.90	100.00	100.00	21.29
Holdings less than a marketable parcel	7,653						

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

By domicile:

	[1]Number of Holdings	% of Holdings	Number of Issued Shares & Options (000s)	% of Issued Shares & Options
Australia	175,414	92.14	1,834,535	96.67
New Zealand	9,894	5.20	23,185	1.22
United Kingdom	1,813	0.95	5,626	0.30
Japan	1,516	0.80	4,516	0.24
United States of America	571	0.30	20,802	1.09
Other Overseas	1,172	0.61	9,146	0.48
Totals	190,380	100.00	1,897,810	100.00

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

Westpac credit ratings (November 1999)

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

Control of registrant

We are not directly or indirectly owned or controlled by any other corporation(s) or by any foreign government. Under our Deed of Settlement, no person (including corporations) may hold more than 10% (or with the approval of our Board of Directors such other percentage not exceeding 15%) of our outstanding shares.

(See also 'Exchange Controls and Other Limitations affecting Security Holders - Foreign Acquisitions and Takeovers Act 1975 and Financial Sector (Shareholdings) Act 1998'.)

At 30 September 1999, Australian Mutual Provident Society and its associates owned approximately 12.02% of our outstanding ordinary shares. As of that date, to our knowledge, no other person owned beneficially, directly or indirectly, more than 10% of our outstanding ordinary shares. At 30 September 1999, Our Directors and Executive Officers owned beneficially, directly or indirectly, an aggregate of 3,888,248 of the fully paid ordinary shares outstanding or 0.21% thereof.

Participants in the General Management Share Option Plan approved by our shareholders in December 1998, are granted options to acquire fully paid ordinary shares issued by us. Participants are limited to selected executives at General Manager level or above. Non-executive Directors are not eligible to participate in the plan and no Executive Directors may participate in the plan without specific shareholder approval.

Control of registrant (continued)

No consideration is payable for the grant of an option under the General Management Share Options Plan. The exercise price is equal to the average closing price of our ordinary shares on the Australian Stock Exchange during the five business days before the date of the offer of options to the selected executive. The options have a ten year life and are subject to a performance requirement 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 our 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 at the time of the commencement of each performance period. Upon exercising an option, the officer has the right to take up his or her entitlement in whole or in part (but in multiples of 1,000) as fully paid ordinary shares. The exercise price is payable at that time. If an option is not exercised prior to the end of its term it lapses. At 30 September 1999, 14 officers held options under the General Management Share Options Plan.

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

Pursuant to amendments to the Senior Officers' Share Purchase Scheme rules, approved by our shareholders in January 1988, we have granted options to senior officers to purchase ordinary shares. The option term is five years. Options are exercisable during the last two years of the term or within 12 months of retirement or death in service.

Pursuant to further amendments to the Senior Officers' Share Purchase Scheme rules, approved by our shareholders in December 1998, options granted by us following those amendments have a term of ten years and are exercisable during the last seven years of the term or within 12 months of retirement or death in service.

The consideration payable for the grant of an option prior to December 1998 was $0.01 per share. From December 1998, no consideration is payable. The exercise price is equal to the closing market price of our ordinary shares on the Australian Stock Exchange on the day before the option is offered to the senior officer. Upon exercising an option, the officer has the right to take up his or her entitlement in whole or in part (but in multiples of 1,000) as fully paid shares - in which event the whole of the exercise price (less the $0.01 per share if paid upon grant of the option) becomes payable. If an option is not exercised prior to the end of its term, it lapses and the $0.01 per share, if previously paid, is forfeited by the officer.

Eligibility for participation in the Senior Officers' Share Purchase Scheme, as now constituted, is restricted to our full-time employees who do not qualify for the General Management Share Option Plan and who are designated by the Directors from time to time to have achieved the status equal to or above senior officer. At 30 September 1999, there were 757 senor officers (767 in 1998) who held partly paid ordinary shares or options under the Senior Officers' Share Purchase Scheme. Managing Director Dr D.R. Morgan held 175,000 options at $7.10 per ordinary share exercisable by 28 January 2002 and 500,000 options at $7.89 per ordinary share exercisable by 29 September 2002. Executive Director Mr R.P. Handley held 200,000 options at $5.51 per ordinary share exercisable by 29 January 2001 and 500,000 options at $7.89 per ordinary share exercisable by 29 September 2002.

Pursuant to a resolution passed at a special general meeting on September 2, 1999, our Managing Director, Dr D.R. Morgan, holds three tranches of non-transferable options, each tranche enabling him to subscribe for 1,000,000 ordinary shares at a price of $10.83 per share. The first tranche is exercisable between 1 March 2002 and 1 March 2009. The second tranche is exercisable between 1 March 2003 and 1 March 2009. The third tranche is exercisable between 1 March 2004 and 1 March 2009. All tranches are subject to a performance requirement that will determine the particular proportion which may be exercised following the end of the performance period for that tranche. The performance hurdles compare the total shareholder returns received by our 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 at the time of the commencement of each performance period.

Pursuant to a resolution passed at a special general meeting of Westpac on 15 July 1993, our former Managing Director, Mr R.L. Joss, held three tranches of non-transferable options, each enabling him to subscribe for 1,666,667 ordinary shares at a price of $2.85 per share. The first tranche was exercised during 1997 and the second and third tranches during 1999. Pursuant to a resolution passed at a special general meeting of Westpac on 18 December 1997, former Managing Director, Mr R.L. Joss, also held three tranches of non-transferable options, each enabling him to subscribe for 700,000 ordinary shares at a price of $10.27 per share. These options lapsed upon Mr. Joss's resignation as a Director on 30 June 1999.

The number of unissued shares offered under the Senior Officers' Share Purchase Scheme and General Management Share Option Plan in a 12-month period, when aggregated with the number of issued and unissued ordinary shares the subject of allocations, awards or offers under all of our other employee incentive schemes during that same period, will not exceed 1% of the largest number of ordinary shares on issue during that period. The plans also contain a provision which ensures compliance with the 5% over 5 years rule set under the Australian Securities and Investment Commission class order relief from the prospectus regime of the Corporations Law.

The names of all persons who hold options currently on issue are entered in our register of option holders which may be inspected at Computershare Registry Services Pty Limited, 60 Carrington Street, Sydney, New South Wales.

Market price information

The principal listing of our ordinary shares is on the Australian Stock Exchange. American Depositary Shares, each representing five ordinary shares, are listed on the New York Stock Exchange. The ordinary shares are also listed on the Tokyo Stock Exchange and the New Zealand Stock Exchange.

The table below sets forth, for the calendar periods indicated, the reported high and low market quotations for our ordinary shares on the Australian Stock Exchange based on its daily official list.

	Per Ordinary Share in A$	
	High	Low
Quarter ending		
1999		
March	11.73	10.27
June	12.06	9.55
September	10.26	9.15
1998		
March	10.80	9.72
June	11.45	9.15
September	10.86	8.72
December	10.95	8.36
1997		
March	7.90	6.93
June	8.10	6.43
September	9.10	7.66
December	9.91	7.10

The table below sets forth, for the calendar periods indicated, the reported high and low sales prices for the American Depositary Shares.

	Per American Depository Share	
	High	Low
Quarter ending		
1999		
March	36 13/16	32 3/8
June	38 13/16	31 15/16
September	33 9/16	29 13/16
1998		
March	36	30 3/4
June	37 1/4	27 3/16
September	33 7/8	26 1/16
December	34 1/16	25 15/16
1997		
March	29 7/8	27
June	30	25 5/8
September	32 15/16	28 3/16
December	32 7/16	26

Morgan Guaranty Trust Company of New York acts as depositary for our American Depositary Shares.

At 30 September 1999, there were 188,631 record holders, compared to 171,450 in 1998 and 143,440 in 1997, respectively of our outstanding fully paid ordinary shares. Record holders with registered addresses in Australia held approximately 98% of our fully paid ordinary share capital at 30 September 1999, 1998 and 1997, respectively.

Our 9 1/8% subordinated debentures due 2001 and 7 7/8% subordinated debentures due 2002 are not listed on any securities exchange. Several investment banks make a market in those debentures in the United States, but such market making may be terminated at any time.

We previously issued 80,000,000 fully paid Converting Preference Shares at the price of A$7.50 per share, including a $6.50 premium. These shares, which were subject to certain restrictions and were listed on the Australian Stock Exchange only, were entitled to a fixed preferential non-cumulative dividend and were converted into our ordinary shares by 30 June 1998. The ratio of new ordinary shares to converting preference shares issued on conversion (1:1) was linked to the weighted average share price of the ordinary shares sold through the Australian Stock Exchange during the 20 trading days immediately before the conversion dates, discounted by 5%.

The table below shows, for the calendar periods indicated, the reported high and low market quotations for the Converting Preference Shares.

	Per Converting Preference Share in A$	
	High	Low
Quarter ending		
1998		
March	10.74	9.71
June	11.35	9.20
September	–	–
December	–	–
1997		
March	8.55	8.16
June	8.48	8.00
September	9.08	8.30
December	9.65	7.86

Exchange controls and other limitations affecting security holders

Australian exchange controls

The Australian Banking (Foreign Exchange) Regulations and other Australian legislation and regulations control and regulate or permit the control and regulation of a broad range of payments and transactions involving non-residents of Australia. Pursuant to certain general and specific exemptions, authorities and approvals, however, we are not restricted from transferring funds from Australia or placing funds to the credit of non-residents of Australia subject to:

(i) withholding taxes (see 'Taxation') in relation to remittances of dividends (to the extent they are unfranked) and interest payments;

(ii) a restriction on making payments from Australia to the Government of Iraq, its agencies or nationals; and

(iii) a restriction on transactions involving the transfer of funds or payments to or from, by the order of, or on behalf of the authorities in the Federal Republic of Yugoslavia (Serbia and Montenegro), or their agencies, who are not residents of Australia; and

(iv) a restriction on transactions involving the transfer of funds or payments to, by the order of, or on behalf of:

- the Government of Libya or a public authority of Libya;
- any commercial, industrial or public utility undertaking owned or controlled, directly or indirectly, by the Government of Libya, or by a public authority of Libya, or by an entity that is owned or controlled by the Government of Libya or a public authority of Libya; or
- any person acting for or on behalf of the Government of Libya or a public authority of Libya or an undertaking or entity as described above.

Notwithstanding the restrictions referred to in paragraphs (ii), (iii) and (iv) above, the Reserve Bank of Australia may approve certain transactions in circumstances it deems appropriate.

Effectively, the only exchange controls limiting the purchase of domestic securities by non-residents retained in terms of us are the Foreign Exchange Regulations relating to the requirement of the Reserve Bank of Australia approval for investment in Australia by central banks, foreign governments and foreign government agencies, which are holders of the official exchange reserves of their country and do not act independently of their government with respect to investment decisions.

Limitations affecting security holders

The following Australian laws impose limitations on the right of non-residents or non-citizens of Australia to hold, own or vote shares in us. Our Deed of Settlement also imposes limitations on the right of persons to own or vote shares. All these limitations apply to the holders of the American Depositary Receipts evidencing American Depositary Shares, issued by us in the United States.

Foreign Acquisitions and Takeovers Act 1975

Acquisitions of interest in shares in Australian companies by foreign interests are subject to review and approval by the Treasurer of Australia under the Foreign Acquisitions and Takeovers Act 1975. That statute applies to any acquisition of 15% or more of the outstanding shares of an Australian company or any acquisition which results in one foreign person including a corporation or group of associated foreign persons controlling 15% or more of total voting power. In addition, the statute applies to any acquisition by non-associated foreign persons resulting in foreign persons controlling, in the aggregate, 40% or more of total voting power or ownership. The statute requires any persons proposing to make any such acquisition to first notify the Treasurer of their intention to do so. Where such an acquisition has already occurred, the Treasurer has the power to order divestment. At 5 October 1999, approximately 3.33% of our fully paid outstanding ordinary shares were held by shareholders with registered addresses outside Australia, of which 1.02% was represented by American Depositary Shares listed on the New York Stock Exchange.

Financial Sector (Shareholdings) Act 1998

The Financial Sector (Shareholdings) Act 1998 of Australia imposes restrictions on shareholdings in Australian financial sector companies (which includes us). Under that statute a person (including a corporation) may not hold more than a 15% 'stake' in a financial sector company without prior approval from the Treasurer of Australia. A person's stake in a financial sector company is equal to the aggregate of the person's voting power in the company and the voting power of the person's associates. The concept of voting power is very broadly defined. The Treasurer may approve a higher percentage shareholding limit if the Treasurer is satisfied that it is in the national interest to do so.

In addition, even if a person does not exceed the 15% shareholding limit in a financial sector company, the Treasurer has the power to declare that a person has 'practical control' of a financial sector company and require the person to relinquish that control or reduce their stake in that company.

Corporations Law

The Corporations Law, as applied to us, prohibits any person (including a corporation) from acquiring voting shares in us if, after the acquisition, that person or any other person would be entitled to more than 20% of the voting shares in us. The prohibition is subject to certain limited exceptions which must strictly be complied with to be applicable. In addition, under the Corporations Law any person who is or becomes entitled to 5% or more of the voting shares in us is required to give a substantial shareholder notice to us and to the Australian Stock Exchange.

The concepts of 'entitlement' and 'acquire' are broadly defined in the Corporations Law and investors are advised to seek their own advice on their scope. In general terms a person is considered to be 'entitled' to a share under the Corporations Law, if he or an associate (as defined in the Corporations Law) has, or is deemed to have, power (whether direct or indirect and whether legally enforceable or not and irrespective of certain restrictions and restraints on such power and other matters and things as specified in the Corporations Law):

(i) to exercise, or to control the exercise of, the right to vote attached to that share; or

(ii) to dispose of, or to exercise control over the disposal of, that share;

and a person is considered to have 'acquired' a share under the Corporations Law when they have acquired such power over such share.

Deed of Settlement

Our Deed of Settlement prohibits any person from owning more than the 'prescribed percentage', which is 10%, or, in certain circumstances, such other percentage not exceeding 15%, as determined by our Board of Directors, of our outstanding shares.

In order to give effect to the prescribed percentage limitations on ownership of the ordinary shares, the Deed of Settlement provides that our Board of Directors may cause us to give any shareholder notice requiring that the shareholder dispose of that number of shares as exceed such limitation. Such disposition must be effected within three months, in default of which our Board of Directors may sell such shares in such manner and upon such terms as they, in their absolute discretion, determine. A share transfer signed by any Director in order to give effect to any such sale shall be as valid and effective as if signed by the shareholder. The net proceeds of any such sale are to be paid to the shareholder.

The Deed of Settlement also provides that if our Board of Directors are satisfied that a shareholder holds shares in a representative or custodial capacity in accordance with the provisions of any law, contract or other binding requirement or rule, compliance with which is necessary to permit or facilitate the listing of shares or dealing in such shares, and the shareholder is ultimately accountable to other persons in relation to those shares or hold those shares for the ultimate benefit of others, our Board of Directors may by resolution declare that shareholder to be a 'Stock Market Fiduciary'. In its capacity as such, a Stock Market Fiduciary may hold more than 10% of our outstanding shares, notwithstanding the 10% limitation. This exception is without prejudice to the other limiting provisions of the Deed of Settlement in relation to any other person, including the beneficial owner of the shares held by the Stock Market Fiduciary.

The deposit agreement

Pursuant to the Deposit Agreement among Morgan Guaranty Trust Company of New York as depositary, and us, and the record holders from time to time of all American Depositary Receipts issued thereunder, record holders of American Depositary Receipts must comply with our requests for information as to the capacity in which such holders own American Depositary Receipts and related ordinary shares, as well as to the identity of any other person interested in such American Depositary Receipts and related ordinary shares and the nature of such interest. In addition, the Deposit Agreement applies all of the provisions of our Deed of Settlement to American Depositary Receipts holders.

Enforceability of foreign judgments in Australia

We are an Australian public corporation having limited liability. All of our directors and executive officers reside outside the United States. Substantially all or a substantial portion of the assets of those persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them judgments obtained in United States courts predicated upon the civil liability provisions of the Federal securities laws of the United States. We have been advised by our Australian counsel, Allen Allen & Hemsley, that there is doubt as to the enforceability in Australia, or in actions for enforcement of judgments of United States courts, of civil liabilities predicated upon the Federal securities laws of the United States. We have expressly submitted to the jurisdiction of New York State and United States Federal courts sitting in the City of New York for the purpose of any suit, action or proceedings arising out of the offering of securities in the United States. We have appointed our Senior Vice-President and Head of Legal and Compliance – Americas & Europe, 39th Floor, 575 Fifth Avenue, New York, New York 10017 as our agent upon whom process may be served in any such action.

Taxation

The statements of Australian and United States tax laws set out below are based on the laws of Australia and the United States and the Convention between the Government of the United States of America and the Government of Australia for the Avoidance of Double Taxation and The Prevention of Fiscal Evasion with Respect to Taxes on Income (the 'Tax Treaty') in force as of the date of this annual report, and are subject to changes in such domestic laws and the Tax Treaty occurring after that date.

Income tax in both Australia and the United States on income passing between residents of Australia and the United States is governed by the domestic laws of each country.

For purposes of this discussion, the term ordinary share includes the American Depositary Receipts representing ordinary shares.

The following comments reflect the Australian tax position as at 30 September 1999. It is anticipated that certain aspects of Australian tax law, including those outlined below, will change when the Australian Government releases new tax legislation in response to the recommendations made in the Ralph Report on Business Tax Reform.

Taxation of interest

Interest paid on debentures will be paid without deduction or withholding of Australian taxes subject to specific exceptions stipulated in the debenture documentation.

Under current Australian law, payments of interest to a non-resident of Australia by an Australian resident are in most cases subject to a 10% withholding tax. However, an exemption from such withholding tax may be available in the case of certain public or widely distributed debentures issued by Australian resident borrowers. We have obtained from the Australian Commissioner of Taxation a certificate of exemption from interest withholding tax in respect of the debentures. Under such certificate, a debenture holder who is not a resident of Australia and who does not derive the interest in carrying on business at or through a permanent establishment in Australia will not incur or become liable for any Australian income or withholding tax on interest payable in respect of the debentures.

Taxation of dividends

Under the Australian dividend imputation system, tax paid at the company level will be imputed, or allocated, to shareholders by means of imputation credits attached to dividends received by them. Such dividends are referred to as 'franked dividends'. While a company may only declare dividends out of profits, the extent to which a company may frank a dividend will depend upon the balance in its franking account. Credits to the franking account will, in general terms, arise when the company's tax instalments or assessments are paid or if franked dividends are received from another company.

Franked dividends payable to shareholders who are non-residents of Australia are not subject presently to dividend withholding tax (to the extent they are franked).

Under the Tax Treaty, a 15% dividend withholding tax will apply to unfranked dividends (or part thereof) paid by an Australian resident company if United States resident shareholders are beneficially entitled to such dividends. If shareholders, who are residents of the United States, have a permanent establishment in Australia or perform independent personal services from a fixed base in Australia and the shares with respect to which the dividends are paid are effectively connected with such permanent establishment or fixed base, withholding tax at the rate of 30% will apply to the extent the dividends are not franked.

The final dividend paid in January 1999 and the interim dividend paid in July 1999 were fully franked. All client and ordinary shareholders will be advised as to the extent to which each future dividend will be franked.

Gain or loss on disposition
A share is an asset for Australian capital gains tax purposes if it was acquired after 19 September 1985. Unless the asset disposed of is held as part of a trade or business conducted through a permanent establishment in Australia, any profit derived on the sale or other disposition of the asset would not generally constitute ordinary income subject to Australian tax. Conversely, where the asset is held as part of a trade or business conducted through a permanent establishment in Australia, any profit would be assessable to income tax and any loss would constitute an allowable deduction.

A profit which is not assessable as ordinary income may, nevertheless, constitute an assessable capital gain for Australian income tax purposes. Income tax on capital gains is payable on real gains over the period in which the asset has been held, i.e. the difference between the disposal price and the original cost indexed for inflation over that period. Indexation is not available in respect of assets held for less than twelve months. Normal rates of income tax apply to capital gains so calculated. Capital losses are not subject to indexation. Capital losses are available as deductions but only in the form of an offset against other capital gains. If an asset is held by one person for another person who is absolutely entitled to the asset as against the first person, the other person is regarded as the owner of the asset for capital gains purposes.

An important exemption from the liability to Australian income tax on capital gains derived by a non-resident on the sale or other disposition of shares in public companies (of which we are one) is where the non-resident and associates have held less than 10% of the issued share capital of the public company at all times during the period of five years immediately preceding the disposal. As our shareholders are generally precluded from holding individually more than 10% of our issued shares, non-residents will generally not be liable to Australian income tax on any capital gain derived by them on the sale or other disposition of our shares.

Currency of presentation, exchange rates and certain definitions
We publish our consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to 'US$' or 'US dollars' are to United States dollars, references to 'dollar amounts', '$' or 'A$' are to Australian dollars and references to NZ$ are to New Zealand dollars. Merely for the convenience of the reader, this Annual Report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or have been or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of US$0.6528 = A$1.00, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the 'Noon Buying Rate') on 30 September 1999. See 'Exchange Rates' for information regarding the rates of exchange between the Australian dollar and the US dollar from financial year ended 30 September 1995 to 1 November 1999.

Our financial year ends on 30 September. As used throughout this Annual Report, the financial year ended 30 September 1999 is referred to as 1999, and other financial years are referred to in a corresponding manner.

'Financial Statements' means our audited consolidated balance sheets as at 30 September 1999 and 1998 and consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended 30 September 1999, together with accompanying notes, which are included in this Annual Report.

Any discrepancies between totals and sums of components in tables contained herein are due to rounding.

Exchange rates
For each of our fiscal years indicated, the high, low, average and year end Noon Buying Rates for Australian dollars were:

Year ended 30 September	2000	1999	1998	1997	1996	1995
			(US$ per A$1.00)			
High	0.6633	0.6712	0.7386	0.8180	0.8026	0.7778
Low	0.6376	0.5887	0.5550	0.7163	0.7318	0.7100
Average [2]	n/a	0.6376	0.6444	0.7700	0.7718	0.7429
Close (on 30 September) [3]		0.6528	0.5930	0.7250	0.7912	0.7556

1 Through 2 November 1999. On 2 November 1999, the Noon Buying Rate was $A1.00 = US$0.6405.
2 The average of the exchange rates on the last day of each month during the period.
3 The Noon Buying Rate at such date may differ from the rate used in the preparation of our consolidated financial statements at such date. See note 1(a) iii of notes to the financial statements.

Management

The business of Westpac is governed by a Board of Directors of no fewer than seven and no more than 15 in total, exclusive of executive directors. At 30 September 1999, the Directors were:

Name of Director	Position	Year appointed
John Allan Uhrig[4]	Chairman[1 2 3]	1989
David Raymond Morgan[5]	Managing Director	1997
William Barrett Capp	Director[3]	1993
Sir Llewellyn Roy Edwards	Director[3]	1988
John Brehmer Fairfax	Director[2]	1996
Roger Patrick Handley	Executive Director	1997
Ian Rainy Lance Harper	Director[1]	1987
Warren Pat Hogan	Director[2]	1986
Helen Ann Lynch	Director[1]	1997
Eve Mahlab	Director[2]	1993
John Powell Morschel[6]	Director[1]	1993
Peter David Ritchie	Director[3]	1993
Christopher John Stewart	Director[2]	1997

1 Member of the Board Audit Committee, which reviews Westpac's accounting and financial reporting practices, including the activities of internal and external auditors.
2 Member of the Board Credit and Market Risk Committee, which reviews and monitors Westpac's credit decisions, policies and control procedures, bad and doubtful debts performance and policies governing management of Westpac's credit portfolio. Above certain limits, credit decisions are made by this Committee.
3 Member of the Board Remuneration Committee, which reviews Westpac's personnel matters, including remuneration, merit recognition, recruiting policies, management development, training policies and succession planning.
4 Appointed as Chairman on 1 October 1992.
5 Appointed as a Managing Director on 1 March 1999.
6 Resigned as an Executive Director on 12 November 1997 and appointed a non-executive Director as at that date.

At 30 September 1999 our Executive Officers were:

Name of Executive Officer	Position	Year joined Group	Year appointed to position
David R. Morgan	Managing Director and Chief Executive Officer	1990	1999[1]
David M. Fite	Group Executive, Westpac Financial Services and Global Transactions and Treasury Solutions	1994	1999
Alexandra E. Holcomb	General Manager, Group Strategy	1996	1999
R. Patrick Handley	Executive Director and Chief Financial Officer	1993	1997
Michael J. Hawker	Group Executive, Australian Banking Group	1995	1997
Bettie A. McNee	Group Secretary and General Counsel	1995	1995
Robert W. J. Nimmo	Group Executive and Chief Credit Officer	1993	1994
Harry M. Price	Group Executive, New Zealand and Pacific Regional Banking	1961	1999
Ann C. Sherry	Head of Group Human Resources	1994	1999
H. Richard Thomas	Group Executive, Australian Banking Services	1995	1998
David S. Willis	Group Executive, Westpac Institutional Banking	1996	1999

1 Appointed as a Managing Director on 1 March 1999.

Executive Officers serve at the discretion of the Board of Directors.

There are no family relationships between or among any of the Directors or Executive Officers.

Term of the directors
Our Board of Directors has the power to appoint persons as Directors to fill any vacancies. Our Deed of Settlement provides that at every Annual General Meeting one-third of non-executive directors (or the nearest number to one-third but not exceeding one-third) shall retire from office and shall be eligible for re-election. The Directors to retire by rotation shall be those who have been the longest in office.

The office of a Director shall become vacant upon the termination of the Annual General Meeting held next after he or she attains the age of 72 years. An Executive Director retires from that position upon retirement or resignation from us.

Signatures
Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20 F and has duly caused this Annual Financial Report to be signed on its behalf by the undersigned, thereunto duly authorised.

WESTPAC BANKING CORPORATION

By:

Lewis E. Love, Jr
Senior Vice President and Head of Legal and Compliance –
Americas and Europe

Dated 4 November 1999

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