

# The details



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](http://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.

## Annual Financial Report 2000

|  |            |
|--|------------|
| Form 20-F cross reference index                    | 2          |
| <b>Information on Westpac</b>                      | <b>3</b>   |
| <b>Financial review</b>                            | <b>9</b>   |
| Selected consolidated financial and operating data | 10         |
| Operating and financial review and prospects       | 15         |
| Overview of performance                            | 15         |
| Profit and loss review                             | 17         |
| Balance sheet review                               | 20         |
| Business group results                             | 21         |
| Risk management                                    | 24         |
| Capital management                                 | 29         |
| <b>Board of Directors</b>                          | <b>30</b>  |
| <b>Corporate Governance</b>                        | <b>32</b>  |
| <b>Remuneration philosophy and practice</b>        | <b>36</b>  |
| <b>Five year summary</b>                           | <b>40</b>  |
| <b>Financial report</b>                            | <b>41</b>  |
| <b>Shareholding information</b>                    | <b>117</b> |

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 'Information on Westpac', 'Financial review' and 'Shareholding information' include Westpac and its subsidiaries unless they clearly mean just Westpac Banking Corporation.

## Form 20-F 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  |                                    |
| Part I  |                                    |
| Item 1. Identity of directors, senior management and advisers   | Not applicable                     |
| Item 2. Offer statistics and expected timetable   | Not applicable                     |
| Item 3. Key information   | 10                                 |
| Item 4. Information on Westpac  | 3                                  |
| Item 5. Operating and financial review and prospects  | 15, 69, 70, 71, 72, 81, 92, 97     |
| Item 6. Directors, senior management and employees  | 6, 30, 34, 35, 36, 37, 38, 39, 128 |
| Item 7. Major shareholders and related party transactions   | 106, 118                           |
| Item 8. Financial information   | 10, 42                             |
| Item 9. The offer and listing   | 121                                |
| Item 10. Additional information   | Not applicable                     |
| Item 11. Quantitative and qualitative information about market risk   | 26                                 |
| Item 12. Description of securities other than equity securities   | Not applicable                     |
| Part II   |                                    |
| Item 13. Defaults, dividend arrearages and delinquencies  | Not applicable                     |
| Item 14. Material modifications to the rights of security holders and use of proceeds                           | Not applicable                     |
| Item 15. (Reserved)   | Not applicable                     |
| Item 16. (Reserved)   | Not applicable                     |
| Part III  |                                    |
| Item 17. Financial statements   | Not applicable                     |
| Item 18. Financial statements   | Not applicable                     |
| Item 19. Financial statements and exhibits  | 42-116                             |
| Report of independent auditors  | 116                                |
| Consolidated statements of income for the years ended 30 September 2000, 1999 and 1998                          | 43                                 |
| Consolidated balance sheets as at 30 September 2000 and 1999  | 44                                 |
| Consolidated statements of cash flows for the years ended 30 September 2000, 1999 and 1998                      | 45                                 |
| Consolidated statements of changes in shareholders' equity for the years ended 30 September 2000, 1999 and 1998 | 46                                 |
| Notes to the financial statements   | 47                                 |

### 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 us, including its business operations and strategy and financial performance and condition. These statements appear under the headings 'operating and financial review and prospects', 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.

# Information on Westpac

## Overview

We are one of the four major banking organisations in Australia and one of the largest banks in New Zealand, and provide a broad range of banking and financial services in these markets, 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 2000, our market capitalisation was \$23 billion<sup>1</sup>. Our operations comprise three key areas of business, through which we serve around 7.8 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-size businesses in all states of Australia;
- Westpac Institutional Bank which provides banking and financial services to corporate, institutional and government customers, and also supplies products to small and medium-size businesses primarily in Australia and New Zealand; and
- New Zealand Retail which provides a full range of retail and commercial services to customers throughout New Zealand.

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 total assets at the financial years ended 30 September 2000, 1999 and 1998. See also note 25 to the financial statements which shows the segment information required by US SFAS 131 'Disclosure about Segments of an Enterprise and Related Information'.

### Operating profit after tax and before abnormals<sup>2</sup>

| Year ended 30 September                         | 2000<br>\$m | 1999<br>\$m | 1998<br>\$m |
|---|-------------|-------------|-------------|
| Australian Retail Financial Services            | 1,075       | 900         | 766         |
| Westpac Institutional Bank                      | 306         | 248         | 180         |
| New Zealand Retail                              | 250         | 258         | 212         |
| Other <sup>3</sup>                              | 84          | 50          | 184         |
| Operating profit after tax and before abnormals | 1,715       | 1,456       | 1,342       |

### Assets

| As at 30 September                   | 2000<br>\$bn | 1999<br>\$bn | 1998<br>\$bn |
|--------------------------------------|--------------|--------------|--------------|
| Australian Retail Financial Services | 101          | 82           | 74           |
| Westpac Institutional Bank           | 48           | 36           | 41           |
| New Zealand Retail                   | 15           | 16           | 17           |
| Other <sup>3</sup>                   | 4            | 6            | 5            |
| Total assets                         | 168          | 140          | 137          |

<sup>1</sup> The market capitalisation calculation is based on our Australian ordinary shares and our New Zealand Class shares.

<sup>2</sup> Internal charges and transfer pricing adjustments have been reflected in the operating profit reported for each of our business groups.

<sup>3</sup> Other includes the general provision for bad and doubtful debts (see note 13 to the financial statements), the results and the assets of our Group Treasury, Pacific Banking and Head Office functions.

## Australian Retail Financial Services

Australian Retail Financial Services consists of the combined results of Australian Retail Banking, Westpac Financial Services, Australian Guarantee Corporation and Global Transactional Services.

### *Australian Retail Banking*

We conduct our activities via a nationwide network of 857 branches, banking centres and in-store branches. Our customers also transact business with us via automatic teller machines, our national telephone banking and internet banking services. 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.

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 and insurance products and services are also marketed through the branch network.

We are a major provider of housing finance in Australia. At 30 September 2000, our owner-occupied residential mortgage loan portfolio in Australia was \$33 billion (net of securitised loans) of which approximately 78% were variable interest rate loans with maturities up to 30 years. Non-owner-occupied residential mortgage loans outstanding at 30 September 2000, amounted to \$16 billion of which approximately 63% related to variable interest rate loans with maturities up to 25 years.

### *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 branch network.

As at 30 September 2000, our financial services business had \$24 billion in funds under discretionary management and held \$104 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.

### *Australian Guarantee Corporation*

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

- Dealer Finance – wholesale finance to more than 250 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 \$9 billion, Australian Guarantee Corporation is one of Australia's largest finance companies.

### *eCommerce*

We are progressively eEnabling our business and customers. Examples include:

- internet banking registrations have increased to over 430,000 by October 2000, an increase of 236% on September 1999;
- we introduced 'pay others' functionality to our internet banking site in June 2000 and now process over 70,000 transactions per month by this means; and
- our online broking operations, launched in January 2000, now has over 51,000 accounts.

## Westpac Institutional Bank

Our institutional bank's target market includes corporate and institutional customers operating in Australasia and selected offshore institutions requiring Australian and New Zealand dollar-denominated products and services. Banking services are also provided 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
- lending

### Financial Markets

- foreign exchange
- derivatives
- commodities
- debt securities

Our institutional bank 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.

## 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 now operate in New Zealand through a branch network under the name WestpacTrust. We are one of the largest banks in New Zealand and provide a full range of retail and commercial banking services to customers in New Zealand. As at 30 September 2000, we had 209 branches, agencies and service centres and over 487 automatic teller machines.

## Pacific 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 south pacific region. In selected locations, we also offer finance company activities, such as leasing, equipment finance and motor vehicle loans.

## Property

We occupy a substantial number of properties in Australia and New Zealand, including 857 branches, banking centres, agencies and in-store branches in Australia and 209 in New Zealand. Approximately 16% of the premises we occupy in Australia and 27% in New Zealand are owned by us. As at 30 September 2000, the carrying value of our premises and sites was \$380 million.

## Principal capital expenditure/divestiture (including interests in companies)

For the purposes of this commentary we have defined a 'principal' capital expenditure/divestiture as a transaction over \$200 million.

The principal capital expenditure during the past three financial years was the acquisition of the Bank of Melbourne Limited and its controlled entities on 7 November 1997 for \$1.3 billion. There was no other principal capital expenditure. All other capital expenditure occurs in the normal course of business and is disclosed in the financial statements.

The principal capital divestiture during the past three financial years was the sale of properties under our sale and leaseback program. To date 74 properties have been sold in Australia with sale proceeds of \$320 million, and 32 properties in New Zealand with proceeds of \$25 million. There were no other principal capital divestitures. All other capital divestiture occurs in the normal course of business and is disclosed in the financial statements.

## Material contracts

On 12 October 2000, we announced that we had selected IBM Global Services Australia as the preferred supplier to manage our core banking technology platforms. We expect the detailed contractual negotiations to be completed by the end of November 2000.

## 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 and Australia's large insurance companies 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 30,520 full-time-equivalent employees<sup>1</sup> as at 30 September 2000. This represents a decrease of 3,054 from 30 September 1999. The majority of this reduction resulted from natural attrition. The 1999 total of 33,574 was 1,938 lower than 1998.

Approximately 45% of our employees in Australia were members of the Finance Sector Union in the year to September 2000, a decrease of 1% from the 1999 figures. We have not experienced any stoppages related to industrial disputes that have significantly affected our service.

All our current Enterprise Agreements have been certified by the Australian Industrial Relations Commission pursuant to the Workplace Relations Act 1996. These agreements, which commenced in 1998, continue in force until their expiry on 31 December 2000 (the primary exception is The Mortgage Company Agreement, which will expire on 31 March 2001). The current agreements continue to apply to employees until replacement agreements are settled. An interactive process of employee communication and feedback has been occurring concerning proposals for changes to the Enterprise Agreements. Negotiations with the Finance Sector Union will commence in January 2001.

We offer an employee share plan for permanent employees in Australia and New Zealand, 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 also provide superannuation (pension) plans for our employees in Australia, New Zealand and certain other countries in which we operate. Plan members are entitled to benefits on retirement, resignation or death. See note 29 to the financial statements for further information.

The number of employees in each area of business at 30 September 2000 is as follows <sup>1</sup>:

|                                      |               |
|--------------------------------------|---------------|
| Australian Retail Financial Services | 22,297        |
| Westpac Institutional Bank           | 1,227         |
| New Zealand Retail                   | 5,310         |
| Pacific Banking                      | 1,083         |
| Head Office functions and other      | 603           |
| <b>Total employees</b>               | <b>30,520</b> |

<sup>1</sup> 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 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 financial services regulatory framework involves four principal agencies: the Australian Prudential Regulation Authority, the Reserve Bank of Australia, the Australian Securities and Investments Commission and the Australian Competition and Consumer Commission.

The Australian Prudential Regulation Authority is responsible for the prudential supervision of authorised deposit-taking institutions, life and general insurance companies and superannuation funds. One of its roles is to protect the interests of depositors and insurance policyholders.

As a regulated authorised deposit-taking institution, we report to the Australian Prudential Regulation Authority such prudential information as the regulator requires in relation to capital adequacy, large exposures to customers and related entities, country exposure, credit quality and liquidity. Our controlled entities involved in general insurance and superannuation funds management also report to the Australian Prudential Regulation Authority. Reporting is supplemented by consultations, on-site inspections and targeted reviews by external auditors. External auditors also have an obligation to report on compliance with certain prudential standards, statutory and regulatory banking requirements, and on any matters that in their opinion may have the potential to materially prejudice the interests of depositors.

Australia's risk-based capital adequacy guidelines are generally consistent with the approach agreed by the Basle Committee on Banking Supervision. For details of our capital adequacy ratios see note 22 to the financial statements.

The Reserve Bank of Australia is responsible for monetary policy and maintenance of financial stability. This includes stability of the payments system and the Reserve Bank of Australia possesses regulatory powers to fulfil this responsibility.

The Australian Securities and Investments Commission regulates market conduct and provides protection to investors and consumers who use financial products and services such as shares, managed investment, insurance and superannuation.

The Australian Competition and Consumer Commission protects market competitiveness by ensuring fair trade practices including pricing practices.

These four regulatory agencies work with each other to ensure effective discharge of their respective duties and responsibilities.

### *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, and related 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 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, subject to the receivership power of the Comptroller of the Currency to the same extent as a national bank.



# Financial review

# Key Information

## Selected consolidated financial and operating data

We have derived the following selected financial information as of and for the financial years ended 30 September 2000, 1999, 1998, 1997 and 1996 from our audited consolidated financial statements and related notes.

You should read this information together with the 'Operating and financial review and prospects' and the audited consolidated financial statements and the accompanying notes.

The financial statements for 2000 were reported on by independent auditors, Messrs R. Chowdry and M.J. Codling, 1999, 1998 and 1997 by Messrs R.S. Lynn and R. Chowdry, and 1996 by Messrs M.J. Ullmer and R.S. Lynn. 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 generally accepted accounting principles ('GAAP'). Australian GAAP varies in certain respects from US GAAP. See note 45 to the financial statements. See also 'Currency of presentation, exchange rates and certain definitions'.

## Consolidated income statement data

|  | Year ended 30 September  |             |             |             |             |             |
|--|--------------------------|-------------|-------------|-------------|-------------|-------------|
|  | 2000<br>USD <sup>1</sup> | 2000<br>AUD | 1999<br>AUD | 1998<br>AUD | 1997<br>AUD | 1996<br>AUD |
| (in millions, unless otherwise stated)                                     |                          |             |             |             |             |             |
| <b>Amounts in accordance with Australian GAAP</b>                          |                          |             |             |             |             |             |
| Interest income  | 5,573                    | 10,291      | 8,348       | 8,896       | 8,551       | 8,520       |
| Fully tax equivalent gross up <sup>2</sup>                                 | 92                       | 169         | 127         | 128         | 127         | 68          |
| Interest income (including gross up)                                       | 5,665                    | 10,460      | 8,475       | 9,024       | 8,678       | 8,588       |
| Interest expense   | (3,561)                  | (6,576)     | (4,856)     | (5,404)     | (5,198)     | (5,266)     |
| Net interest income (including gross up)                                   | 2,104                    | 3,884       | 3,619       | 3,620       | 3,480       | 3,322       |
| Non-interest income  | 1,282                    | 2,368       | 2,139       | 2,003       | 1,739       | 1,472       |
| Operating income (including gross up)                                      | 3,386                    | 6,252       | 5,758       | 5,623       | 5,219       | 4,794       |
| Non-interest expenses  | (1,897)                  | (3,503)     | (3,434)     | (3,392)     | (3,228)     | (3,049)     |
| Operating profit before bad and doubtful debts (including gross up)        | 1,489                    | 2,749       | 2,324       | 2,231       | 1,991       | 1,745       |
| Bad and doubtful debts   | (109)                    | (202)       | (171)       | (168)       | (78)        | (121)       |
| Operating profit before income tax and abnormal items (including gross up) | 1,380                    | 2,547       | 2,153       | 2,063       | 1,913       | 1,624       |
| Fully tax equivalent gross up <sup>2</sup>                                 | (92)                     | (169)       | (127)       | (128)       | (127)       | (68)        |
| Operating profit before income tax and abnormal items (excluding gross up) | 1,288                    | 2,378       | 2,026       | 1,935       | 1,786       | 1,556       |
| Income tax attributable to operating profit                                | (357)                    | (660)       | (567)       | (589)       | (493)       | (421)       |
| Abnormal items (net of tax)  | -                        | -           | -           | (70)        | -           | -           |
| Outside equity interests in operating profit after income tax              | (2)                      | (3)         | (3)         | (4)         | (2)         | (3)         |
| Operating profit after income tax attributable to equity holders           | 929                      | 1,715       | 1,456       | 1,272       | 1,291       | 1,132       |
| Average number of fully paid ordinary shares outstanding <sup>3</sup>      | 1,883                    | 1,883       | 1,881       | 1,879       | 1,789       | 1,853       |
| Basic earnings per ordinary share (cents) after abnormals <sup>3</sup>     | 48.1                     | 88.8        | 77.0        | 66.4        | 70.0        | 58.9        |
| Dividends per ordinary share (cents)                                       | 29.2                     | 54.0        | 47.0        | 43.0        | 39.0        | 33.0        |
| Dividend payout ratio (after abnormals) <sup>4</sup>                       | 60.8%                    | 60.8%       | 61.0%       | 64.8%       | 55.7%       | 56.0%       |
| <b>Amounts in accordance with US GAAP</b>                                  |                          |             |             |             |             |             |
| Net income   | 827                      | 1,527       | 1,409       | 1,301       | 1,363       | 1,133       |
| Basic earnings per ordinary share (cents)                                  | 43.9                     | 81.1        | 74.9        | 68.0        | 74.0        | 59.0        |
| Dividend payout ratio <sup>4</sup>   | 66.6%                    | 66.6%       | 62.8%       | 63.2%       | 52.7%       | 55.9%       |

See page 13 for footnote explanations.

## Consolidated balance sheet data

|   | 2000<br>USD <sup>1</sup> | 2000<br>AUD    | Year ended 30 September |             |             |             |
|---|--------------------------|----------------|-------------------------|-------------|-------------|-------------|
|   |                          |                | 1999<br>AUD             | 1998<br>AUD | 1997<br>AUD | 1996<br>AUD |
| (in millions)   |                          |                |                         |             |             |             |
| <b>Amounts in accordance with Australian GAAP</b>           |                          |                |                         |             |             |             |
| <b>Period end balances</b>                                  |                          |                |                         |             |             |             |
| Total assets  | <b>90,765</b>            | <b>167,618</b> | 140,220                 | 137,319     | 118,963     | 121,513     |
| Loans net of provisions for bad and doubtful debts          | <b>58,229</b>            | <b>107,533</b> | 97,716                  | 91,738      | 77,874      | 81,201      |
| Interest earning assets                                     | <b>66,489</b>            | <b>122,787</b> | 113,992                 | 106,433     | 93,371      | 94,762      |
| Acceptances   | <b>8,483</b>             | <b>15,665</b>  | 10,249                  | 10,325      | 11,242      | 11,197      |
| Deposits and public borrowings                              | <b>48,732</b>            | <b>89,994</b>  | 85,546                  | 83,164      | 72,636      | 74,886      |
| Due to other financial institutions                         | <b>2,151</b>             | <b>3,972</b>   | 3,562                   | 4,343       | 4,570       | 5,419       |
| Total liabilities excluding loan capital                    | <b>83,101</b>            | <b>153,464</b> | 128,531                 | 126,185     | 108,862     | 111,423     |
| Loan capital  | <b>2,649</b>             | <b>4,892</b>   | 2,692                   | 2,523       | 1,895       | 2,199       |
| Ordinary equity <sup>5,6</sup>                              | <b>4,761</b>             | <b>8,792</b>   | 8,529                   | 8,606       | 8,200       | 7,885       |
| Trust originated preferred securities (TOPr <sup>SM</sup> ) | <b>252</b>               | <b>465</b>     | 465                     | –           | –           | –           |
| Outside equity interests (OEI)                              | <b>3</b>                 | <b>5</b>       | 3                       | 5           | 6           | 6           |
| <b>Average balances</b>                                     |                          |                |                         |             |             |             |
| Total assets  | <b>85,863</b>            | <b>158,566</b> | 140,350                 | 139,647     | 124,778     | 116,279     |
| Loans net of provisions for bad and doubtful debts          | <b>57,816</b>            | <b>106,771</b> | 94,693                  | 89,725      | 79,675      | 72,594      |
| Acceptances   | <b>6,721</b>             | <b>12,411</b>  | 10,959                  | 11,432      | 11,366      | 12,212      |
| Total equity <sup>5</sup>                                   | <b>5,163</b>             | <b>9,535</b>   | 8,712                   | 8,859       | 7,980       | 8,089       |
| <b>Amounts in accordance with US GAAP</b>                   |                          |                |                         |             |             |             |
| Average total assets <sup>7</sup>                           | <b>85,629</b>            | <b>158,133</b> | 147,604                 | 145,322     | 129,868     | 116,279     |
| Average ordinary equity <sup>5,6</sup>                      | <b>4,734</b>             | <b>8,742</b>   | 8,848                   | 8,686       | 8,034       | 7,776       |

See page 13 for footnote explanations.

## Summary of consolidated ratios

|   | 2000<br>USD <sup>1</sup> | 2000<br>AUD  | Year ended 30 September |             |             |             |
|---|--------------------------|--------------|-------------------------|-------------|-------------|-------------|
|   |                          |              | 1999<br>AUD             | 1998<br>AUD | 1997<br>AUD | 1996<br>AUD |
| (in millions, unless otherwise stated)  |                          |              |                         |             |             |             |
| <b>Ratios in accordance with Australian GAAP</b>  |                          |              |                         |             |             |             |
| <b>Profitability ratios (%)</b>   |                          |              |                         |             |             |             |
| Net interest margin   | <b>3.15</b>              | <b>3.15</b>  | 3.27                    | 3.44        | 3.59        | 3.72        |
| Return on average assets after abnormals  | <b>1.03</b>              | <b>1.03</b>  | 1.04                    | 0.91        | 1.03        | 0.97        |
| Return on average ordinary equity after abnormals <sup>5 6</sup>                        | <b>18.4</b>              | <b>18.4</b>  | 16.8                    | 14.7        | 17.0        | 14.6        |
| Return on average total equity after abnormals <sup>5</sup>                             | <b>18.0</b>              | <b>18.0</b>  | 16.7                    | 14.4        | 16.2        | 14.0        |
| Economic Profit (\$m) <sup>8</sup>  | <b>573</b>               | <b>1,058</b> | 669                     | 694         | 716         | 554         |
| <b>Capital ratio (%)</b>  |                          |              |                         |             |             |             |
| Average total equity to average total assets <sup>5</sup>                               | <b>6.0</b>               | <b>6.0</b>   | 6.2                     | 6.4         | 6.4         | 7.0         |
| <b>Earnings ratios</b>  |                          |              |                         |             |             |             |
| Basic earnings per ordinary share (cents) after abnormals <sup>3</sup>                  | <b>48.1</b>              | <b>88.8</b>  | 77.0                    | 66.4        | 70.0        | 58.9        |
| Fully diluted earnings per ordinary share (cents) after abnormals <sup>9</sup>          | <b>47.5</b>              | <b>87.7</b>  | 76.1                    | 64.5        | 67.8        | 57.1        |
| Dividends per ordinary share (cents)  | <b>29.2</b>              | <b>54.0</b>  | 47.0                    | 43.0        | 39.0        | 33.0        |
| Dividend payout ratio % (after abnormals) <sup>4</sup>                                  | <b>60.8</b>              | <b>60.8</b>  | 61.0                    | 64.8        | 55.7        | 56.0        |
| <b>Ratios in accordance with US GAAP</b>  |                          |              |                         |             |             |             |
| <b>Profitability ratios (%)</b>   |                          |              |                         |             |             |             |
| Net interest margin   | <b>3.15</b>              | <b>3.15</b>  | 3.27                    | 3.44        | 3.59        | 3.72        |
| Operating profit attributable to equity holders to average total assets                 | <b>0.97</b>              | <b>0.97</b>  | 0.96                    | 0.90        | 1.05        | 0.97        |
| Operating profit attributable to equity holders to average ordinary equity <sup>5</sup> | <b>17.5</b>              | <b>17.5</b>  | 15.9                    | 15.0        | 17.0        | 14.6        |
| <b>Capital ratio (%)</b>  |                          |              |                         |             |             |             |
| Average total equity to average total assets <sup>5 6</sup>                             | <b>5.5</b>               | <b>5.5</b>   | 6.0                     | 6.0         | 6.2         | 6.7         |
| Leverage ratio <sup>10</sup>  | <b>4.8</b>               | <b>4.8</b>   | 4.9                     | 4.8         | 5.9         | 5.1         |
| <b>Earnings ratios</b>  |                          |              |                         |             |             |             |
| Basic earnings per ordinary share (cents)   | <b>43.9</b>              | <b>81.1</b>  | 74.9                    | 68.0        | 74.0        | 59.0        |
| Fully diluted earnings per ordinary share (cents) <sup>9 11</sup>                       | <b>43.5</b>              | <b>80.1</b>  | 74.5                    | 66.7        | 72.4        | 57.6        |
| Dividends per ordinary share (US cents)   | <b>29.2</b>              | <b>29.2</b>  | 30.7                    | 25.5        | 28.3        | 26.1        |
| Dividend payout ratio % <sup>4</sup>  | <b>66.6</b>              | <b>66.6</b>  | 62.8                    | 63.2        | 52.7        | 55.9        |

See page 13 for footnote explanations.

## Credit quality analysis

|  | Year ended 30 September                              |              |             |             |             |             |
|--|--|--------------|-------------|-------------|-------------|-------------|
|  | 2000<br>USD <sup>1</sup>                             | 2000<br>AUD  | 1999<br>AUD | 1998<br>AUD | 1997<br>AUD | 1996<br>AUD |
|  | (in millions, except per share data and percentages) |              |             |             |             |             |
| Provisions for bad and doubtful debts  | <b>800</b>   | <b>1,478</b> | 1,500       | 1,600       | 1,588       | 1,847       |
| Total provisions to average loans and acceptances <sup>12</sup>                        | <b>1.22%</b>   | <b>1.22%</b> | 1.40%       | 1.56%       | 1.71%       | 2.13%       |
| Total provisions to total loans <sup>12</sup>  | <b>1.36%</b>   | <b>1.36%</b> | 1.51%       | 1.71%       | 2.00%       | 2.22%       |
| Total provisions to total loans and acceptances <sup>12</sup>                          | <b>1.19%</b>   | <b>1.19%</b> | 1.37%       | 1.54%       | 1.75%       | 1.96%       |
| Total impaired assets  | <b>321</b>   | <b>593</b>   | 644         | 852         | 869         | 1,353       |
| Total impaired assets to average loans and acceptances <sup>12</sup>                   | <b>0.49%</b>   | <b>0.49%</b> | 0.60%       | 0.83%       | 0.94%       | 1.56%       |
| Bad debt write-offs (net of recoveries)  | <b>130</b>   | <b>240</b>   | 227         | 222         | 321         | 366         |
| Bad debt write-offs (net of recoveries) to average loans <sup>12</sup>                 | <b>0.22%</b>   | <b>0.22%</b> | 0.24%       | 0.24%       | 0.39%       | 0.49%       |
| Bad debt write-offs (net of recoveries) to average loans and acceptances <sup>12</sup> | <b>0.20%</b>   | <b>0.20%</b> | 0.21%       | 0.22%       | 0.35%       | 0.42%       |

1 Australian dollar amounts have been translated into United States dollars solely for the convenience of the reader at the rate of A\$1.00 = US\$0.5415, the noon buying rate on 30 September 2000. 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.

3 Based on average number of fully paid ordinary shares outstanding, including 54 million New Zealand Class shares in 2000 only, and after deducting preference dividends of A\$nil million in 2000 and 1999 (1998 A\$24 million, 1997 A\$39 million, 1996 A\$39 million) and distributions on other equity instruments of A\$43m (A\$8 million in 1999, A\$nil million in 1998, 1997 and 1996).

4 Calculated by dividing the dividends per ordinary share by the basic earnings per ordinary share.

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 GAAP have been applied.

8 Economic Profit is defined as the excess of adjusted profit over the minimum required rate of return (12%) on equity invested. For this purpose, adjusted profit is defined as operating profit after income tax, but before amortisation of intangibles, plus a portion (70%) of the face value of franking credits paid to shareholders.

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 Leverage ratios have been computed in accordance with guidelines promulgated by the Board of Governors of the Federal Reserve System.

11 Calculations based on Statement of Financial Accounting Standard No. 128 Earnings per share for the years ended 30 September 2000, 1999, 1998 and 1997.

12 Loans are stated before related provisions for bad and doubtful debts.

## **Risk factors**

Our business activities are subject to risk factors that can impact our future performance. Some of these risks can be mitigated by the use of safeguards and appropriate systems and actions but some are outside our control and cannot be mitigated. Risk management, as overseen by our Board of Directors, is discussed on page 24 of this annual report.

Some of the principal factors that may affect our performance are set out below.

### **Dependence on the Australian economy**

Our earnings are dependent on the level of banking and finance and financial services required by our customers. In particular, levels of borrowing are heavily dependent on customer confidence, the state of the economy and market interest rates at the time.

As we currently conduct the majority of our business in Australia, our performance is influenced by the level and cyclical nature of business activity in Australia which is, in turn, impacted by both domestic and international economic and political events. There can be no assurance that a weakening in the Australian economy will not have a material effect on our future results. Our future performance can also be affected by the economic conditions of other regions where we conduct our operations.

### **Competition**

We face strong competition in all of our key areas of business and a more detailed discussion on our main competitors is included on page 6 of this annual report.

### **Credit risk**

Credit risk is our most significant risk and arises primarily from our lending activities.

We hold general and specific provisions to cover bad and doubtful debts. If these provisions prove inadequate either because of a major economic downturn or a significant breakdown in our credit disciplines, then this could have a material adverse effect on our business. A detailed discussion on credit risk management is included on page 24 of this annual report.

### **Market risk**

We are exposed to market risk as a consequence of our trading activities in financial markets and through the asset and liability management of our overall balance sheet. In our financial markets trading businesses, we are exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices.

We have comprehensive systems and limits in place to manage these risks. A detailed discussion on these systems is included on page 26 of this annual report.

### **Operational risk**

As a financial services organisation we are exposed to a variety of other risks including those arising from process error, fraud, systems failure, security and physical protection, customer services, staff skills and performance, and product development and maintenance.

We manage these risks through a system of identifying key operational risks, establishing controls and maintaining an independent group audit function to monitor the effectiveness of these controls. A detailed discussion on operational risk management is included on page 29 of this annual report.



## Operating and financial review and prospects

The following discussion contains, in addition 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' and 'Risk management'.

### Overview of performance

#### Summary consolidated profit and loss statements

| For the year ended 30 September   | 2000<br>\$m    | 1999<br>\$m | 1998<br>\$m |
|---|----------------|-------------|-------------|
| Net interest income   | <b>3,715</b>   | 3,492       | 3,492       |
| Fully tax equivalent gross up <sup>1</sup>                              | <b>169</b>     | 127         | 128         |
| Net interest income (including gross up)                                | <b>3,884</b>   | 3,619       | 3,620       |
| Non-interest income   | <b>2,368</b>   | 2,139       | 2,003       |
| Operating income (including gross up)                                   | <b>6,252</b>   | 5,758       | 5,623       |
| Non-interest expenses   | <b>(3,503)</b> | (3,434)     | (3,392)     |
| Operating profit before bad and doubtful debts (including gross up)     | <b>2,749</b>   | 2,324       | 2,231       |
| Bad and doubtful debts  | <b>(202)</b>   | (171)       | (168)       |
| Operating profit before income tax (including gross up)                 | <b>2,547</b>   | 2,153       | 2,063       |
| Fully tax equivalent gross up <sup>1</sup>                              | <b>(169)</b>   | (127)       | (128)       |
| Income tax expense  | <b>(660)</b>   | (567)       | (589)       |
| Outside equity interests  | <b>(3)</b>     | (3)         | (4)         |
| Operating profit (excluding gross up) after income tax before abnormals | <b>1,715</b>   | 1,456       | 1,342       |
| Abnormal items net of income tax  | -              | -           | (70)        |
| Operating profit after income tax attributable to equity holders        | <b>1,715</b>   | 1,456       | 1,272       |
| Earnings per share (cents)  |                |             |             |
| Basic before abnormals  | <b>88.8</b>    | 77.0        | 70.1        |
| Basic after abnormals   | <b>88.8</b>    | 77.0        | 66.4        |
| Fully diluted after abnormals   | <b>87.7</b>    | 76.1        | 64.5        |

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

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

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

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

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

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

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

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

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

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

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

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

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

## Profit and loss review

### Interest spread and margin

|   | 2000<br>\$m    | 1999<br>\$m | 1998<br>\$m |
|---|----------------|-------------|-------------|
| <b>Group</b>  |                |             |             |
| Net interest income (including gross up) <sup>1</sup>                   | <b>3,884</b>   | 3,619       | 3,620       |
| Average interest earning assets   | <b>123,462</b> | 110,734     | 105,338     |
| Average non-accrual loans   | <b>586</b>     | 749         | 830         |
| Average interest bearing liabilities                                    | <b>109,654</b> | 99,902      | 94,633      |
| Average net non-interest bearing liabilities and equity                 | <b>13,808</b>  | 10,832      | 10,705      |
| Interest spread on productive assets <sup>2</sup>                       | <b>2.49%</b>   | 2.83%       | 2.90%       |
| Impact of impaired loans  | <b>(0.02)%</b> | (0.04)%     | (0.04)%     |
| Interest spread <sup>3</sup>  | <b>2.47%</b>   | 2.79%       | 2.86%       |
| Benefit of net non-interest bearing liabilities and equity <sup>4</sup> | <b>0.68%</b>   | 0.48%       | 0.58%       |
| Interest margin   | <b>3.15%</b>   | 3.27%       | 3.44%       |
| On a geographical basis, interest spread and margins were:              |                |             |             |
| <b>Australia</b>  |                |             |             |
| Interest spread on productive assets <sup>2</sup>                       | <b>2.45%</b>   | 2.84%       | 3.16%       |
| Impact of impaired loans  | <b>(0.02)%</b> | (0.02)%     | (0.04)%     |
| Interest spread <sup>3</sup>  | <b>2.43%</b>   | 2.82%       | 3.12%       |
| Benefit of net non-interest bearing liabilities and equity <sup>4</sup> | <b>0.63%</b>   | 0.50%       | 0.54%       |
| Interest margin   | <b>3.06%</b>   | 3.32%       | 3.66%       |
| <b>New Zealand</b>  |                |             |             |
| Interest spread on productive assets <sup>2</sup>                       | <b>3.03%</b>   | 3.03%       | 2.74%       |
| Impact of impaired loans  | <b>(0.01)%</b> | (0.02)%     | (0.03)%     |
| Interest spread <sup>3</sup>  | <b>3.02%</b>   | 3.01%       | 2.71%       |
| Benefit of net non-interest bearing liabilities and equity <sup>4</sup> | <b>0.34%</b>   | 0.11%       | 0.11%       |
| Interest margin   | <b>3.36%</b>   | 3.12%       | 2.82%       |
| <b>Other overseas</b>   |                |             |             |
| Interest spread on productive assets <sup>2</sup>                       | <b>0.50%</b>   | 0.83%       | 0.74%       |
| Impact of impaired loans  | <b>(0.01)%</b> | (0.06)%     | (0.04)%     |
| Interest spread <sup>3</sup>  | <b>0.49%</b>   | 0.77%       | 0.70%       |
| Benefit of net non-interest bearing liabilities and equity <sup>4</sup> | <b>0.80%</b>   | 0.61%       | 0.83%       |
| Interest margin   | <b>1.29%</b>   | 1.38%       | 1.53%       |

1 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.

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

3 Interest spread is the difference between the average yield on all interest earning assets and the average rate paid on all interest bearing liabilities net of impaired loans.

4 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 bearing 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.

### *Group*

During the year our net interest spread declined by 32 basis points compared to a seven basis point reduction in 1999 from 1998. The larger decline was attributable to strong asset growth in the Australian business increasing our reliance on funding through the wholesale markets. The second half produced an improvement on this trend with interest spread down by 10 basis points compared to a first half fall of 22 basis points.

Our interest margin fell by 12 basis points in 2000 from 1999 compared to 17 basis points in 1999 from 1998. Continued competitive pressure on margins on productive assets of the balance sheet was partially offset by the interest benefit arising from an increase in non-interest bearing liabilities.

### *Australia*

Despite the 26 basis point reduction in net interest margin, our net interest income increased by 7% through strong growth in interest earning assets. With the continued industry wide shift from bank deposits toward alternative savings products this strong asset growth increased our reliance on funding through the wholesale markets.

### *New Zealand*

In New Zealand we have held our interest spread steady through a strong management focus on pricing and continued careful application of net interest income hedging strategies.

### **Non-interest income**

Non-interest income increased by \$229 million or 11% in 2000 and now accounts for 37.9% of total operating income.

The components of non-interest income are set out in note 3 to the financial statements.

Total net fees and commissions increased by \$110 million or 8% over 1999 which in turn increased by \$83 million over 1998. The 1999 increase was largely driven by increased transaction volumes. Growth in 2000 was principally due to:

- a 14% increase in lending fees reflecting an increase in loan volumes and better collection rates;
- transaction fees and commissions received up 13% due to increased transaction levels; and
- offset by a 27% increase in fees and commissions paid reflect higher transactions and additional guarantee fees paid in structured finance deals.

The non-interest income component of our financial markets income was down \$110 million (33%) in 2000 although overall financial markets income was flat on 1999. The 1999 non-interest income component was down \$126 million on 1998. 1998 income was higher than normal because of the additional income earned from strong trading activity during the volatility created by the downturn in the Asian economy.

The application of the new life insurance accounting standard from 1 October 1999 has resulted in the recognition of life insurance income and expenses on a gross basis during the year. In addition, during February 2000 we restructured part of our financial services group and as a consequence, the financial services distribution business results were brought to account on a market value basis. The effect of the consolidation of the life insurance business and of the restructure has been to add \$227 million to non-interest income.

Included in our 1999 results was \$49 million from the sale of our investment in Data Advantage and \$17 million profit from the sale of our operations in the French Territories.

### Non-interest expenses

The components of non-interest expenses are set out in note 4 to the financial statements.

Non-interest expenses increased \$69 million or 2% over 1999. Normalising for the effect of the life insurance accounting standard to show both years on a comparable basis, expenses were flat in 2000. Non-interest expenses in 1999 were \$42 million or 1% above 1998 expense levels.

Expense containment remains a key priority. This is evident in the improvement in the expense to income ratio before intangibles from 55.5% in the first half to 53.5% in the second half of 2000. On a full year basis the expense to income ratio before intangibles has improved to 54.5% from 57.9% in 1999 and 58.4% in 1998.

Salaries and other staff expenses, which include \$45 million in restructuring costs, decreased by \$15 million or 1% in 2000. 1999 increased by \$126 million (7%) on 1998. 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.

Our equipment and occupancy expenses increased by \$30 million or 5% in 2000 from 1999, which in turn was \$39 million or 6% lower than 1998. The majority of the 2000 increase was due to higher amortisation of software expenses which is consistent with the adoption of our software capitalisation policy in 1998. 1999 results reflected synergy benefits from mergers and a reduction of other premises costs within our branch network.

Total other expenses increased \$54 million or 5% in 2000 and decreased by \$45 million (4%) in 1999. Consultancy fees and other professional services incurred as part of our performance enhancement program and other re-engineering projects were the major contributors to the increase in 2000. These project specific costs are not expected to be repeated next year. In 1999, the reduction was due mainly to reduced use of consultants after the Bank of Melbourne and Trust Bank New Zealand mergers were completed in 1998.

### Bad and doubtful debt

|  | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m |
|--|--------------|-------------|-------------|
| New specific provisions                | 75           | 165         | 225         |
| Specific provisions no longer required | <b>(103)</b> | (113)       | (141)       |
| Specific provisions (net)              | <b>(28)</b>  | 52          | 84          |
| General provisions (net) <sup>1</sup>  | <b>230</b>   | 119         | 84          |
|  | <b>202</b>   | 171         | 168         |

<sup>1</sup> Addition after recognition of write-offs and recoveries.

The charge for bad and doubtful debts of \$202 million in 2000 represented an 18% increase on 1999's charge of \$171 million which, in turn, was up 2% from 1998's \$168 million charge. New specific provisions were at their highest level in 1998 largely to cover Asian exposures. The increase in the general provision in 2000 was in line with strong loan growth over the year. The coverage ratio of total provisions (specific and general) to total impaired assets at 30 September 2000 increased to 249% against 233% at 30 September 1999 and 188% at 30 September 1998.

### Income tax expense

|  | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m |
|--|--------------|-------------|-------------|
| <b>Excluding abnormal items</b>  |              |             |             |
| Income tax expense   | <b>660</b>   | 567         | 589         |
| Full tax equivalent gross up   | <b>169</b>   | 127         | 128         |
|  | <b>829</b>   | 694         | 717         |
| Tax as a percentage of operating profit before tax and abnormal items (effective tax rate)         | <b>32.5%</b> | 32.2%       | 34.8%       |
| <b>Including abnormal items</b>  |              |             |             |
| Income tax expense   | <b>660</b>   | 567         | 553         |
| Full tax equivalent gross up   | <b>169</b>   | 127         | 128         |
|  | <b>829</b>   | 694         | 681         |
| Tax as a percentage of operating profit (including abnormal items) before tax (effective tax rate) | <b>32.5%</b> | 32.2%       | 34.8%       |

Our tax expense in 2000 included a \$26 million charge relating to the net reduction of future income tax benefits arising from the announced change in the corporate tax rate to 30% over the next two years. The effective tax rates for all years 2000, 1999 and 1998 were below the Australian company tax rate of 36%, due principally to the impact of lower overseas tax rates and certain non-taxable items.

## Balance sheet review

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

|                                       | (Decrease)/Increase |       |
|---------------------------------------|---------------------|-------|
|                                       | 2000                | 1999  |
|                                       | \$bn                | \$bn  |
| <b>Assets</b>                         |                     |       |
| Due from other financial institutions | (0.7)               | 0.7   |
| Trading and Investment securities     | (1.4)               | 2.3   |
| Loans (net)                           | 9.8                 | 6.0   |
| Acceptances of customers              | 5.4                 | (0.1) |
| Life insurance investment assets      | 7.5                 | –     |
| All other assets (net)                | 6.8                 | (6.0) |
| Net increase                          | 27.4                | 2.9   |
| <b>Liabilities and equity</b>         |                     |       |
| Due to other financial institutions   | 0.4                 | (0.8) |
| Deposits and public borrowings        | 4.4                 | 2.4   |
| Acceptances                           | 5.4                 | (0.1) |
| Bonds, notes and commercial paper     | 4.3                 | 4.3   |
| Life insurance policy liabilities     | 7.0                 | –     |
| All other liabilities (net)           | 5.6                 | (3.3) |
| Equity                                | 0.3                 | 0.4   |
| Net increase                          | 27.4                | 2.9   |

Assets increased by \$27 billion to \$168 billion in 2000 compared to an increase of \$3 billion last year from 1998.

The growth in 2000 was largely driven by a 14% growth in lending assets. Significant asset movements in 2000 were:

- loans increased by \$10 billion to \$108 billion in 2000 from 1999 compared to a \$6 billion increase in 1999 from 1998. This was primarily due to higher credit card outstandings in Australia and New Zealand and a \$7 billion increase in housing loan levels in Australia;
- trading securities fell by \$2 billion to \$7 billion in 2000 from 1999 and increased by \$2 billion in 1999 from \$7 billion in 1998.
- life insurance investment assets of \$7.5 billion were reported in 2000 for the first time; and
- the increase in other assets predominantly related to other financial markets assets, and was due to an increase in the volume and the revaluation of off-balance sheet instruments, driven by the movement in the value of the Australian dollar against the United States dollar during the year. This is the reverse of the position in 1999, but similar to that during 1998 when the Australian dollar also moved significantly against the United States dollar.

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

Our equity increased by \$0.3 billion in 2000 from \$9 billion in 1999 and \$8.6 billion in 1998. The 2000 increase reflects the issue of \$0.5 billion in New Zealand Class shares plus accumulated earnings, partially offset by the net impact of share buy-backs and dividends in the year. The 1999 increase reflects the TOPrS issue we made to United States' investors.

We maintained a strong capital position with Tier 1 and total capital ratios being 6.6% and 9.9% respectively (1999 7.0% and 9.2% and 1998 6.8% and 9.3%).

## 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 included in the performance of each of our business units, reflecting the management of the business within our organisation, rather than the legal structure. Therefore, the results below cannot be compared directly to public disclosure of the performance of individual legal entities within our organisation.

The following business results highlight the performance of our key areas of business and do not add to our total result. The remainder of the business result includes, among other things, the general provision for bad and doubtful debts. Where the management reporting structure has changed or where accounting reclassifications have been made, comparatives have been restated and therefore may differ from results previously reported.

In 2000 our Australian Retail Financial Services business was realigned to reflect the management of our product distribution activities. As part of this restructure, responsibility for managing the Global Transactional Services business was transferred to this business group. It was previously reported in the 'other' segment. New Zealand Retail and Pacific Banking were previously reported on a consolidated basis. In 2000 Pacific Banking has been reported within the 'other' business segment. 1999 and 1998 have been restated to align to this new reporting structure.

### Australian Retail Financial Services

|  | 2000<br>\$m | 1999<br>\$m | 1998<br>\$m |
|--|-------------|-------------|-------------|
| Net interest income                            | 2,883       | 2,751       | 2,647       |
| Non-interest income                            | 1,688       | 1,284       | 1,043       |
| Operating income                               | 4,571       | 4,035       | 3,690       |
| Non-interest expenses (excluding intangibles)  | (2,646)     | (2,467)     | (2,313)     |
| Amortisation of intangibles                    | (63)        | (63)        | (62)        |
| Operating profit before bad and doubtful debts | 1,862       | 1,505       | 1,315       |
| Bad and doubtful debts                         | (188)       | (130)       | (142)       |
| Operating profit before tax                    | 1,674       | 1,375       | 1,173       |
| Tax and outside equity interests               | (599)       | (475)       | (407)       |
| Profit on operations (before abnormals)        | 1,075       | 900         | 766         |
| Economic Profit                                | 700         | 595         | 407         |
|  | \$bn        | \$bn        | \$bn        |
| Deposits and other public borrowings           | 52.4        | 49.6        | 47.8        |
| Net loans and acceptances                      | 85.6        | 73.6        | 67.2        |
| Total assets                                   | 101.0       | 81.6        | 73.8        |
| Funds under management                         | 23.7        | 22.7        | 19.3        |
| Expense/income (before intangibles)            | 57.9%       | 61.1%       | 62.7%       |

Lending volumes have risen strongly over the year. Our Australian on-balance sheet housing outstandings increased by a net \$7.5 billion or 18% in 2000 over the prior year compared to a growth of \$5 billion or 15% achieved in 1999. Despite this balance sheet growth, net interest income only grew by 5% in 2000 and 4% in 1999 as competitive pressures caused margins to decline, especially in the home lending market.

Non-interest income continued to grow both in absolute terms and as a percentage of total income during 2000. After adjusting for the life company accounting change in 2000, non-interest income grew by \$177 million or 14% over the prior year compared to a \$241 million or 23% in 1999. Major contributors to the increase were improved loan establishment on higher volumes, volume increases on credit cards and increased transaction fees for both retail and business customers in line with growth in transactional activity.

The increase in non-interest expenses was primarily due to business growth in key areas such as financial services and credit cards, one-off costs associated with the Sydney 2000 Olympic Games, Y2K remediation work and the introduction of the goods and services tax, as well as \$74 million arising on the restructure and accounting changes for the life company.

The increase in the bad and doubtful debts charge was primarily due to higher dynamic provisioning charges in line with the increase in lending levels.

**Westpac Institutional Bank**

|  | <b>2000</b>  | 1999  | 1998  |
|--|--------------|-------|-------|
|  | <b>\$m</b>   | \$m   | \$m   |
| Net interest income                            | <b>484</b>   | 326   | 246   |
| Non-interest income                            | <b>254</b>   | 377   | 450   |
| Operating income                               | <b>738</b>   | 703   | 696   |
| Non-interest expenses                          | <b>(303)</b> | (308) | (310) |
| Operating profit before bad and doubtful debts | <b>435</b>   | 395   | 386   |
| Bad and doubtful debts credit/(charge)         | <b>6</b>     | (11)  | (85)  |
| Operating profit before tax                    | <b>441</b>   | 384   | 301   |
| Tax and outside equity interests               | <b>(135)</b> | (136) | (121) |
| Profit on operations (before abnormals)        | <b>306</b>   | 248   | 180   |
| <b>Economic Profit</b>                         | <b>226</b>   | 166   | 88    |
|  | <b>\$bn</b>  | \$bn  | \$bn  |
| Deposits and other public borrowings           | <b>7.0</b>   | 7.2   | 13.0  |
| Net loans and acceptances                      | <b>21.8</b>  | 18.4  | 17.3  |
| Total assets                                   | <b>48.1</b>  | 36.0  | 41.0  |
| Expense/income                                 | <b>41.1%</b> | 43.8% | 44.5% |

Operating income increased by 5% to \$738 million in 2000 compared to 1999. Within this result, operating income in the Corporate Finance business increased by 19% as a result of a significant increase in deal volumes. This was offset by a decrease in Financial Markets income as a result of a poor trading environment in the first half of the year. Operating income growth from 1998 to 1999 was a modest 1%, due to an exceptional performance from the financial markets business in 1998, capitalising on volatile conditions in world financial markets during the Asian crisis.

Continued focus on cost control, including completion of global centralisation, rationalisation of our Asian business and back office process re-engineering resulted in non-interest expenses decreasing by \$7 million or 2% since 1998.

A favourable credit risk environment reduced the bad debt expense with a net credit of \$6 million in 2000 compared to a charge of \$11 million in 1999. The charge of \$85 million in 1998 was primarily caused by the declining economic environment in Asia.

Economic Profit was \$226 million, showing significant growth on previous years.



## New Zealand Retail

|  | 2000<br>\$m | 1999<br>\$m | 1998<br>\$m |
|--|-------------|-------------|-------------|
| Net interest income                            | 567         | 647         | 673         |
| Non-interest income                            | 295         | 270         | 250         |
| Operating income                               | 862         | 917         | 923         |
| Non-interest expenses (excluding intangibles)  | (437)       | (488)       | (536)       |
| Amortisation of intangibles                    | (35)        | (37)        | (38)        |
| Operating profit before bad and doubtful debts | 390         | 392         | 349         |
| Bad and doubtful debts (charge)/credit         | (21)        | 12          | (19)        |
| Operating profit before tax                    | 369         | 404         | 330         |
| Tax and outside equity interests               | (119)       | (146)       | (118)       |
| Profit on operations (before abnormals)        | 250         | 258         | 212         |
| Economic Profit                                | 114         | 122         | 79          |
|  | <b>\$bn</b> | \$bn        | \$bn        |
| Deposits and other public borrowings           | 10.3        | 11.1        | 12.0        |
| Net loans and acceptances                      | 14.4        | 15.0        | 15.6        |
| Total assets                                   | 15.4        | 16.3        | 17.0        |
| Funds under management                         | 1.4         | 1.1         | 0.9         |
| Expense/income (before intangibles)            | 50.7%       | 53.2%       | 58.1%       |

Operating income for our New Zealand Retail operations has declined by 6% on the prior year. Of this deterioration 4.5% was due to the fall in the New Zealand dollar relative to the Australian dollar between 1999 and 2000. Operating income between 1999 and 1998 remained stable.

Margin compression in the retail housing and deposit markets coupled with low levels of new lending activity in the market has caused net interest income to decline by 8% in local currency terms in the current year. Significant decreases in market interest rates in 1999 resulted in declining deposit margins and significant switching by customers into alternative investment products compared to 1998.

Strong growth in sales of our funds management (funds under management has increased by 29% in local currency terms on 1999) and insurance products has helped drive our improved non-interest income during the current year. Increased transaction volumes, fee repricing and the introduction of some new fees have also contributed to this increase. Strong growth in funds under management, refinement of fee structures on transaction products and growth in credit card business is also evident from 1998 to 1999.

Non-interest expenses have fallen 6% in local currency terms against the prior year. This reflects the continuing initiatives to reduce expenditure and restructure the New Zealand operations. Our re-engineering and delivery channel reconfiguration program has included significant investments in areas such as Online banking and item-image processing. The 1998 year included final merger activities with the 1999 year beginning to show benefits of branch and support centre rationalisation and renegotiation of contracts with major suppliers that have resulted in significant savings on core services.

The current year bad and doubtful debt charge reflects a higher level of consumer credit write-offs. The prior year included write-backs of provisions no longer required.

## **Risk management**

Risk is the potential for loss or damage that is inherent in our activities. Taking and managing risk is central to our business and is an important source of competitive advantage.

Our Board of Directors and executive officers determine the balance between risk appetite and the pursuit of agreed business strategies and objectives. The Board of Directors approves the risk management principles and regularly reviews the major policies and procedures for our process.

Management are accountable to the Board of Directors for maintaining an environment that monitors and controls risk in an efficient manner. This environment includes a system of approved limits, segregated duties, exception reporting, and appropriate levels of approval authority. Management tracks key performance indicators, investigates and learns from process or control breakdowns, and reports on the effectiveness of risk management systems to the senior executive and the Board of Directors. Independent assessment of this process is provided by our internal audit group.

### **Credit risk**

Credit risk is the risk of financial loss that results if customers fail to meet their obligations on time and in full as contracted. Credit risk arises primarily from lending activities and represents our major risk type.

Our Board of Directors approve major prudential policies and limits that govern large exposures, country risk, industry concentration and dealings with related entities. To manage adherence to prudential limits, the Board of Directors delegates approval authorities to the Managing Director and the Chief Credit Officer, who in turn appoints independent credit officers in each business area. These credit specialists work with line managers to ensure that approved policies are applied appropriately and achieve optimal returns on our risk exposure. Independent assessment of the quality of our credit portfolio is provided by credit risk review.

Credit risk arises in customers ranging from individuals to large institutions, therefore two different approaches are used to manage that risk. The approach for consumer business uses statistical analysis to score customer creditworthiness and payment behaviours. The approach for commercial business uses discrete analysis of each customer's risk of default, and tailors and prices credit facilities accordingly. Quantitative methods also support these judgements. Under both approaches, all major credit decisions require joint approval by qualified credit and line business officers.

We monitor our portfolio to guard against risk concentrations:

- Our exposure to consumers comprises 60% of our on-balance sheet loans and almost 40% of total credit commitments. This category includes home loans, investment property loans to individuals, credit cards, finance company leases, personal loans, overdrafts and lines of credit. Our consumer credit risks are highly diversified. We have a substantial consumer market share in every state and territory in Australia, New Zealand and the Pacific region. Moreover, these customers service their debts with incomes derived from a wide range of occupations, in city as well as country areas.
- All other exposures to businesses, governments and other financial institutions are classified into 49 industry clusters. These clusters are based on the correlation between industries, grouping those that are affected by the same economic factors. Thus industries which might suffer simultaneously from increased risk are monitored together. Through this process, the industry diversification of our portfolios is measured and monitored. Exposures are actively managed from a portfolio perspective, with risk mitigation techniques, such as credit default swaps, used regularly to re-balance the portfolio.

### ***Dynamic provisioning for credit loss***

We employ a statistical process called dynamic provisioning to assess the provisions required to cover credit losses existing in our credit portfolios.

The statistical measures are based on our experience as well as publicly available default data. The process constantly adjusts for changes to the composition of the portfolios and internal processes. Consumer exposures such as home loans and personal loans are analysed by product, and dynamic provisioning is based on historical loss data. Non-consumer exposures are classified into categories whose loss experience is based on historical default rates, and the severity of actual loss incurred. These two components are separately monitored in our risk grading system. These statistical measures are supplemented by consideration of current market conditions.

Dynamic provisioning is fully implemented in our internal management accounts, and is integrated with loan pricing and capital allocation. The factors used are updated at least annually in the light of evolving loss experience and changing business conditions.

### ***Foreign exchange and derivative credit risk management***

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 when 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 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 as at 30 September | 2000<br>% | 1999<br>% |
|---|-----------|-----------|
| AAA, AA                                       | 54        | 52        |
| A   | 33        | 35        |
| BBB   | 8         | 10        |
| BB and below                                  | 5         | 3         |
| Total   | 100       | 100       |

*Counterparty credit risk by industry sector and 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)<br>as at 30 September 2000 | Government<br>\$bn | Banks<br>\$bn | Non-bank<br>financial<br>institutions<br>\$bn | Others<br>\$bn | Total<br>\$bn |
|---|--------------------|---------------|---|----------------|---------------|
| Australia   | 0.9                | 1.5           | 0.2   | 1.3            | 3.9           |
| New Zealand   | 0.2                | 0.2           | –   | 0.2            | 0.6           |
| Europe  | –                  | 2.5           | 0.3   | 0.1            | 2.9           |
| United States of America                                      | –                  | 1.5           | 0.7   | –              | 2.2           |
| Japan   | –                  | 0.1           | 0.1   | –              | 0.2           |
| Asia (excluding Japan)  | –                  | 0.3           | –   | 0.1            | 0.4           |
| Other   | –                  | 0.4           | –   | –              | 0.4           |
| Total   | 1.1                | 6.5           | 1.3   | 1.7            | 10.6          |

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

*Credit risk maturity profile and settlement risk*

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 \$3 billion.

| Gross replacement cost<br>as at 30 September 2000 | Less<br>than<br>3 months<br>\$bn | Over<br>3 months<br>to 6 months<br>\$bn | Over<br>6 months<br>to 1 year<br>\$bn | Over<br>1 year<br>to 2 years<br>\$bn | Over<br>2 years<br>to 5 years<br>\$bn | Over<br>5 years<br>\$bn | Total<br>\$bn |
|---|----------------------------------|---|---------------------------------------|--------------------------------------|---------------------------------------|-------------------------|---------------|
| <b>Interest rate</b>                              |                                  |   |                                       |                                      |                                       |                         |               |
| Swaps   | 0.1                              | 0.1                                     | 0.1                                   | 0.2                                  | 0.7                                   | 0.5                     | 1.7           |
| <b>Foreign exchange</b>                           |                                  |   |                                       |                                      |                                       |                         |               |
| Forwards  | 4.3                              | 2.3                                     | 1.2                                   | 0.4                                  | 0.4                                   | 0.1                     | 8.7           |
| Swaps   | 0.1                              | 0.3                                     | 0.2                                   | 0.3                                  | 1.0                                   | 0.3                     | 2.2           |
| Purchased options                                 | 0.3                              | 0.1                                     | 0.3                                   | 0.1                                  | 0.2                                   | –                       | 1.0           |
| <b>Total derivatives</b>                          | 4.8                              | 2.8                                     | 1.8                                   | 1.0                                  | 2.3                                   | 0.9                     | 13.6          |

Settlement risk occurs when we pay out funds before we receive payment from the counterparty to the transaction. We manage our 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 will enable members to settle foreign exchange transactions between themselves through the simultaneous payment of the currency legs of transactions. Continuous Linked Settlement is planned to go live in the last quarter of 2001.

*Cross-border outstandings*

Cross-border outstandings are loans, placements with banks, acceptances, interest earning investments and monetary assets denominated in currencies other than the borrower's local currency. They are grouped on the basis of the country of domicile of the borrower or the ultimate guarantor of the risk. The table below excludes irrevocable letters of credit, amounts of which are immaterial.

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

|                                      | Governments<br>and official<br>institutions | Banks and<br>other<br>financial<br>institutions | Other<br>(primarily<br>commercial and<br>industrial) | Total        | Percentage<br>of total<br>assets |
|--------------------------------------|---|---|--|--------------|----------------------------------|
| (in \$ millions, except percentages) |   |   |  |              |                                  |
| <b>2000</b>                          |   |   |  |              |                                  |
| United States                        | –   | <b>573</b>                                      | <b>1,805</b>   | <b>2,378</b> | <b>1.4%</b>                      |
| United Kingdom                       | –   | <b>1,786</b>                                    | <b>1,013</b>   | <b>2,799</b> | <b>1.7%</b>                      |
| <b>1999</b>                          |   |   |  |              |                                  |
| United States                        | –   | 188   | 1,461  | 1,649        | 1.2%                             |
| United Kingdom                       | –   | 813   | 532  | 1,345        | 1.0%                             |
| <b>1998</b>                          |   |   |  |              |                                  |
| United States                        | –   | 340   | 2,121  | 2,461        | 1.8%                             |
| United Kingdom                       | –   | 524   | 1,087  | 1,611        | 1.2%                             |

Impaired assets among the cross-border outstandings were \$109 million at 30 September 2000 (\$124 million at 30 September 1999 and \$142 million at 30 September 1998).

### Market risk

Market risk arises from adverse movements in the level and volatility of market factors 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 the management of market risk arising from trading activities and the market risks arising from our other banking activities.

### Trading activities

Trading activities include our financial markets activities and are controlled by a framework of earnings at risk limits approved by our Board of Directors. Our Board of Directors has overall control of risk policies, methodologies and limits whilst our Group Trading Risk Committee ensures that our trading activities and new products are commensurate with our risk appetite. Market risk limits are allocated to business management based on business strategies and experience, in addition to market liquidity and concentration risks. A separate 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 2000, 31 March 2000 and 30 September 1999.

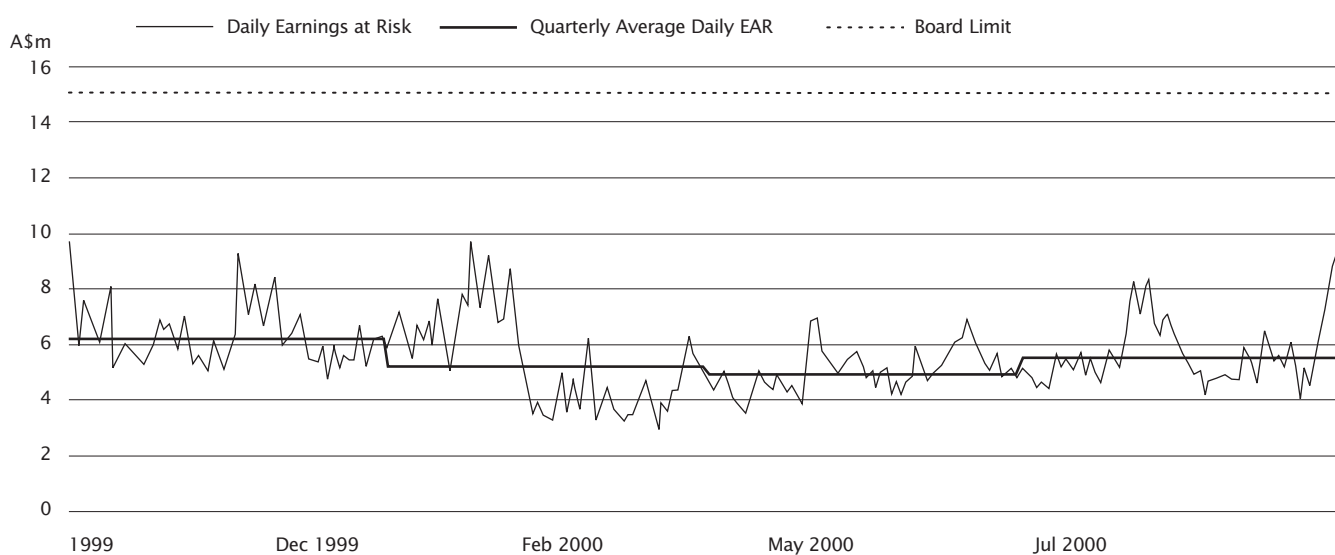
### Daily earnings at risk

| Six months ended                | 30 September 2000 |            |                | 31 March 2000 |            |                | 30 September 1999 |            |                |
|---------------------------------|-------------------|------------|----------------|---------------|------------|----------------|-------------------|------------|----------------|
|                                 | High<br>\$m       | Low<br>\$m | Average<br>\$m | High<br>\$m   | Low<br>\$m | Average<br>\$m | High<br>\$m       | Low<br>\$m | Average<br>\$m |
| Interest rate risk              | <b>6.5</b>        | <b>1.7</b> | <b>3.3</b>     | 7.8           | 1.3        | 4.1            | 9.1               | 2.1        | 4.5            |
| Foreign exchange risk           | <b>2.2</b>        | <b>0.2</b> | <b>0.9</b>     | 4.7           | 0.3        | 1.6            | 4.6               | 0.4        | 1.9            |
| Volatility risk                 | <b>1.0</b>        | <b>0.3</b> | <b>0.6</b>     | 1.0           | 0.2        | 0.4            | 1.1               | 0.2        | 0.5            |
| Other market risks <sup>1</sup> | <b>3.4</b>        | <b>1.5</b> | <b>2.0</b>     | 2.7           | 1.1        | 1.6            | 2.7               | 0.9        | 1.7            |
| Diversification effect          | <b>n/a</b>        | <b>n/a</b> | <b>(1.5)</b>   | n/a           | n/a        | (2.1)          | n/a               | n/a        | (2.3)          |
| Aggregate market risk           | <b>9.2</b>        | <b>3.4</b> | <b>5.2</b>     | 9.7           | 2.8        | 5.7            | 10.7              | 3.2        | 6.3            |

<sup>1</sup> Commodity, equity, prepayment and credit spread risk

Actual outcomes are monitored and model assumptions are validated daily.

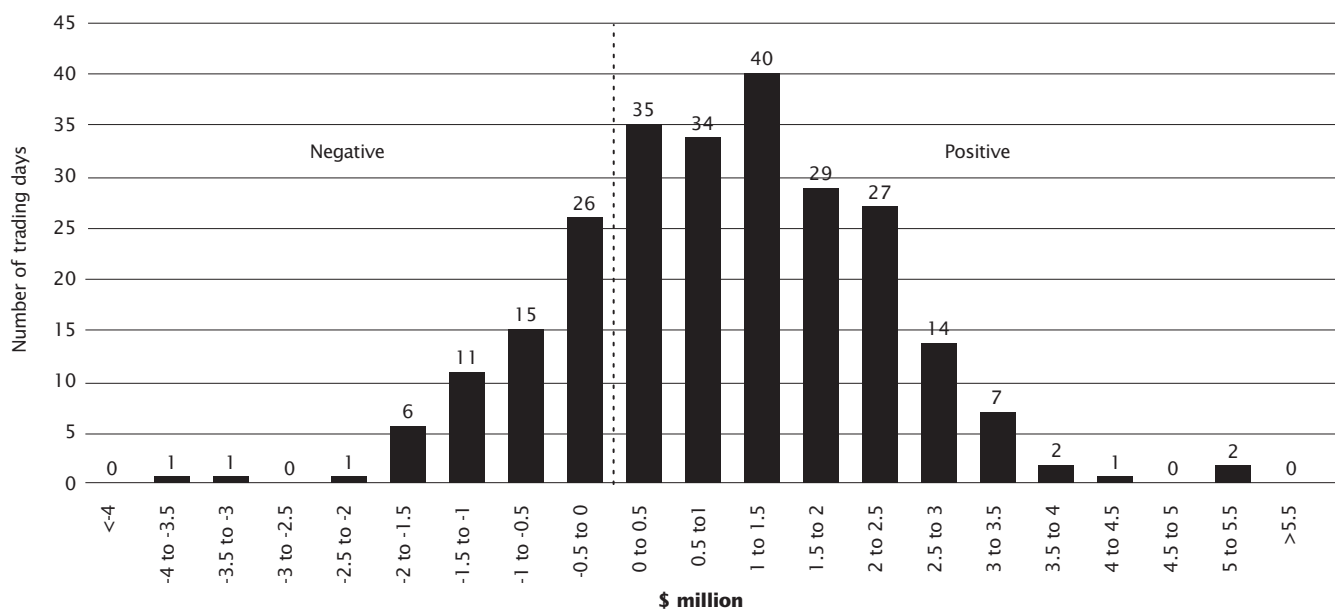
The following table shows the aggregated daily earnings at risk for the twelve months to 30 September 2000.



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

The trading risk management unit performs 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 financial markets daily trading income for the year ended 30 September 2000 is shown in the following chart.



### **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 direction of our 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 limits delegated by our Board of Directors. These limits are expressed in terms of the net interest income at risk over a three 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; and
- changes in wholesale market interest rates.

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 net interest income.

At 30 September 2000, our exposure to interest rate changes over the next financial year, for both 1% up and down parallel rate shocks and the up and down limit case shocks, is less than 1% of the projected pre-tax net interest income.

### **Liquidity risk**

Liquidity risk is the potential inability to meet our payment obligations. This risk is managed by focusing on four key areas.

#### *Balance sheet mismatch*

Liquidity risk is measured by cash flow modelling, where assets and liabilities are modelled based on behavioural rather than contractual bases. This process generates expected cash inflows and outflows across a number of time periods. A cumulative maturity mismatch limit is placed on each time period to control the extent to which maturing liabilities can exceed maturing assets. These limits are determined by management based on our ability to source funds from wholesale debt markets.

#### *Liquid assets*

We hold a portfolio of liquid assets as a buffer against unforeseen funding requirements. The majority of these assets are held in government or semi-government securities. The level of prudential holdings is regularly reviewed and reflects the overall liquidity of our balance sheet and wholesale funding capacity.

#### *Interbank deposit agreement*

This year we signed an interbank deposit agreement with three other Australian banks. This agreement provides for a deposit notice to be served upon the other participants by a bank which is experiencing liquidity problems. The other depositors will deposit an equal amount of up to \$2 billion each for a period of 30 days. At the conclusion of the 30 days the deposit holder has the option to repay the deposit in cash or by way of assignment of mortgages to the value of the deposit.

#### *Contingent funding plan*

A formal framework is in place to deal with any major liquidity issues should they arise. This outlines areas of responsibility as well as providing a checklist of actions required.

### **Funding and securitisation**

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 (senior or asset backed), geography, currency and funding instrument.

Our wholesale debt issuance capability is enhanced through regular international investor presentations, a specialised website, a dedicated page on Bloomberg screen service, global debt funding brochures and an adherence to best practice transaction execution. These tools all serve to promote and differentiate us from other borrowers in the international debt capital markets. During the year we continued to diversify our wholesale funding base in the international capital markets. This included issuing two global bonds totalling JPY75 billion. They were the first global bonds denominated in Japanese Yen issued by a commercial bank.

Asset securitisation is part of our funding diversification strategy and involves the sale of loans, principally mortgages, to investors through our securitisation program.

Our program is now an established and flexible securitisation program, with the capacity to access global capital markets in a highly efficient manner. As at 30 September 2000, a total of \$10.1 billion of assets have been securitised through a combination of private placements and public issues to Australian, New Zealand, Asian, European and United States investors. After allowing for the amortisation of the initial loans securitised, outstanding securitised loans were \$4.8 billion as at 30 September 2000.

### **Operational risk**

Operational risk is the risk of financial, reputational or other damage arising from the way we pursue our business objectives.

Each business area is responsible for the development of a control framework, the monitoring and administration of operational risk and active promotion of a strong risk management culture. On a quarterly basis, management of each of our business areas formally report on the effectiveness of their management of operational risk. This process is supported by active input from key corporate centre functions such as legal, finance, human resources, risk management, compliance and internal audit. The results of this process are reported to the Managing Director, our Board of Directors and annually by way of certification to the Australian Prudential Regulation Authority.

Our control environment is enhanced by staff competency, development and supervision, together with management's philosophy and operating style. Corporate policy guidance ensures consistency in approach across business functions and distribution channels. A set of group control and compliance principles provide prudent standards of control.

Some of the key management and control techniques include segregation of duties, clear delegation of authority, sound project management, change implementation disciplines and business continuity and contingency planning. Where appropriate, this is supported by risk transfer mechanisms such as insurance.

Our audit function independently appraises the adequacy and effectiveness of the internal control environment and report the results of this appraisal separately to the Managing Director and our Board Audit and Compliance Committee. In addition our Chief Compliance Officer undertakes periodic reviews of the effectiveness of compliance plans.

#### *Compliance*

Compliance is the activity we undertake to ensure we meet legislative requirements, regulations, codes and industry guidelines. Today's regulatory requirements place greater emphasis on disclosure and transparency in our customer dealings as well as monitoring and evaluation. Our compliance risk management has been enhanced to meet this demand. We agreed with the Australian Securities and Investments Commission to provide stronger standards of disclosure and compliance within the retail investment advisory area of our funds management division. Most of these requirements have been completed.

### **Capital management**

We have had an active capital management strategy in place since 1996. Our capital management is part of an integrated framework, designed to increase shareholder value, that includes capital allocation, performance measurement and incentive compensation. This framework is embedded in all our business activities and investment decisions.

We determine our capital structure based on the outputs from our internal economic capital models, target debt ratings and regulatory requirements.

Based on these criteria we have targeted the following capital structure:

- a Tier 1 ratio of 6.0% to 6.5% of risk adjusted assets of which hybrid equity could comprise up to 0.9%; and
- a ratio of tangible ordinary equity to risk adjusted assets of 5.6%, comprised of ordinary equity and New Zealand Class shares or equivalent.

During the year, we made significant progress towards aligning our actual and target capital levels. This is reflected in the reduction in the Tier 1 capital ratio from 7.0% in September 1999 to 6.6% in September 2000. This reduction in Tier 1 capital is the net result of the growth in capital through retained earnings and the dividend re-investment plan and the repurchase and cancellation of 109 million ordinary shares. In addition, a further 22 million shares were planned to be repurchased under the share buy-back in progress at 30 September 2000.

Our commitment to align our actual and target capital levels remains unchanged and we anticipate reaching our target during the first half of the 2001 financial year.

We remain committed to managing our capital base to create value for equity holders. This includes, continual refinement of our capital management strategy and capital targets with particular focus on aligning our capital levels with the underlying risk profile of our business and retiring any capital not needed to support our businesses near term activities.

#### *Dividends*

Supported by the underlying growth in profit, our Board of Directors has proposed an increase in the final dividend on ordinary shares in 2000 to 28 cents per share, which will take the full year dividend on ordinary shares to 54 cents per share (all fully franked) up from 47 cents per share (23 cents fully franked and 24 cents unfranked) in 1999.



# Board of Directors



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

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



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

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



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

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



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



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



**Patrick Handley** BA, MBA. Age 55.

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



**Ian Harper** AM, BA, LLB. Age 68.

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





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



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



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

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



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



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



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



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

# Corporate governance

## Our Deed of Settlement

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

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

## The board

Our Board of Directors is accountable to shareholders for our performance and is responsible for our corporate governance practices.

Our board's principal objective is to maintain and increase shareholder value while ensuring that our activities are properly managed.

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

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

Our board's overall responsibilities include:

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

Our board delegates responsibility for day-to-day management of the business to the Chief Executive Officer. In addition, the Executive Office oversees the implementation of strategies approved by our board and the day-to-day running of our businesses. Our board also uses a number of committees to support the board in matters that require more intensive review. For example, the integrity of our internal control and risk management systems is the responsibility of the Board Credit and Market Risk Committee and Board Audit and Compliance Committee. Further details of the board committees and Executive Office are provided below.

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

### **Composition and independence of our board**

As at 3 November 2000, our board has 14 members, with two executive directors and 12 non-executive directors including the Chairman and Deputy Chairman. Further details of individual directors are set out at pages 30 and 31.

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

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

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

All of our 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. Our directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

Our board collectively and each director individually has the right to seek independent legal advice at our expense to assist them to carry out their responsibilities.

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

The Deed of Settlement sets out rules dealing with the indemnification of and insurance cover for our directors and former directors. Any such arrangements are undertaken in accordance with limitations imposed by law. To reflect current practices and to clarify the legal position of non-executive directors, shareholders at the December 1999 Annual General Meeting approved a deed of access and indemnity being entered into between us and each director. All of our new directors receive induction training at the time of their appointment to the board appropriate to their experience, to familiarise them with matters relating to our business, corporate strategy and current issues before the board.

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

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

### **Board nominations**

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

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

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

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

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

### **Board performance review**

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

## **Board Committees**

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

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

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

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

## The Board Audit and Compliance Committee

Our Board Audit and Compliance Committee oversees all matters concerning internal control, accounting policies and financial reporting including reviewing the interim and annual financial statements. It monitors the relationship with the external auditors and makes recommendations to the full board on the appointment and removal of external auditors, their terms of engagement, and the scope and quality of the audit.

Additionally, the Board Audit and Compliance Committee sets the scope of the internal audit function, ensures its resources are adequate and reviews the output of its work; and reviews the adequacy and effectiveness of management's control of risk in relation to operational activities, financial reporting and compliance.

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

## Board Credit and Market Risk Committee

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

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

## Board Nominations Committee

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

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

## Board Remuneration Committee

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

## Code of conduct

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

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

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

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

## Insider trading

Our directors and other officers are subject to restrictions under the Corporations Law relating to dealings in securities. As required by law and by our own insider trading policy, buying or selling our 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 our shares or options, after notifying the Chairman, in the six weeks immediately following our half year and full year financial results announcements and, if relevant, any Annual General Meeting announcement. At all other times directors require the prior consent of the board to buy or sell our shares or options, with the board examining each transaction prior to approval to ensure it is not related to insider trading.

## Directors' interests in securities

The following particulars for each of our directors is set out below:

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

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

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

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

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

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

## Other disclosable interests as at 3 November 2000

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

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

# Remuneration philosophy and practice

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

## Non-executive directors

Our non-executive directors are remunerated by fees determined by our Board of Directors within the aggregate directors' fees pool limit of \$1.5 million approved by shareholders in December 1999. The pool limit is not at present fully utilised. In setting directors' fees, account is taken of the responsibilities inherent in the stewardship of the company and the demands made of directors in the discharge of their responsibilities. Advice is taken from independent consultancy sources to ensure remuneration accords with market practice. Income received, or due and receivable, from us and our related entities by non-executive directors of the Parent Entity for the year ended 30 September 2000 was:

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

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

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

Note: Remuneration for executive directors is disclosed at page 37.

## Executive directors and senior executives

We have designed our executive remuneration program to support a pay for performance policy that differentiates remuneration amounts based on an evaluation of performance results in three basic areas: 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 remuneration of our key executives. In making recommendations, the Chief Executive Officer receives assessments and advice from independent remuneration consultants regarding our compensation practices and others.

The committee's specific objectives are to:

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

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

| Name and position          | Year        | Base pay <sup>1</sup><br>\$ | Bonus <sup>1</sup><br>\$ | Total cash<br>compensation<br>\$ | Other<br>compensation <sup>2</sup><br>\$ | Total<br>compensation<br>\$ | Option<br>grants no.<br>of shares <sup>3</sup> | Exercise price<br>\$ | Date first<br>exercisable |
|----------------------------|-------------|-----------------------------|--------------------------|----------------------------------|--|-----------------------------|--|----------------------|---------------------------|
| <b>D.R.Morgan</b>          | <b>2000</b> | <b>1,000,000</b>            | <b>1,300,000</b>         | <b>2,300,000</b>                 | <b>135,807</b>                           | <b>2,435,807</b>            | -  | -                    | -                         |
| Managing Director<br>& 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                  |
| <b>R.P. Handley</b>        | <b>2000</b> | <b>685,000</b>              | <b>525,000</b>           | <b>1,210,000</b>                 | <b>146,322</b>                           | <b>1,356,322</b>            | -  | -                    | -                         |
| Executive Director         | 1999        | 685,000                     | 450,000                  | 1,135,000                        | 120,761                                  | 1,255,761                   | -  | -                    | -                         |

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

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

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 our 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, expiring 1 March 2009, but will not be eligible for exercise unless the performance hurdles attaching to the grant are met.

Under the US GAAP disclosures, the fair value of options for the purposes of inclusion in the potential compensation expense has been determined using the Black-Scholes option pricing model at \$1.54.

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



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

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

1 and 2 Refer to notes for the executive directors remuneration table on page 37.

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

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

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

The 1999 options were also issued pursuant to the General Management Share Option plan.

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

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

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



## Remuneration philosophy and practice

The following are details of shares owned and options held by the five most senior executives listed above. The options held do not include option grants in respect of the 2000 remuneration review included in the above table as these options have not yet been granted. The highest number of shares held by an individual below is less than 0.02 percent of our total ordinary shares that were outstanding at 30 September 2000.

|              | Number of<br>ordinary fully<br>paid shares | Number of<br>options | Exercise<br>price<br>\$ | Latest date<br>for exercise<br>of options |
|--------------|--|----------------------|-------------------------|---|
| J. V. Gross  | –  | 400,000              | 10.63                   | 24-Jan-10                                 |
| M.J. Hawker  | 305,938                                    | 300,000              | 7.89                    | 29-Sep-02                                 |
|              |  | 200,000              | 9.56                    | 21-Dec-03                                 |
|              |  | 300,000              | 9.57                    | 29-Dec-09                                 |
| H. M. Price  | 6,775                                      | 100,000              | 5.51                    | 29-Jan-01                                 |
|              |  | 120,000              | 7.10                    | 28-Jan-02                                 |
|              |  | 94,000               | 8.60                    | 22-Dec-02                                 |
|              |  | 90,000               | 9.56                    | 21-Dec-03                                 |
|              |  | 100,000              | 10.60                   | 6-Apr-09                                  |
|              |  | 70,000               | 9.57                    | 29-Dec-09                                 |
| D. S. Willis | 350,020                                    | 150,000              | 8.60                    | 22-Dec-02                                 |
|              |  | 175,000              | 9.56                    | 21-Dec-03                                 |
|              |  | 175,000              | 10.60                   | 6-Apr-09                                  |
|              |  | 100,000              | 9.57                    | 29-Dec-09                                 |
| A. C. Sherry | 43,952                                     | 60,000               | 7.10                    | 28-Jan-02                                 |
|              |  | 47,000               | 8.60                    | 22-Dec-02                                 |
|              |  | 50,000               | 9.56                    | 21-Dec-03                                 |
|              |  | 50,000               | 10.85                   | 1-Mar-09                                  |
|              |  | 100,000              | 10.60                   | 6-Apr-09                                  |
|              |  | 35,000               | 9.57                    | 29-Dec-09                                 |

# Five year summary

| \$m (unless otherwise indicated)   | 2000    | 1999    | 1998    | 1997    | 1996    |
|--|---------|---------|---------|---------|---------|
| <b>Profit and loss – year ended 30 September<sup>1</sup></b>                 |         |         |         |         |         |
| Net interest income  | 3,715   | 3,492   | 3,492   | 3,353   | 3,254   |
| Fully tax equivalent gross up <sup>2</sup>                                   | 169     | 127     | 128     | 127     | 68      |
| Net interest income (including gross up)                                     | 3,884   | 3,619   | 3,620   | 3,480   | 3,322   |
| Non-interest income  | 2,368   | 2,139   | 2,003   | 1,739   | 1,472   |
| Operating income (including gross up)  | 6,252   | 5,758   | 5,623   | 5,219   | 4,794   |
| Non-interest expenses  | (3,503) | (3,434) | (3,392) | (3,228) | (3,049) |
| Operating profit before bad and doubtful debts (including gross up)          | 2,749   | 2,324   | 2,231   | 1,991   | 1,745   |
| Bad and doubtful debts   | (202)   | (171)   | (168)   | (78)    | (121)   |
| Operating profit before income tax and abnormal items (including gross up)   | 2,547   | 2,153   | 2,063   | 1,913   | 1,624   |
| Fully tax equivalent gross up <sup>2</sup>                                   | (169)   | (127)   | (128)   | (127)   | (68)    |
| Income tax attributable to operating profit                                  | (660)   | (567)   | (589)   | (493)   | (421)   |
| Outside equity interests   | (3)     | (3)     | (4)     | (2)     | (3)     |
| Operating profit after income tax before abnormal items (excluding gross up) | 1,715   | 1,456   | 1,342   | 1,291   | 1,132   |
| Abnormal items (net of tax)  | –       | –       | (70)    | –       | –       |
| Operating profit after income tax attributable to equity holders             | 1,715   | 1,456   | 1,272   | 1,291   | 1,132   |
| <b>Balance sheet at 30 September<sup>1</sup></b>                             |         |         |         |         |         |
| Total assets   | 167,618 | 140,220 | 137,319 | 118,963 | 121,513 |
| Loans  | 107,533 | 97,716  | 91,738  | 77,874  | 81,201  |
| Acceptances  | 15,665  | 10,249  | 10,325  | 11,242  | 11,197  |
| Deposits and public borrowings   | 89,994  | 85,546  | 83,164  | 72,636  | 74,886  |
| Loan capital   | 4,892   | 2,692   | 2,523   | 1,895   | 2,199   |
| Total equity   | 9,262   | 8,997   | 8,611   | 8,206   | 7,891   |
| Total risk adjusted assets   | 114,816 | 102,592 | 97,430  | 87,133  | 86,503  |
| <b>Share information</b>   |         |         |         |         |         |
| Earnings per share (cents):  |         |         |         |         |         |
| Before abnormals   | 88.8    | 77.0    | 70.1    | 70.0    | 58.9    |
| After abnormals  | 88.8    | 77.0    | 66.4    | 70.0    | 58.9    |
| Dividends per ordinary share (cents)   | 54.0    | 47.0    | 43.0    | 39.0    | 33.0    |
| Net tangible assets per ordinary share (\$) <sup>3</sup>                     | 3.96    | 3.71    | 3.59    | 3.69    | 3.39    |
| Share price (\$):  |         |         |         |         |         |
| High   | 12.97   | 12.06   | 11.45   | 9.10    | 6.59    |
| Low  | 9.16    | 8.36    | 7.10    | 6.43    | 5.20    |
| Close  | 12.75   | 9.45    | 9.28    | 8.70    | 6.54    |
| <b>Ratios</b>  |         |         |         |         |         |
| Total equity to total assets (%)   | 5.5     | 6.4     | 6.3     | 6.9     | 6.5     |
| Risk adjusted capital ratio (%)  | 9.9     | 9.2     | 9.3     | 10.5    | 10.8    |
| Dividend payout ratio (%)  | 60.8    | 61.0    | 64.8    | 55.7    | 56.0    |
| Return on average ordinary equity before abnormals (%)                       | 18.4    | 16.8    | 15.5    | 17.0    | 14.6    |
| Productivity ratio <sup>4</sup>  | 3.53    | 3.17    | 3.30    | 2.97    | 2.77    |
| Expense to income ratio (excluding amortisation of intangibles) (%)          | 54.5    | 57.9    | 58.4    | 60.7    | 62.9    |
| Net interest margin  | 3.15    | 3.27    | 3.44    | 3.59    | 3.72    |
| Economic Profit (\$m)  | 1,058   | 669     | 694     | 716     | 554     |
| <b>Other information</b>   |         |         |         |         |         |
| Points of bank representation (number at period end)                         | 1,375   | 1,625   | 1,832   | 1,547   | 1,788   |
| Core full time equivalent staff (number at period end) <sup>5</sup>          | 29,510  | 31,731  | 33,222  | 31,608  | 33,832  |

## Notes

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

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.

3 After deducting preference share capital and intangible assets.

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

5 Core full time equivalent staff includes pro-rata part time staff and excludes unpaid absences (e.g. maternity leave).

# Financial report

# Financial Report 2000

---

## 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** Earnings per ordinary share

**Note 9** Due from other financial institutions

**Note 10** Trading securities

**Note 11** Investment securities

**Note 12** Loans

**Note 13** Provisions for bad and doubtful debts

**Note 14** Impaired assets

**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** Executive officers' 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

---

**Profit and loss statements** for the years ended 30 September  
Westpac Banking Corporation and its controlled entities

|  | Note | Consolidated   |             |             | Parent Entity  |             |
|--|------|----------------|-------------|-------------|----------------|-------------|
|  |      | 2000<br>\$m    | 1999<br>\$m | 1998<br>\$m | 2000<br>\$m    | 1999<br>\$m |
| Interest income  | 2    | <b>10,291</b>  | 8,348       | 8,896       | <b>9,567</b>   | 7,432       |
| Fully tax equivalent gross up <sup>1</sup>   |      | <b>169</b>     | 127         | 128         | <b>63</b>      | 64          |
| Interest income (including gross up)   |      | <b>10,460</b>  | 8,475       | 9,024       | <b>9,630</b>   | 7,496       |
| Interest expense   | 2    | <b>(6,576)</b> | (4,856)     | (5,404)     | <b>(6,702)</b> | (4,712)     |
| <b>Net interest income (including gross up)</b>  |      | <b>3,884</b>   | 3,619       | 3,620       | <b>2,928</b>   | 2,784       |
| Non-interest income  | 3    | <b>2,368</b>   | 2,139       | 2,003       | <b>2,125</b>   | 2,039       |
| <b>Operating income (including gross up)</b>   |      | <b>6,252</b>   | 5,758       | 5,623       | <b>5,053</b>   | 4,823       |
| Non-interest expenses  | 4    | <b>(3,503)</b> | (3,434)     | (3,392)     | <b>(3,161)</b> | (3,343)     |
| <b>Operating profit before bad and doubtful debts and abnormal items (including gross up)</b>          |      | <b>2,749</b>   | 2,324       | 2,231       | <b>1,892</b>   | 1,480       |
| Bad and doubtful debts   | 13   | <b>(202)</b>   | (171)       | (168)       | <b>(93)</b>    | (84)        |
| <b>Operating profit before abnormal items (including gross up)</b>                                     |      | <b>2,547</b>   | 2,153       | 2,063       | <b>1,799</b>   | 1,396       |
| Abnormal items   | 5    | -              | -           | (106)       | -              | -           |
| <b>Operating profit before income tax (including gross up)</b>   |      | <b>2,547</b>   | 2,153       | 1,957       | <b>1,799</b>   | 1,396       |
| Fully tax equivalent gross up <sup>1</sup>   |      | <b>(169)</b>   | (127)       | (128)       | <b>(63)</b>    | (64)        |
| <b>Operating profit before income tax (excluding gross up)</b>   |      | <b>2,378</b>   | 2,026       | 1,829       | <b>1,736</b>   | 1,332       |
| Income tax attributable to operating profit  | 6    | <b>(660)</b>   | (567)       | (589)       | <b>(425)</b>   | (333)       |
| Income tax credit – abnormal items   | 5,6  | -              | -           | 36          | -              | -           |
| <b>Operating profit after income tax</b>   |      | <b>1,718</b>   | 1,459       | 1,276       | <b>1,311</b>   | 999         |
| Outside equity interests in operating profit after income tax  |      | <b>(3)</b>     | (3)         | (4)         | -              | -           |
| <b>Operating profit after income tax attributable to equity holders of Westpac Banking Corporation</b> |      | <b>1,715</b>   | 1,456       | 1,272       | <b>1,311</b>   | 999         |
| Retained profits at the beginning of the financial year  |      | <b>2,788</b>   | 2,241       | 1,873       | <b>1,842</b>   | 1,775       |
| Aggregate of amounts transferred to reserves   |      | <b>(12)</b>    | (35)        | (51)        | <b>(22)</b>    | (58)        |
| <b>Total available for appropriation</b>   |      | <b>4,491</b>   | 3,662       | 3,094       | <b>3,131</b>   | 2,716       |
| Dividends provided for or paid   | 7    | <b>(1,013)</b> | (866)       | (853)       | <b>(971)</b>   | (866)       |
| Distributions on other equity instruments  | 7    | <b>(43)</b>    | (8)         | -           | <b>(64)</b>    | (8)         |
| <b>Retained profits at the end of the financial year</b>   |      | <b>3,435</b>   | 2,788       | 2,241       | <b>2,096</b>   | 1,842       |
| Earnings (in cents) per ordinary share:  | 8    |                |             |             |                |             |
| Basic – before abnormals   |      | <b>88.8</b>    | 77.0        | 70.1        |                |             |
| Basic – after abnormals  |      | <b>88.8</b>    | 77.0        | 66.4        |                |             |
| Fully diluted – before abnormals   |      | <b>87.7</b>    | 76.1        | 68.0        |                |             |
| Fully diluted – after abnormals  |      | <b>87.7</b>    | 76.1        | 64.5        |                |             |

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 generally accepted accounting principles applicable in the United States (US GAAP) had been applied is disclosed in note 45.

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

**Balance sheets** as at 30 September  
Westpac Banking Corporation and its controlled entities

|   | Note | Consolidated   |                | Parent Entity  |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2000<br>\$m    | 1999<br>\$m    | 2000<br>\$m    | 1999<br>\$m    |
| <b>Assets</b>   |      |                |                |                |                |
| Cash and balances with central banks  |      | 836            | 345            | 734            | 328            |
| Due from other financial institutions                                       | 9    | 3,325          | 4,006          | 2,815          | 3,713          |
| Trading securities  | 10   | 7,174          | 9,057          | 7,163          | 9,005          |
| Investment securities   | 11   | 2,731          | 2,208          | 2,640          | 1,474          |
| Loans   | 12   | 107,533        | 97,716         | 93,847         | 86,344         |
| Acceptances of customers  |      | 15,665         | 10,249         | 15,829         | 10,349         |
| Life insurance investment assets  |      | 7,547          | –              | –              | –              |
| Regulatory deposits with central banks overseas                             |      | 620            | 398            | 603            | 384            |
| Due from controlled entities  |      | –              | –              | 9,528          | 6,229          |
| Investments in controlled entities  |      | –              | –              | 7,105          | 6,595          |
| Fixed assets  | 15   | 1,175          | 1,527          | 864            | 936            |
| Other assets  | 16   | 21,012         | 14,714         | 20,116         | 13,463         |
| <b>Total assets</b>   |      | <b>167,618</b> | <b>140,220</b> | <b>161,244</b> | <b>138,820</b> |
| <b>Liabilities</b>  |      |                |                |                |                |
| Due to other financial institutions   | 17   | 3,972          | 3,562          | 3,965          | 3,560          |
| Deposits and public borrowings  | 18   | 89,994         | 85,546         | 83,562         | 79,517         |
| Bonds, notes and commercial paper   | 20   | 19,203         | 14,910         | 11,567         | 8,348          |
| Acceptances   |      | 15,665         | 10,249         | 15,829         | 10,349         |
| Life insurance policy liabilities   |      | 6,991          | –              | –              | –              |
| Due to controlled entities  |      | –              | –              | 15,462         | 11,813         |
| Other liabilities   | 19   | 17,639         | 14,264         | 16,884         | 13,547         |
| <b>Total liabilities excluding loan capital</b>                             |      | <b>153,464</b> | <b>128,531</b> | <b>147,269</b> | <b>127,134</b> |
| <b>Loan capital</b>   |      |                |                |                |                |
| Subordinated bonds, notes and debentures                                    | 20   | 4,175          | 2,030          | 4,175          | 2,030          |
| Subordinated perpetual notes  | 20   | 717            | 662            | 717            | 662            |
| <b>Total loan capital</b>   |      | <b>4,892</b>   | <b>2,692</b>   | <b>4,892</b>   | <b>2,692</b>   |
| <b>Total liabilities</b>  |      | <b>158,356</b> | <b>131,223</b> | <b>152,161</b> | <b>129,826</b> |
| <b>Net assets</b>   |      | <b>9,262</b>   | <b>8,997</b>   | <b>9,083</b>   | <b>8,994</b>   |
| <b>Equity</b>   |      |                |                |                |                |
| Share capital   | 21   | 2,258          | 1,853          | 1,776          | 1,853          |
| Other equity instruments:   |      |                |                |                |                |
| Trust originated preferred securities (TOPr <sup>SM</sup> )                 | 21   | 465            | 465            | –              | –              |
| Convertible debenture   | 21   | –              | –              | 465            | 465            |
| Perpetual capital notes   | 21   | –              | –              | 308            | –              |
| Reserves  |      | 3,099          | 3,888          | 4,438          | 4,834          |
| Retained profits  |      | 3,435          | 2,788          | 2,096          | 1,842          |
| <b>Equity attributable to equity holders of Westpac Banking Corporation</b> |      | <b>9,257</b>   | <b>8,994</b>   | <b>9,083</b>   | <b>8,994</b>   |
| Outside equity interests in controlled entities                             |      | 5              | 3              | –              | –              |
| <b>Total equity</b>   |      | <b>9,262</b>   | <b>8,997</b>   | <b>9,083</b>   | <b>8,994</b>   |

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

| Note   | Consolidated |             |             | Parent Entity |             |         |
|--|--------------|-------------|-------------|---------------|-------------|---------|
|  | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m | 2000<br>\$m   | 1999<br>\$m |         |
| <b>Cash flows from operating activities</b>                                  |              |             |             |               |             |         |
| Interest received  | 10,135       | 8,345       | 9,035       | 9,450         | 7,428       |         |
| Interest paid  | (6,232)      | (5,018)     | (5,161)     | (6,425)       | (4,886)     |         |
| Dividends received   | 43           | 35          | 15          | 318           | 164         |         |
| Other non-interest income received   | 655          | 2,954       | 747         | 597           | 2,689       |         |
| Non-interest expenses paid   | (3,174)      | (3,091)     | (2,772)     | (2,903)       | (3,097)     |         |
| Net (increase)/decrease in trading securities                                | 764          | (2,204)     | 484         | 723           | (2,217)     |         |
| Income tax paid  | (497)        | (520)       | (360)       | (146)         | (402)       |         |
| Life insurance:  |              |             |             |               |             |         |
| receipts from policyholders and customers                                    | 3,366        | –           | –           | –             | –           |         |
| interest and other items of similar nature                                   | 135          | –           | –           | –             | –           |         |
| dividends received   | 430          | –           | –           | –             | –           |         |
| payments to policyholders and suppliers                                      | (3,428)      | –           | –           | –             | –           |         |
| income tax paid  | (27)         | –           | –           | –             | –           |         |
| <b>Net cash provided by/(used in) operating activities</b>                   | 43           | 2,170       | 501         | 1,988         | 1,614       | (321)   |
| <b>Cash flows from investing activities</b>                                  |              |             |             |               |             |         |
| Proceeds from sale of investment securities                                  | 1,441        | 147         | 928         | 876           | 133         |         |
| Proceeds from matured investment securities                                  | 94           | 148         | 52          | –             | 42          |         |
| Purchase of investment securities  | (1,907)      | (444)       | (656)       | (1,933)       | (264)       |         |
| Proceeds from securitised loans  | 245          | 2,568       | 3,190       | 245           | 2,568       |         |
| Net (increase)/decrease in:  |              |             |             |               |             |         |
| loans  | (11,312)     | (11,124)    | (7,811)     | (8,741)       | (10,185)    |         |
| due from other financial institutions  | 778          | (898)       | 960         | 966           | (815)       |         |
| regulatory deposits with central banks overseas                              | (135)        | 752         | (106)       | (132)         | 728         |         |
| life insurance investment assets   | (118)        | –           | –           | –             | –           |         |
| investments in controlled entities   | –            | –           | –           | (130)         | (12)        |         |
| due from controlled entities   | –            | –           | –           | (3,299)       | (392)       |         |
| other assets   | 410          | (554)       | 1,191       | 107           | (527)       |         |
| Purchase of fixed assets   | (418)        | (362)       | (398)       | (350)         | (212)       |         |
| Proceeds from disposal of fixed assets                                       | 525          | 119         | 273         | 197           | 59          |         |
| Controlled entities (acquired)/disposed (net of cash held)                   | 43           | 139         | 58          | (174)         | –           | 58      |
| <b>Net cash used in investing activities</b>                                 |              | (10,258)    | (9,590)     | (2,551)       | (12,194)    | (8,819) |
| <b>Cash flows from financing activities</b>                                  |              |             |             |               |             |         |
| Issue of loan capital  | 1,924        | 460         | 350         | 1,924         | 460         |         |
| Redemption of loan capital   | (112)        | (147)       | (94)        | (112)         | (143)       |         |
| Proceeds from issue of shares  | 91           | 95          | 89          | 91            | 95          |         |
| Proceeds from issue of New Zealand Class shares, net of issue costs of \$16m | 279          | –           | –           | –             | –           |         |
| Buyback of shares  | (1,273)      | (933)       | (1,306)     | (1,273)       | (933)       |         |
| Proceeds from issue of TOPrS net of issue costs of \$20m                     | –            | 465         | –           | –             | –           |         |
| Proceeds from issue of perpetual capital notes                               | –            | –           | –           | 308           | –           |         |
| Proceeds from issue of convertible debenture, net of issue costs of \$20m    | –            | –           | –           | –             | 465         |         |
| Net increase/(decrease) in:  |              |             |             |               |             |         |
| due to other financial institutions  | 379          | (266)       | (800)       | 375           | (192)       |         |
| deposits and public borrowings   | 3,909        | 5,113       | 1,131       | 3,373         | 4,885       |         |
| due to controlled entities   | –            | –           | –           | 3,649         | 4,021       |         |
| other liabilities  | 179          | 419         | (126)       | 178           | 324         |         |
| bonds, notes and commercial paper  | 3,962        | 4,450       | 2,109       | 3,237         | 723         |         |
| Payment of distributions and dividends                                       | (761)        | (627)       | (708)       | (769)         | (627)       |         |
| Payment of dividends to outside equity interests                             | (3)          | (4)         | (1)         | –             | –           |         |
| <b>Net cash provided by financing activities</b>                             |              | 8,574       | 9,025       | 644           | 10,981      | 9,078   |
| Net increase/(decrease) in cash and cash equivalents                         |              | 486         | (64)        | 81            | 401         | (62)    |
| Effect of exchange rate changes on cash and cash equivalents                 |              | 5           | 6           | 1             | 5           | 5       |
| Cash and cash equivalents at beginning of year                               |              | 345         | 403         | 321           | 328         | 385     |
| <b>Cash and cash equivalents at year end</b>                                 |              | 836         | 345         | 403           | 734         | 328     |

Details of reconciliation of net cash provided by/(used in) operating activities to operating profit after income tax are provided in 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 total 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     |             |             | Parent Entity  |             |
|---|------------------|-------------|-------------|----------------|-------------|
|   | 2000<br>\$m      | 1999<br>\$m | 1998<br>\$m | 2000<br>\$m    | 1999<br>\$m |
| <b>Share capital</b>  |                  |             |             |                |             |
| Balance at beginning of year  | <b>1,853</b>     | 1,899       | 1,861       | <b>1,853</b>   | 1,899       |
| Shares issued:  |                  |             |             |                |             |
| New Zealand Class shares  | 21 <b>482</b>    | –           | –           | –              | –           |
| under the Dividend Reinvestment Plan  | 21 <b>19</b>     | 22          | 9           | <b>19</b>      | 22          |
| under employee share purchase and option schemes  | <b>13</b>        | 20          | 19          | <b>13</b>      | 20          |
| for acquisition of Bank of Melbourne Limited  | –                | –           | 142         | –              | –           |
| Shares bought back  | 21 <b>(109)</b>  | (88)        | (132)       | <b>(109)</b>   | (88)        |
| <b>Balance at year end</b>  | <b>2,258</b>     | 1,853       | 1,899       | <b>1,776</b>   | 1,853       |
| <b>Other equity instruments</b>   |                  |             |             |                |             |
| <b>Trust originated preferred securities (TOPrS)</b>  |                  |             |             |                |             |
| Balance at beginning of year  | 21 <b>465</b>    | –           | –           | –              | –           |
| Securities issued during the year   | –                | 485         | –           | –              | –           |
| Issue costs   | –                | (20)        | –           | –              | –           |
| <b>Balance at year end</b>  | <b>465</b>       | 465         | –           | –              | –           |
| <b>Convertible debenture</b>  |                  |             |             |                |             |
| Balance at beginning of year  | 21 –             | –           | –           | <b>465</b>     | –           |
| Debentures issued during the year   | –                | –           | –           | –              | 485         |
| Issue costs   | –                | –           | –           | –              | (20)        |
| <b>Balance at year end</b>  | –                | –           | –           | <b>465</b>     | 465         |
| <b>Perpetual capital notes</b>  |                  |             |             |                |             |
| Balance at beginning of year  | –                | –           | –           | –              | –           |
| Notes issued during the year  | 21 –             | –           | –           | <b>308</b>     | –           |
| <b>Balance at year end</b>  | –                | –           | –           | <b>308</b>     | –           |
| <b>Reserves</b>   |                  |             |             |                |             |
| <b>Reserve fund</b>   |                  |             |             |                |             |
| Balance at beginning of year  | <b>776</b>       | 727         | 663         | <b>776</b>     | 727         |
| Transfer from retained profits  | <b>66</b>        | 49          | 64          | <b>66</b>      | 49          |
| <b>Balance at year end</b>  | <b>842</b>       | 776         | 727         | <b>842</b>     | 776         |
| <b>Share premium reserve</b>  |                  |             |             |                |             |
| Balance at beginning of year  | <b>2,903</b>     | 3,475       | 3,470       | <b>2,903</b>   | 3,475       |
| Premium on shares issued  | <b>273</b>       | 273         | 1,179       | <b>273</b>     | 273         |
| Premium on shares bought back   | <b>(1,164)</b>   | (845)       | (1,174)     | <b>(1,164)</b> | (845)       |
| <b>Balance at year end</b>  | <b>2,012</b>     | 2,903       | 3,475       | <b>2,012</b>   | 2,903       |
| <b>Premises revaluation reserve</b>   |                  |             |             |                |             |
| Balance at beginning of year  | <b>113</b>       | 144         | 202         | <b>138</b>     | 145         |
| Revaluation of premises   | <b>(26)</b>      | (20)        | (33)        | <b>(17)</b>    | (4)         |
| Transfer to retained profits of realised revaluation gains on sale of premises                | <b>(52)</b>      | (3)         | (17)        | <b>(36)</b>    | (3)         |
| Other adjustments   | <b>1</b>         | (8)         | (8)         | –              | –           |
| <b>Balance at year end</b>  | <b>36</b>        | 113         | 144         | <b>85</b>      | 138         |
| <b>Investment revaluation reserve</b>   |                  |             |             |                |             |
| Balance at beginning of year  | –                | –           | –           | <b>911</b>     | 479         |
| Revaluation of investments in controlled entities   | –                | –           | –           | <b>381</b>     | 432         |
| <b>Balance at year end</b>  | –                | –           | –           | <b>1,292</b>   | 911         |
| <b>Capital redemption reserve</b>   |                  |             |             |                |             |
| <b>Balance at year end</b>  | <b>135</b>       | 135         | 135         | <b>131</b>     | 131         |
| <b>Foreign currency translation reserve</b>   |                  |             |             |                |             |
| Balance at beginning of year  | <b>(39)</b>      | (15)        | (4)         | <b>(25)</b>    | (25)        |
| Transfer (to)/from retained profits   | <b>(2)</b>       | (11)        | 4           | <b>(8)</b>     | 12          |
| Exchange differences on translation net of hedging  | <b>115</b>       | (13)        | (15)        | <b>109</b>     | (12)        |
| <b>Balance at year end</b>  | <b>74</b>        | (39)        | (15)        | <b>76</b>      | (25)        |
| <b>Total reserves</b>   |                  |             |             |                |             |
| <b>Balance at year end</b>  | <b>3,099</b>     | 3,888       | 4,466       | <b>4,438</b>   | 4,834       |
| <b>Retained profits</b>   |                  |             |             |                |             |
| Balance at beginning of year  | <b>2,788</b>     | 2,241       | 1,873       | <b>1,842</b>   | 1,775       |
| Aggregate of amounts transferred to reserves  | <b>(12)</b>      | (35)        | (51)        | <b>(22)</b>    | (58)        |
| Operating profit after tax attributable to equity holders                                     | <b>1,715</b>     | 1,456       | 1,272       | <b>1,311</b>   | 999         |
| Dividends provided for or paid  | 7 <b>(1,013)</b> | (866)       | (853)       | <b>(971)</b>   | (866)       |
| Distributions on other equity instruments   | 7 <b>(43)</b>    | (8)         | –           | <b>(64)</b>    | (8)         |
| <b>Balance at year end</b>  | <b>3,435</b>     | 2,788       | 2,241       | <b>2,096</b>   | 1,842       |
| <b>Total equity attributable to equity holders of Westpac Banking Corporation at year end</b> | <b>9,257</b>     | 8,994       | 8,606       | <b>9,083</b>   | 8,994       |

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.



## 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 Australian Accounting Standards, other mandatory professional reporting requirements, the provisions of the Deed of Settlement and the Bank of New South Wales Act of 1850 (as amended). These requirements have been applied in a manner authorised for an authorised deposit-taking institution under the Banking Act 1959 (as amended) and, so far as considered appropriate to Westpac Banking Corporation, in accordance with the requirements of the Corporations Law.

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 the Parent Entity, Westpac Banking Corporation ('Westpac') and all entities it controlled during the year ended 30 September 2000. Westpac and controlled entities are referred to collectively as the 'Group'. The effects of all transactions between entities in the Group are eliminated. Controlled entities are listed in note 34.

#### iii. Currency

All amounts are expressed in Australian currency except where indicated otherwise. 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 Westpac, exchange differences arising on translation of Westpac'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 Westpac'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 or by being swapped to the currency they are funding. 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, 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 a specific provision is made as necessary.

#### ii. Dividends on redeemable preference share finance

Redeemable preference share 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 and establishment 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 and establishment fees represent the recovery of costs and are 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.

Both realised and unrealised gains and losses on trading derivative contracts are taken to the profit and loss statement.

#### vi. Other dividend income

Other 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 is treated as non-interest income.

### (C) EXPENSE RECOGNITION

#### i. Interest expense

Interest expense, including premiums or discounts and associated issue expenses 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. Incentives received on entering into operating leases are recognised as liabilities and are charged to profit and loss 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).

### (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 timing differences have been measured using the tax rates expected to apply when the differences reverse.

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

## NOTE 1. SUMMARY OF THE SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

### (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. Losses related to permanent diminution in value of investment securities are recognised in profit and loss and the recorded values of those securities adjusted accordingly. 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.

Security is obtained if, based on an evaluation of the customer's credit worthiness, it is considered necessary for the customer's overall borrowing facility. Security 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 14.

*A general provision:* is maintained for losses that can reasonably be expected to have occurred, 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 14, 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 of customers', is recognised to reflect Westpac's or the 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 12.

#### 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 Westpac at its share of net assets at book value, plus unamortised intangible assets relating to the investments. Differences between book value of net assets plus unamortised intangible assets and cost of controlled entities are included in the investment revaluation reserve.

Other investments, comprising unlisted shares in other companies, as shown in note 16 and detailed in note 35, are generally held as long-term investments and are recorded at cost unless otherwise stated. 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.

#### viii. Life insurance investment assets

Investments integral to the life insurance activities are initially recorded at cost and then adjusted to net market value at each balance date. Net market value adjustments are included in operating profit. These investments are held in the life insurance statutory funds and can only be used within the restrictions imposed under the *Life Insurance Act 1995*. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distribution when solvency and capital adequacy requirements are met. Participating policy holders can receive a distribution when solvency requirements are met.

## NOTE 1. SUMMARY OF THE SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

### ix. Fixed assets

Premises and sites are carried at cost or Directors' 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 are expensed as incurred.

### x. 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 at cost adjusted for premium or discount amortisation.

### 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.

No provision is made for non-vesting sick leave as the pattern of sick leave taken indicates that no additional liability will arise for non-vesting sick leave.

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 closely match the estimated future cash flows.

A liability is also carried for on-costs, including 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.

### vi. Life insurance policy liabilities

The policy liabilities are calculated in accordance with the principles of 'Margin on Services' (MOS) methodology as set out in Actuarial Standard 1.02: 'Valuation Standard' issued by the Life Insurance Actuarial Standards Board.

## (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 Westpac's Deed of Settlement.

New Zealand Class shares have been recognised at the total of the first instalment received and the present value of the second instalment, net of issue costs.

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

Westpac's Deed of Settlement requires that each year not less than 5% of the net profit of Westpac 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 Westpac'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

### (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 Westpac 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).

For these schemes, 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.

When the actuarial surplus in a principal employee superannuation fund 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 contingent 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 residual income 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 residual income receivable are not recognised as assets and no gain is recognised when loans are sold. The swap income/expense and residual income are therefore being recognised when receivable/payable.

#### v. Funds management and trust activities

The Group conducts investment management and other fiduciary activities through Westpac Financial Services Group Limited and certain of 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. These assets are not the property of the Group and are not included in the consolidated financial statements. The Group also manages life insurance statutory fund assets that are now included in the consolidated financial statements, see note (h)vi. At 30 September 2000, the total value of assets under discretionary management by the Group was approximately \$25.1 billion (1999 \$23.8 billion), including \$17.6 billion (1999 \$23.8 billion) that have not been included in the consolidated 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. Change in accounting policy

##### *Life insurance accounting*

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

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

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

#### vii. Rounding of amounts

In accordance with Australian Securities and Investments Commission (ASIC) Class Order 98/0100, all amounts have been rounded to the nearest million dollars unless otherwise stated.

## Notes to the financial statements

|   | Consolidated       |             |             | Parent Entity      |             |
|---|--------------------|-------------|-------------|--------------------|-------------|
|   | <b>2000</b><br>\$m | 1999<br>\$m | 1998<br>\$m | <b>2000</b><br>\$m | 1999<br>\$m |
| <b>NOTE 2. INTEREST</b>                                       |                    |             |             |                    |             |
| <b>Interest income</b>  |                    |             |             |                    |             |
| Loans   | <b>9,330</b>       | 7,423       | 7,921       | <b>8,047</b>       | 6,301       |
| Deposits with other financial institutions                    | <b>261</b>         | 192         | 282         | <b>250</b>         | 179         |
| Investment securities   | <b>155</b>         | 134         | 130         | <b>144</b>         | 98          |
| Trading securities  | <b>455</b>         | 456         | 451         | <b>452</b>         | 453         |
| Regulatory deposits   | <b>32</b>          | 15          | 13          | <b>32</b>          | 15          |
| Dividends on redeemable preference share finance              | <b>35</b>          | 38          | 46          | <b>35</b>          | 38          |
| Controlled entities   | -                  | -           | -           | <b>589</b>         | 270         |
| Other   | <b>23</b>          | 90          | 53          | <b>18</b>          | 78          |
| <b>Total interest income</b>                                  | <b>10,291</b>      | 8,348       | 8,896       | <b>9,567</b>       | 7,432       |
| <b>Interest expense</b>                                       |                    |             |             |                    |             |
| Current and term deposits                                     | <b>4,566</b>       | 3,385       | 3,927       | <b>4,534</b>       | 3,372       |
| Deposits from other financial institutions                    | <b>221</b>         | 194         | 275         | <b>221</b>         | 194         |
| Bonds, notes and commercial paper                             | <b>1,052</b>       | 710         | 551         | <b>630</b>         | 466         |
| Public borrowings by controlled entity borrowing corporations | <b>338</b>         | 317         | 360         | -                  | -           |
| Loan capital  | <b>270</b>         | 175         | 173         | <b>270</b>         | 175         |
| Controlled entities   | -                  | -           | -           | <b>999</b>         | 453         |
| Other   | <b>129</b>         | 75          | 118         | <b>48</b>          | 52          |
| <b>Total interest expense</b>                                 | <b>6,576</b>       | 4,856       | 5,404       | <b>6,702</b>       | 4,712       |

|  | Consolidated |              |              | Parent Entity |              |
|--|--------------|--------------|--------------|---------------|--------------|
|  | 2000<br>\$m  | 1999<br>\$m  | 1998<br>\$m  | 2000<br>\$m   | 1999<br>\$m  |
| <b>NOTE 3. NON-INTEREST INCOME</b>   |              |              |              |               |              |
| Lending fees (loan and risk)   | 584          | 512          | 508          | 584           | 508          |
| Transaction fees and commissions received  | 1,012        | 895          | 708          | 1,010         | 892          |
| Other non-risk fee income <sup>1</sup>   | 231          | 228          | 232          | 248           | 207          |
| Fees and commissions paid  | (384)        | (302)        | (198)        | (329)         | (277)        |
| Trading income:  |              |              |              |               |              |
| Foreign exchange income  | 194          | 246          | 295          | 179           | 230          |
| Trading securities   | (21)         | 32           | 34           | (21)          | 32           |
| Other financial instruments  | (29)         | 6            | 81           | (28)          | 6            |
| Rental income  | 8            | 10           | 12           | 1             | 3            |
| General insurance commissions and premiums earned (net of claims)  | 46           | 30           | 44           | 12            | 16           |
| Life insurance and funds management operating income <sup>2</sup>  | 582          | -            | -            | -             | -            |
| Life insurance margin on services profit (before income tax) <sup>3</sup>  | -            | 124          | 90           | -             | -            |
| Funds management income  | -            | 159          | 126          | -             | -            |
| Dividends from controlled entities   | -            | -            | -            | 280           | 132          |
| Dividends from other entities  | 43           | 35           | 15           | 38            | 32           |
| Net profit/(loss) on sale of fixed assets  | 32           | (1)          | 30           | (5)           | 1            |
| Net profit on sale of other investments  | 4            | 70           | 4            | -             | 38           |
| Cost of hedging overseas operations  | (4)          | 14           | (13)         | 12            | 8            |
| Service and management fees  | 5            | 7            | 2            | 13            | 117          |
| Other  | 65           | 74           | 33           | 131           | 94           |
| <b>Total non-interest income</b>   | <b>2,368</b> | <b>2,139</b> | <b>2,003</b> | <b>2,125</b>  | <b>2,039</b> |
| <b>Life insurance and funds management operating income comprises:</b>   |              |              |              |               |              |
| Premium income and management fees <sup>4</sup>  | 309          | -            | -            | -             | -            |
| Funds management income  | 162          | -            | -            | -             | -            |
| Claims expenses (net of recoveries)  | (97)         | -            | -            | -             | -            |
| Investment revenue   | 898          | -            | -            | -             | -            |
| Life insurance policy liabilities expense  | (799)        | -            | -            | -             | -            |
| Amortisation of business in force  | (19)         | -            | -            | -             | -            |
| <b>Operating income</b>  | <b>454</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>-</b>     |
| Change in excess of net market value over net assets of life insurance controlled entity before tax <sup>5</sup> | 128          | -            | -            | -             | -            |
| <b>Total life insurance and funds management operating income</b>  | <b>582</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>-</b>     |

1 Includes \$27 million received as profit on sale of housing loans pursuant to the securitisation program, all of which related to loans securitised in prior years (1999 \$28 million of which \$25 million related to loans securitised in prior years, 1998 \$23 million and \$18 million).

2 The requirements of accounting standard AASB 1038 Life Insurance Business became effective for the Group from 1 October 1999. Life insurance assets, liabilities, revenues and expenses have been consolidated for the year ended 30 September 2000. Comparatives have not been restated.

3 The Margin on Services (MOS) profits have been determined in accordance with the 'margin on services' methodology for the valuation of policy liabilities.

4 Includes \$68 million in respect of recoveries of income tax on policyholders' earnings.

5 Westpac Financial Services (WFS) Group was restructured on 1 February 2000 and the financial services origination business transferred to a life insurance controlled entity. As a consequence of the new Life Insurance Business accounting standard, the results of the financial services origination business is now being brought to account on a market value basis.



|   | Consolidated |              |              | Parent Entity |              |
|---|--------------|--------------|--------------|---------------|--------------|
|   | 2000<br>\$m  | 1999<br>\$m  | 1998<br>\$m  | 2000<br>\$m   | 1999<br>\$m  |
| <b>NOTE 4. NON-INTEREST EXPENSES</b>  |              |              |              |               |              |
| <b>Salaries and other staff expenses</b>  |              |              |              |               |              |
| Salaries and wages  | 1,384        | 1,434        | 1,407        | 1,155         | 1,242        |
| Provision for employee entitlements   | 125          | 132          | 83           | 110           | 121          |
| Superannuation contributions  | 2            | 18           | 24           | 1             | 15           |
| Superannuation prepayment adjustment  | 3            | (51)         | (57)         | 4             | (50)         |
| Payroll tax   | 80           | 87           | 88           | 69            | 76           |
| Fringe benefits tax   | 43           | 38           | 41           | 37            | 32           |
| Restructuring costs   | 45           | 14           | –            | 40            | 12           |
| Other   | 133          | 158          | 118          | 147           | 161          |
| <b>Total salaries and other staff expenses</b>                                  | <b>1,815</b> | <b>1,830</b> | <b>1,704</b> | <b>1,563</b>  | <b>1,609</b> |
| <b>Equipment and occupancy expenses</b>   |              |              |              |               |              |
| Operating lease rentals   | 250          | 244          | 279          | 201           | 281          |
| Depreciation and amortisation:  |              |              |              |               |              |
| Premises  | 8            | 12           | 14           | 3             | 4            |
| Leasehold improvements  | 30           | 17           | 25           | 24            | 12           |
| Furniture, equipment and computer software                                      | 43           | 45           | 47           | 34            | 35           |
| Technology  | 188          | 163          | 158          | 156           | 148          |
| Equipment repairs and maintenance   | 64           | 58           | 62           | 63            | 57           |
| Electricity, water and rates  | 17           | 27           | 30           | 16            | 26           |
| Land tax  | 3            | 6            | 6            | 3             | 6            |
| Other   | 29           | 30           | 20           | 13            | 23           |
| <b>Total equipment and occupancy expenses</b>                                   | <b>632</b>   | <b>602</b>   | <b>641</b>   | <b>513</b>    | <b>592</b>   |
| <b>Other expenses</b>   |              |              |              |               |              |
| Amortisation of intangible assets (note 16)                                     | 98           | 100          | 106          | 77            | 80           |
| Amortisation of deferred expenditure (note 16)                                  | 14           | 18           | 24           | 12            | 16           |
| Non-lending losses  | 36           | 30           | 25           | 32            | 24           |
| Consultancy fees, computer software maintenance and other professional services | 355          | 309          | 318          | 292           | 262          |
| Stationery  | 99           | 94           | 91           | 78            | 85           |
| Postage and telecommunication costs   | 204          | 201          | 203          | 179           | 189          |
| Insurance   | 11           | 11           | 12           | 12            | 10           |
| Advertising   | 104          | 100          | 99           | 95            | 92           |
| Transaction taxes   | 11           | 10           | 12           | 4             | 4            |
| Training  | 22           | 23           | 21           | 17            | 18           |
| Travel  | 53           | 55           | 61           | 46            | 46           |
| Other   | 49           | 51           | 75           | 241           | 316          |
| <b>Total other expenses</b>   | <b>1,056</b> | <b>1,002</b> | <b>1,047</b> | <b>1,085</b>  | <b>1,142</b> |
| <b>Total non-interest expenses</b>  | <b>3,503</b> | <b>3,434</b> | <b>3,392</b> | <b>3,161</b>  | <b>3,343</b> |

**NOTE 5. ABNORMAL ITEMS****Restructuring expenses**

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

|   | Consolidated |             |             | Parent Entity |             |
|---|--------------|-------------|-------------|---------------|-------------|
|   | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m | 2000<br>\$m   | 1999<br>\$m |
| <b>NOTE 6. INCOME TAX</b>   |              |             |             |               |             |
| <b>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</b> |              |             |             |               |             |
| Operating profit before income tax (including gross up) after abnormal items  | 2,547        | 2,153       | 1,957       | 1,799         | 1,396       |
| Fully tax equivalent gross up   | (169)        | (127)       | (128)       | (63)          | (64)        |
| Operating profit before income tax (excluding gross up) after abnormal items  | 2,378        | 2,026       | 1,829       | 1,736         | 1,332       |
| Prima facie income tax on operating profit before income tax (excluding gross up) based on the company tax rate of 36% in Australia                               | 856          | 729         | 658         | 625           | 480         |
| <b>Add/(deduct) tax effect of permanent differences:</b>  |              |             |             |               |             |
| Change in tax rate <sup>1</sup>   | 26           | -           | -           | 29            | -           |
| Rebateable and exempt dividends   | (88)         | (84)        | (72)        | (129)         | (122)       |
| Tax losses (now) tax effected   | (11)         | (10)        | (30)        | (10)          | (10)        |
| Timing differences not/(now) tax effected   | (34)         | (2)         | 29          | (34)          | 29          |
| Life insurance:   |              |             |             |               |             |
| Tax adjustment on policyholders' earnings <sup>2</sup>  | 44           | -           | -           | -             | -           |
| Adjustment for life business tax rates  | (42)         | (22)        | (15)        | -             | -           |
| Change in excess of net market value over net assets of life insurance controlled entity  | (16)         | -           | -           | -             | -           |
| Other non-assessable items  | (82)         | (68)        | (57)        | (55)          | (19)        |
| Other non-deductible items  | 65           | 70          | 77          | 36            | 53          |
| Adjustment for overseas tax rates   | (23)         | (12)        | (14)        | (10)          | (1)         |
| Prior period adjustments  | (36)         | (43)        | (12)        | (16)          | (41)        |
| Other items   | 1            | 9           | (11)        | (11)          | (36)        |
| <b>Total income tax expense attributable to operating profit after abnormal items</b>   | <b>660</b>   | <b>567</b>  | <b>553</b>  | <b>425</b>    | <b>333</b>  |
| <b>Income tax attributable to operating profit comprises:</b>   |              |             |             |               |             |
| Income tax attributable to operating profit before abnormal items   | 660          | 567         | 589         | 425           | 333         |
| Income tax attributable to abnormal items   | -            | -           | (36)        | -             | -           |
|   | 660          | 567         | 553         | 425           | 333         |
| <b>Income tax – abnormal items:</b>   |              |             |             |               |             |
| Prima facie tax on abnormal items at 36%  | -            | -           | (38)        | -             | -           |
| <b>Add/(deduct) tax effect of permanent differences:</b>  |              |             |             |               |             |
| Adjustment for overseas tax rates   | -            | -           | 2           | -             | -           |
| <b>Income tax credit – abnormal items</b>   | <b>-</b>     | <b>-</b>    | <b>(36)</b> | <b>-</b>      | <b>-</b>    |
| <b>Income tax analysis</b>  |              |             |             |               |             |
| Income tax expense attributable to operating profit comprises:  |              |             |             |               |             |
| Current income tax  |              |             |             |               |             |
| Australia   | 529          | 384         | 449         | 271           | 195         |
| Overseas  | 86           | 141         | (8)         | 75            | 119         |
|   | 615          | 525         | 441         | 346           | 314         |
| Deferred income tax   |              |             |             |               |             |
| Australia   | 66           | 96          | 63          | 80            | 72          |
| Overseas  | 15           | (11)        | 61          | 15            | (12)        |
|   | 81           | 85          | 124         | 95            | 60          |
| (Over)/under provision in prior years   |              |             |             |               |             |
| Australia   | (37)         | (43)        | (18)        | (17)          | (41)        |
| Overseas  | 1            | -           | 6           | 1             | -           |
|   | (36)         | (43)        | (12)        | (16)          | (41)        |
| Total Australia   | 558          | 437         | 494         | 334           | 226         |
| Total Overseas  | 102          | 130         | 59          | 91            | 107         |
| <b>Total income tax expense attributable to operating profit after abnormal items</b>   | <b>660</b>   | <b>567</b>  | <b>553</b>  | <b>425</b>    | <b>333</b>  |

<sup>1</sup> The company tax rate in Australia reduces from 36% to 34% and then to 30%, effective for the Group for years beginning 1 October 2000 and 1 October 2001 respectively. The net impact is based on when it is expected that timing differences will reverse.

<sup>2</sup> In accordance with the requirements of AASB 1038 Life Insurance Business, the Group's tax expense includes \$68 million in respect of income tax on policyholders' earnings, \$24 million of which is in the prima facie income tax above and the balance of \$44 million shown here.



|  | Consolidated |             |             | Parent Entity |             |
|--|--------------|-------------|-------------|---------------|-------------|
|  | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m | 2000<br>\$m   | 1999<br>\$m |
| <b>NOTE 7. DIVIDENDS AND DISTRIBUTIONS PROVIDED FOR OR PAID</b>  |              |             |             |               |             |
| <b>Converting preference share dividends provided for or paid (fully franked at 36%)</b>   | -            | -           | 24          | -             | -           |
| <b>Ordinary dividends</b>  |              |             |             |               |             |
| Interim ordinary dividend paid:  |              |             |             |               |             |
| Ordinary shares 26 cents per share; 1999 23 cents per share; 1998 21 cents per share (all fully franked at 34%, 36% and 36% respectively)      | 475          | 426         | 388         | 475           | 426         |
| New Zealand Class shares 26 cents per share (fully imputed) <sup>1</sup>   | 13           | -           | -           | -             | -           |
| (Over)/under provision of dividend in prior year <sup>2</sup>  | 13           | (5)         | 23          | (1)           | (5)         |
| Final ordinary dividend provided for:  |              |             |             |               |             |
| Ordinary shares 28 cents per share (fully franked at 34%); 1999 24 cents per share (unfranked); 1998 22 cents per share (fully franked at 36%) | 497          | 445         | 418         | 497           | 445         |
| New Zealand Class shares 28 cents per share (fully imputed) <sup>1</sup>   | 15           | -           | -           | -             | -           |
| <b>Total ordinary dividends provided for or paid</b>   | <b>1,013</b> | 866         | 829         | <b>971</b>    | 866         |
| <b>Total dividends provided for or paid</b>  | <b>1,013</b> | 866         | 853         | <b>971</b>    | 866         |

1 The New Zealand Class shares were issued by a controlled entity on 12 October 1999 (see note 21)

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

#### Distributions on other equity instruments

Distributions paid or provided for:

|  |           |   |   |           |   |
|--|-----------|---|---|-----------|---|
| TOPrS  | 43        | 8 | - | -         | - |
| Convertible debenture                                  | -         | - | - | 43        | 8 |
| Perpetual capital notes                                | -         | - | - | 21        | - |
| <b>Total distributions on other equity instruments</b> | <b>43</b> | 8 | - | <b>64</b> | 8 |

#### Franking account balance

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

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

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

|  | 2000         |              | Consolidated<br>1999 |              | 1998         |              |
|--|--------------|--------------|----------------------|--------------|--------------|--------------|
|  | Basic        | Diluted      | Basic                | Diluted      | Basic        | Diluted      |
| <b>NOTE 8. EARNINGS PER ORDINARY SHARE</b>   |              |              |                      |              |              |              |
| <b>Reconciliation of earnings used in the calculation of earnings per ordinary share (\$m)</b> |              |              |                      |              |              |              |
| Operating profit after income tax  | 1,718        | 1,718        | 1,459                | 1,459        | 1,276        | 1,276        |
| add: Potential earnings from the proceeds of exercised options                                 | -            | 12           | -                    | 6            | -            | 12           |
| less: Outside equity interests   | (3)          | (3)          | (3)                  | (3)          | (4)          | (4)          |
| Converting preference share dividends  | -            | -            | -                    | -            | (24)         | -            |
| TOPRS distribution   | (43)         | (43)         | (8)                  | (8)          | -            | -            |
| Abnormal items (net of tax)  | -            | -            | -                    | -            | 70           | 70           |
| <b>Earnings before abnormal items</b>  | <b>1,672</b> | <b>1,684</b> | <b>1,448</b>         | <b>1,454</b> | <b>1,318</b> | <b>1,354</b> |
| Abnormal items (net of tax)  | -            | -            | -                    | -            | (70)         | (70)         |
| <b>Earnings after abnormal items</b>   | <b>1,672</b> | <b>1,684</b> | <b>1,448</b>         | <b>1,454</b> | <b>1,248</b> | <b>1,284</b> |
| <b>Weighted average number of ordinary shares (millions)</b>                                   |              |              |                      |              |              |              |
| Weighted average number of ordinary shares   | 1,883        | 1,883        | 1,881                | 1,881        | 1,879        | 1,879        |
| Potential dilutive adjustments:  |              |              |                      |              |              |              |
| Exercise of options  | -            | 38           | -                    | 29           | -            | 62           |
| Converting preference shares   | -            | -            | -                    | -            | -            | 50           |
| <b>Total weighted average number of ordinary shares</b>  | <b>1,883</b> | <b>1,921</b> | <b>1,881</b>         | <b>1,910</b> | <b>1,879</b> | <b>1,991</b> |
| <b>Earnings per ordinary share (cents)</b>   |              |              |                      |              |              |              |
| Before abnormal items  | 88.8         | 87.7         | 77.0                 | 76.1         | 70.1         | 68.0         |
| After abnormal items   | 88.8         | 87.7         | 77.0                 | 76.1         | 66.4         | 64.5         |

As set out in note 1(h)(vi), AASB 1038 Life Insurance Business has become operative for the Group from 1 October 1999. The effect for the financial year ended 30 September 2000 has been to increase basic and diluted earnings per share by 3.1 cents as compared with the amounts of earnings per share that would have been determined using the previous accounting policy.

|  | Consolidated |              | Parent Entity |              |
|--|--------------|--------------|---------------|--------------|
|  | 2000<br>\$m  | 1999<br>\$m  | 2000<br>\$m   | 1999<br>\$m  |
| <b>NOTE 9. DUE FROM OTHER FINANCIAL INSTITUTIONS</b> |              |              |               |              |
| <b>Australia</b>                                     |              |              |               |              |
| Interest earning                                     | 1,346        | 2,088        | 1,346         | 2,088        |
| Non-interest earning                                 | 308          | 269          | -             | 136          |
| <b>Total Australia</b>                               | <b>1,654</b> | <b>2,357</b> | <b>1,346</b>  | <b>2,224</b> |
| <b>Overseas</b>                                      |              |              |               |              |
| Interest earning                                     | 1,657        | 1,256        | 1,461         | 1,099        |
| Non-interest earning                                 | 14           | 393          | 8             | 390          |
| <b>Total Overseas</b>                                | <b>1,671</b> | <b>1,649</b> | <b>1,469</b>  | <b>1,489</b> |
| <b>Total due from other financial institutions</b>   | <b>3,325</b> | <b>4,006</b> | <b>2,815</b>  | <b>3,713</b> |

#### NOTE 10. TRADING SECURITIES

##### Listed

|                                  |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|
| Australian public securities     |              |              |              |              |
| Commonwealth securities          | 181          | 1,500        | 181          | 1,500        |
| Semi-government securities       | 920          | 504          | 920          | 504          |
| Australian equity securities     | 755          | 695          | 755          | 695          |
| Australian debt securities       | 4            | -            | 4            | -            |
| Overseas public securities       | 1,015        | 1,041        | 1,015        | 1,038        |
| Overseas debt securities         | 118          | 120          | 107          | 71           |
| <b>Total listed securities</b>   | <b>2,993</b> | <b>3,860</b> | <b>2,982</b> | <b>3,808</b> |
| <b>Unlisted</b>                  |              |              |              |              |
| Australian public securities     |              |              |              |              |
| Treasury notes                   | 1,717        | 3,582        | 1,717        | 3,582        |
| Semi-government securities       | 9            | 13           | 9            | 13           |
| Australian debt securities       | 1,837        | 1,093        | 1,837        | 1,093        |
| Overseas debt securities         | 618          | 509          | 618          | 509          |
| <b>Total unlisted securities</b> | <b>4,181</b> | <b>5,197</b> | <b>4,181</b> | <b>5,197</b> |
| <b>Total trading securities</b>  | <b>7,174</b> | <b>9,057</b> | <b>7,163</b> | <b>9,005</b> |

As at 30 September 2000 Group trading securities include \$12 million in unrealised losses (1999 \$71 million unrealised gains).

|                                       | Consolidated      |                     |                   |                     | Parent Entity     |                     |                   |                     |
|---------------------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
|                                       | 2000              |                     | 1999              |                     | 2000              |                     | 1999              |                     |
|                                       | Book Value<br>\$m | Market Value<br>\$m | Book Value<br>\$m | Market Value<br>\$m | Book Value<br>\$m | Market Value<br>\$m | Book Value<br>\$m | Market Value<br>\$m |
| <b>NOTE 11. INVESTMENT SECURITIES</b> |                   |                     |                   |                     |                   |                     |                   |                     |
| <b>Listed</b>                         |                   |                     |                   |                     |                   |                     |                   |                     |
| Australian public securities          |                   |                     |                   |                     |                   |                     |                   |                     |
| Commonwealth securities               | 116               | 120                 | 113               | 118                 | 116               | 120                 | 113               | 118                 |
| Overseas public securities            | 5                 | 5                   | 12                | 12                  | 5                 | 5                   | 12                | 12                  |
| Overseas debt securities              | 1,051             | 1,026               | 427               | 401                 | 1,051             | 1,026               | 427               | 401                 |
| <b>Total listed securities</b>        | <b>1,172</b>      | <b>1,151</b>        | <b>552</b>        | <b>531</b>          | <b>1,172</b>      | <b>1,151</b>        | <b>552</b>        | <b>531</b>          |
| <b>Unlisted</b>                       |                   |                     |                   |                     |                   |                     |                   |                     |
| Australian debt securities            | 612               | 612                 | 4                 | 4                   | 612               | 612                 | -                 | -                   |
| Overseas public securities            | 112               | 112                 | 764               | 761                 | 31                | 31                  | 34                | 34                  |
| Overseas debt securities              | 835               | 795                 | 888               | 875                 | 825               | 785                 | 888               | 875                 |
| <b>Total unlisted securities</b>      | <b>1,559</b>      | <b>1,519</b>        | <b>1,656</b>      | <b>1,640</b>        | <b>1,468</b>      | <b>1,428</b>        | <b>922</b>        | <b>909</b>          |
| <b>Total investment securities</b>    | <b>2,731</b>      | <b>2,670</b>        | <b>2,208</b>      | <b>2,171</b>        | <b>2,640</b>      | <b>2,579</b>        | <b>1,474</b>      | <b>1,440</b>        |

Other than securities issued by Australian Commonwealth or State Governments, the Group held no trading and investment securities of a single issuer, the book value of which, in aggregate, exceeded 10% of total equity.

|   | Within<br>1 year<br>\$m | Over<br>1 year to<br>5 years<br>\$m | Over<br>5 years to<br>10 years<br>\$m | Over<br>10 years<br>\$m | Total<br>\$m |
|---|-------------------------|-------------------------------------|---------------------------------------|-------------------------|--------------|
| Maturities of the Group's investment securities are as follows: |                         |                                     |                                       |                         |              |
| <b>2000 Book value</b>  |                         |                                     |                                       |                         |              |
| Australian public securities                                    |                         |                                     |                                       |                         |              |
| Commonwealth securities   | -                       | 116                                 | -                                     | -                       | 116          |
| Australian debt securities                                      | -                       | 519                                 | 93                                    | -                       | 612          |
| Overseas public securities                                      | 102                     | 15                                  | -                                     | -                       | 117          |
| Overseas debt securities  | 41                      | 936                                 | 691                                   | 218                     | 1,886        |
| <b>Total book value by maturity</b>                             | <b>143</b>              | <b>1,586</b>                        | <b>784</b>                            | <b>218</b>              | <b>2,731</b> |
| <b>Total market value by maturity</b>                           | <b>143</b>              | <b>1,576</b>                        | <b>746</b>                            | <b>205</b>              | <b>2,670</b> |
| <b>1999 Book value</b>  |                         |                                     |                                       |                         |              |
| Australian public securities                                    |                         |                                     |                                       |                         |              |
| Commonwealth securities   | -                       | -                                   | 113                                   | -                       | 113          |
| Australian debt securities                                      | -                       | 4                                   | -                                     | -                       | 4            |
| Overseas public securities                                      | 682                     | 93                                  | 1                                     | -                       | 776          |
| Overseas debt securities  | 120                     | 847                                 | 132                                   | 216                     | 1,315        |
| <b>Total book value by maturity</b>                             | <b>802</b>              | <b>944</b>                          | <b>246</b>                            | <b>216</b>              | <b>2,208</b> |
| <b>Total market value by maturity</b>                           | <b>799</b>              | <b>933</b>                          | <b>240</b>                            | <b>199</b>              | <b>2,171</b> |

## NOTE 11. INVESTMENT SECURITIES (CONTINUED)

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

|   | 2000              |                         |                          | Market Value<br>\$m | 1999              |                         |                          | Market Value<br>\$m |
|---|-------------------|-------------------------|--------------------------|---------------------|-------------------|-------------------------|--------------------------|---------------------|
|   | Book Value<br>\$m | Unrealised Gains<br>\$m | Unrealised Losses<br>\$m |                     | Book Value<br>\$m | Unrealised Gains<br>\$m | Unrealised Losses<br>\$m |                     |
| <b>Listed</b>                               |                   |                         |                          |                     |                   |                         |                          |                     |
| Australian public securities                |                   |                         |                          |                     |                   |                         |                          |                     |
| Commonwealth securities                     | 116               | 4                       | -                        | 120                 | 113               | 5                       | -                        | 118                 |
| Overseas public securities                  | 5                 | -                       | -                        | 5                   | 12                | -                       | -                        | 12                  |
| Overseas debt securities                    | 1,051             | -                       | (25)                     | 1,026               | 427               | -                       | (26)                     | 401                 |
| <b>Total listed securities</b>              | <b>1,172</b>      | <b>4</b>                | <b>(25)</b>              | <b>1,151</b>        | <b>552</b>        | <b>5</b>                | <b>(26)</b>              | <b>531</b>          |
| <b>Unlisted</b>                             |                   |                         |                          |                     |                   |                         |                          |                     |
| Australian debt securities                  | 612               | -                       | -                        | 612                 | 4                 | -                       | -                        | 4                   |
| Overseas public securities                  | 112               | -                       | -                        | 112                 | 764               | -                       | (3)                      | 761                 |
| Overseas debt securities                    | 835               | -                       | (40)                     | 795                 | 888               | -                       | (13)                     | 875                 |
| <b>Total unlisted securities</b>            | <b>1,559</b>      | <b>-</b>                | <b>(40)</b>              | <b>1,519</b>        | <b>1,656</b>      | <b>-</b>                | <b>(16)</b>              | <b>1,640</b>        |
| <b>Total listed and unlisted securities</b> | <b>2,731</b>      | <b>4</b>                | <b>(65)</b>              | <b>2,670</b>        | <b>2,208</b>      | <b>5</b>                | <b>(42)</b>              | <b>2,171</b>        |

|  | 2000<br>\$m | 1999<br>\$m | 1998<br>\$m |
|--|-------------|-------------|-------------|
| Details of sales of investment securities during the year were as follows: |             |             |             |
| Proceeds from sales  | 1,441       | 147         | 928         |
| Gross gains realised on sales  | -           | -           | -           |
| Gross losses realised on sales   | (18)        | -           | -           |

The following table shows the weighted-average carrying yield for each range of investment securities as at 30 September 2000. There are no tax-exempt securities.

|                                    | Within<br>1 year<br>% | Over<br>1 year to<br>5 years<br>% | Over<br>5 years to<br>10 years<br>% | Over<br>10 years<br>% | Total<br>% |
|------------------------------------|-----------------------|-----------------------------------|-------------------------------------|-----------------------|------------|
| Australian Commonwealth securities | -                     | 6.6                               | -                                   | -                     | 6.6        |
| Australian debt securities         | -                     | 6.5                               | 7.3                                 | -                     | 6.7        |
| Overseas public securities         | 14.9                  | 8.0                               | -                                   | -                     | 14.3       |
| Overseas debt securities           | 4.3                   | 6.9                               | 6.7                                 | 6.7                   | 6.7        |
| <b>Total investment securities</b> | <b>10.3</b>           | <b>6.9</b>                        | <b>6.7</b>                          | <b>6.7</b>            | <b>7.1</b> |

|   | Consolidated   |               | Parent Entity |               |
|---|----------------|---------------|---------------|---------------|
|   | 2000<br>\$m    | 1999<br>\$m   | 2000<br>\$m   | 1999<br>\$m   |
| <b>NOTE 12. LOANS</b>   |                |               |               |               |
| Loans are classified based on the location of the lending office. |                |               |               |               |
| <b>Australia</b>  |                |               |               |               |
| Overdrafts  | 3,138          | 2,802         | 3,138         | 2,802         |
| Credit card outstandings  | 4,674          | 3,750         | 2,957         | 2,352         |
| Overnight and at call money market loans                          | 265            | 102           | 265           | 102           |
| Own acceptances discounted  | 2,188          | 1,957         | 2,027         | 1,857         |
| Term loans:   |                |               |               |               |
| Housing   | 47,471         | 40,544        | 47,471        | 40,544        |
| Non-housing   | 18,260         | 19,482        | 16,068        | 17,607        |
| Finance leases  | 2,237          | 2,359         | 493           | 492           |
| Investments in leveraged lease and equity lease partnerships      | 284            | 285           | 284           | 263           |
| Redeemable preference share finance                               | 426            | 1,096         | 426           | 1,096         |
| Other   | 7,146          | 5,597         | 2,637         | 1,718         |
| <b>Total Australia</b>  | <b>86,089</b>  | <b>77,974</b> | <b>75,766</b> | <b>68,833</b> |
| <b>New Zealand</b>  |                |               |               |               |
| Overdrafts  | 617            | 744           | 617           | 744           |
| Credit card outstandings  | 572            | 520           | 435           | 428           |
| Overnight and at call money market loans                          | 439            | 443           | 439           | 443           |
| Own acceptances discounted  | -              | 1             | -             | 1             |
| Term loans:   |                |               |               |               |
| Housing   | 9,404          | 9,845         | 9,004         | 9,370         |
| Non-housing   | 5,247          | 5,758         | 4,975         | 5,379         |
| Finance leases  | 28             | 25            | -             | -             |
| Redeemable preference share finance                               | 1,920          | 1,003         | -             | -             |
| Other   | 1,230          | 522           | 820           | 486           |
| <b>Total New Zealand</b>  | <b>19,457</b>  | <b>18,861</b> | <b>16,290</b> | <b>16,851</b> |
| <b>Other Overseas</b>   | <b>3,465</b>   | <b>2,381</b>  | <b>3,080</b>  | <b>1,979</b>  |
| <b>Total Overseas</b>   | <b>22,922</b>  | <b>21,242</b> | <b>19,370</b> | <b>18,830</b> |
| <b>Total loans (net of unearned income)</b>                       | <b>109,011</b> | <b>99,216</b> | <b>95,136</b> | <b>87,663</b> |
| Provisions for bad and doubtful debts (note 13)                   | (1,478)        | (1,500)       | (1,289)       | (1,319)       |
| <b>Total net loans</b>  | <b>107,533</b> | <b>97,716</b> | <b>93,847</b> | <b>86,344</b> |

**Securitisation of loans**

At 30 September 2000 the Group had securitised assets amounting to \$10,133 million (1999 \$9,777 million) via the Westpac Securitisation Trust program ("WST program") and various private placements. Outstanding securitised assets totalled \$4,751 million as at 30 September 2000 (1999 \$6,420 million).

The securities issued by the WST program do not represent deposits or other liabilities of Westpac or the Group. Neither Westpac nor the Group 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   |               |               |               |               |
|--|----------------|---------------|---------------|---------------|---------------|
|  | 2000<br>\$m    | 1999<br>\$m   | 1998<br>\$m   | 1997<br>\$m   | 1996<br>\$m   |
| <b>NOTE 12. LOANS (CONTINUED)</b>                        |                |               |               |               |               |
| <b>Loans by type of customer</b>                         |                |               |               |               |               |
| <b>Australia</b>   |                |               |               |               |               |
| Government and other public authorities                  | 544            | 284           | 328           | 472           | 730           |
| Agriculture, forestry and fishing <sup>1</sup>           | 1,587          | 1,642         | 1,077         | 1,010         | 1,103         |
| Commercial and financial <sup>2</sup>                    | 20,235         | 20,744        | 16,811        | 16,037        | 13,721        |
| Real estate – construction                               | 789            | 1,158         | 1,634         | 1,357         | 1,128         |
| Real estate – mortgage <sup>1</sup>                      | 47,844         | 40,544        | 38,911        | 26,223        | 31,428        |
| Instalment loans and other personal lending <sup>1</sup> | 10,996         | 9,001         | 6,816         | 8,474         | 8,114         |
| Subtotal   | 81,995         | 73,373        | 65,577        | 53,573        | 56,224        |
| Other real estate owned                                  | –              | –             | –             | –             | 80            |
| Lease financing  | 1,906          | 2,644         | 2,254         | 1,477         | 2,472         |
| Own acceptances discounted                               | 2,188          | 1,957         | 2,498         | 774           | 821           |
| <b>Total Australia</b>                                   | <b>86,089</b>  | <b>77,974</b> | <b>70,329</b> | <b>55,824</b> | <b>59,597</b> |
| <b>Overseas</b>  |                |               |               |               |               |
| Government and other public authorities                  | 420            | 270           | 281           | 371           | 544           |
| Agriculture, forestry and fishing <sup>1</sup>           | 1,352          | 1,419         | 1,652         | 1,474         | 1,492         |
| Commercial and financial                                 | 8,888          | 6,972         | 8,589         | 8,688         | 8,498         |
| Real estate – construction                               | 152            | 132           | 217           | 264           | 372           |
| Real estate – mortgage <sup>1</sup>                      | 9,725          | 10,170        | 11,551        | 12,266        | 10,999        |
| Instalment loans and other personal lending <sup>1</sup> | 2,265          | 2,222         | 506           | 489           | 1,257         |
| Subtotal   | 22,802         | 21,185        | 22,796        | 23,552        | 23,162        |
| Lease financing  | 120            | 56            | 184           | 86            | 132           |
| Own acceptances discounted                               | –              | 1             | 29            | –             | 157           |
| <b>Total Overseas</b>                                    | <b>22,922</b>  | <b>21,242</b> | <b>23,009</b> | <b>23,638</b> | <b>23,451</b> |
| <b>Total loans (net of unearned income)</b>              | <b>109,011</b> | <b>99,216</b> | <b>93,338</b> | <b>79,462</b> | <b>83,048</b> |
| Provisions for bad and doubtful debts                    | (1,478)        | (1,500)       | (1,600)       | (1,588)       | (1,847)       |
| <b>Total net loans</b>                                   | <b>107,533</b> | <b>97,716</b> | <b>91,738</b> | <b>77,874</b> | <b>81,201</b> |

The increase in loans to Australian customers during 1998 was due principally to acquisitions in that year.

1 Real estate mortgage loans and instalment loans and other personal lending include a total of \$1.3 billion of personal lending to the agricultural sector (1999 \$1.6 billion, 1998 \$1.8 billion, 1997 \$1.2 billion and 1996 \$1.5 billion). In addition, \$1.0 billion of finance had been provided to the agricultural sector (1999 \$1.0 billion, 1998 \$0.8 billion, 1997 \$0.8 billion and 1996 \$0.9 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 |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 2000<br>%    | 1999<br>%    | 1998<br>%    | 1997<br>%    | 1996<br>%    |
| <b>Percentage of loans in each customer category to total loans</b> |              |              |              |              |              |
| <b>Australia</b>  |              |              |              |              |              |
| Government and other public authorities                             | 0.5          | 0.3          | 0.4          | 0.6          | 0.9          |
| Agriculture, forestry and fishing                                   | 1.5          | 1.7          | 1.2          | 1.3          | 1.3          |
| Commercial and financial  | 18.6         | 20.8         | 18.0         | 20.2         | 16.5         |
| Real estate – construction  | 0.7          | 1.2          | 1.8          | 1.7          | 1.4          |
| Real estate – mortgage  | 43.9         | 40.8         | 41.7         | 33.0         | 37.8         |
| Instalment loans and other personal lending                         | 10.1         | 9.1          | 7.3          | 10.7         | 9.8          |
| Other real estate owned   | –            | –            | –            | –            | 0.1          |
| Lease financing   | 1.7          | 2.7          | 2.4          | 1.9          | 3.0          |
| Own acceptances discounted  | 2.0          | 2.0          | 2.7          | 0.9          | 1.0          |
| <b>Overseas</b>   | <b>21.0</b>  | <b>21.4</b>  | <b>24.5</b>  | <b>29.7</b>  | <b>28.2</b>  |
|   | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

| Within<br>1 year<br>\$m | 1 to<br>5 years<br>\$m | Over<br>5 years<br>\$m | Total<br>\$m |
|-------------------------|------------------------|------------------------|--------------|
|-------------------------|------------------------|------------------------|--------------|

**NOTE 12. LOANS (CONTINUED)****Maturity distribution of loans by type of customer  
as at 30 September 2000****By offices in Australia**

|   |               |               |               |                |
|---|---------------|---------------|---------------|----------------|
| Government and other public authorities     | 227           | 161           | 156           | 544            |
| Agriculture, forestry and fishing           | 579           | 214           | 794           | 1,587          |
| Commercial and financial                    | 11,210        | 5,598         | 3,427         | 20,235         |
| Real estate – construction                  | 447           | 137           | 205           | 789            |
| Real estate – mortgage                      | 1,346         | 3,379         | 43,119        | 47,844         |
| Instalment loans and other personal lending | 5,609         | 2,310         | 3,077         | 10,996         |
| Lease financing                             | 767           | 1,102         | 37            | 1,906          |
| Own acceptances discounted                  | 2,188         | –             | –             | 2,188          |
| <b>Total Australia</b>                      | <b>22,373</b> | <b>12,901</b> | <b>50,815</b> | <b>86,089</b>  |
| <b>Total Overseas</b>                       | <b>9,484</b>  | <b>8,378</b>  | <b>5,060</b>  | <b>22,922</b>  |
| <b>Total loans (net of unearned income)</b> | <b>31,857</b> | <b>21,279</b> | <b>55,875</b> | <b>109,011</b> |

|  | 2000   |   | Consolidated  |  | 1999  |               |
|--|--|---|---------------|--|---|---------------|
|  | Loans at<br>Variable<br>Interest<br>Rates<br>\$m | Loans at<br>Fixed<br>Interest<br>Rates<br>\$m | Total<br>\$m  | Loans at<br>Variable<br>Interest<br>Rates<br>\$m | Loans at<br>Fixed<br>Interest<br>Rates<br>\$m | Total<br>\$m  |
| <b>Interest rate segmentation of Group loans<br/>maturing after one year</b> |  |   |               |  |   |               |
| By offices in Australia  | 44,690   | 19,026  | 63,716        | 34,607   | 24,322  | 58,929        |
| By offices Overseas  | 6,239  | 7,199   | 13,438        | 7,099  | 8,992   | 16,091        |
| <b>Total loans maturing after one year</b>                                   | <b>50,929</b>                                    | <b>26,225</b>                                 | <b>77,154</b> | <b>41,706</b>                                    | <b>33,314</b>                                 | <b>75,020</b> |

|   | Consolidated |              |              | Parent Entity |              |
|---|--------------|--------------|--------------|---------------|--------------|
|   | 2000<br>\$m  | 1999<br>\$m  | 1998<br>\$m  | 2000<br>\$m   | 1999<br>\$m  |
| <b>NOTE 13. PROVISIONS FOR BAD AND DOUBTFUL DEBTS</b>                   |              |              |              |               |              |
| <b>General provision</b>  |              |              |              |               |              |
| Balance at beginning of year  | 1,170        | 1,238        | 1,249        | 1,028         | 1,089        |
| Exchange rate and other adjustments                                     | (7)          | (12)         | –            | (9)           | 6            |
| Provisions of controlled entities/businesses acquired/(disposed)        | –            | (14)         | 60           | –             | (13)         |
| Charge to operating profit  | 230          | 119          | 84           | 115           | 32           |
| Recoveries of debts previously written off                              | 90           | 75           | 89           | 64            | 50           |
| Write-offs  | (271)        | (236)        | (244)        | (149)         | (136)        |
| <b>Balance at year end <sup>1</sup></b>                                 | <b>1,212</b> | <b>1,170</b> | <b>1,238</b> | <b>1,049</b>  | <b>1,028</b> |
| <b>Specific provisions</b>  |              |              |              |               |              |
| Balance at beginning of year  | 330          | 362          | 339          | 291           | 326          |
| Exchange rate and other adjustments                                     | 25           | (8)          | (11)         | 25            | (19)         |
| Provisions of controlled entities/businesses acquired/(disposed)        | (2)          | (10)         | 17           | –             | (8)          |
| New specific provisions   | 75           | 165          | 225          | 67            | 153          |
| Specific provisions no longer required                                  | (103)        | (113)        | (141)        | (89)          | (101)        |
| Write-offs  | (59)         | (66)         | (67)         | (54)          | (60)         |
| <b>Balance at year end</b>  | <b>266</b>   | <b>330</b>   | <b>362</b>   | <b>240</b>    | <b>291</b>   |
| <b>Total provisions for bad and doubtful debts</b>                      | <b>1,478</b> | <b>1,500</b> | <b>1,600</b> | <b>1,289</b>  | <b>1,319</b> |
| <b>Charge to operating profit for bad and doubtful debts comprises:</b> |              |              |              |               |              |
| General provision   | 230          | 119          | 84           | 115           | 32           |
| New specific provisions   | 75           | 165          | 225          | 67            | 153          |
| Specific provisions no longer required                                  | (103)        | (113)        | (141)        | (89)          | (101)        |
| <b>Total charge to operating profit</b>                                 | <b>202</b>   | <b>171</b>   | <b>168</b>   | <b>93</b>     | <b>84</b>    |

<sup>1</sup> Includes provision for off-balance sheet credit related commitments: Group \$186 million (1999 \$144 million, 1998 \$153 million); Westpac \$164 million (1999 \$128 million).

The 2000 charge to operating profit of \$202 million represents a 18% increase from the 1999 charge of \$171 million which, in turn, was up 2% from 1998. The coverage ratio of total provisions (specific and general) to total impaired assets at 30 September 2000 increased to 249% against 233% at 30 September 1999 and 188% at 30 September 1998.

|   | Consolidated |             |             |             |             |
|---|--------------|-------------|-------------|-------------|-------------|
|   | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m | 1997<br>\$m | 1996<br>\$m |
| <b>NOTE 13. PROVISIONS FOR BAD AND DOUBTFUL DEBTS (CONTINUED)</b> |              |             |             |             |             |
| <b>Specific provision by type of customer</b>                     |              |             |             |             |             |
| <b>Australia</b>  |              |             |             |             |             |
| Agriculture, forestry and fishing                                 | 4            | 7           | 28          | 33          | 59          |
| Commercial and financial  | 97           | 102         | 92          | 60          | 242         |
| Real estate – construction  | 2            | 3           | 20          | 3           | 25          |
| Real estate – mortgage  | 2            | 4           | 14          | 6           | 10          |
| Instalment loans and personal lending                             | 19           | 34          | 31          | 119         | 27          |
| <b>Total Australia</b>  | <b>124</b>   | <b>150</b>  | <b>185</b>  | <b>221</b>  | <b>363</b>  |
| <b>New Zealand</b>  |              |             |             |             |             |
| Agriculture, forestry and fishing                                 | 2            | 5           | –           | –           | 8           |
| Commercial and financial  | –            | 18          | –           | 4           | 54          |
| Real estate – construction  | –            | –           | –           | 7           | –           |
| Real estate – mortgage  | 7            | –           | 37          | 51          | 28          |
| Instalment loans and other personal lending                       | 13           | 9           | 6           | 3           | 9           |
| <b>Total New Zealand</b>  | <b>22</b>    | <b>32</b>   | <b>43</b>   | <b>65</b>   | <b>99</b>   |
| <b>Other Overseas</b>   |              |             |             |             |             |
| Government and other public authorities                           | 24           | 20          | –           | –           | –           |
| Agriculture, forestry and fishing                                 | 4            | 3           | 2           | 7           | 1           |
| Commercial and financial  | 90           | 124         | 123         | 32          | 46          |
| Real estate – construction  | –            | 1           | 2           | 8           | 6           |
| Real estate – mortgage  | –            | –           | –           | –           | 1           |
| Instalment loans and other personal lending                       | 2            | –           | 7           | 6           | 15          |
| <b>Total Other Overseas</b>                                       | <b>120</b>   | <b>148</b>  | <b>134</b>  | <b>53</b>   | <b>69</b>   |
| <b>Total Overseas</b>   | <b>142</b>   | <b>180</b>  | <b>177</b>  | <b>118</b>  | <b>168</b>  |
| <b>Total specific provisions</b>                                  | <b>266</b>   | <b>330</b>  | <b>362</b>  | <b>339</b>  | <b>531</b>  |



**NOTE 13. PROVISIONS FOR BAD AND DOUBTFUL DEBTS (CONTINUED)**

The following tables shows the movements in the balance of provisions for bad and doubtful debts, details of loans written off and recoveries of loans written off by type of customer and geographic category for the past five years:

|   | Consolidated |             |             |             |             |
|---|--------------|-------------|-------------|-------------|-------------|
|   | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m | 1997<br>\$m | 1996<br>\$m |
| <b>Balance of provisions for bad and doubtful debts (specific and general) at beginning of year</b> | <b>1,500</b> | 1,600       | 1,588       | 1,847       | 1,930       |
| Net write-offs and recoveries   | <b>(240)</b> | (227)       | (222)       | (321)       | (366)       |
| Charge to operating profit  | <b>202</b>   | 171         | 168         | 78          | 121         |
| Provisions of controlled entities/businesses acquired/(disposed)                                    | <b>(2)</b>   | (24)        | 77          | –           | 175         |
| Exchange rate and other adjustments   | <b>18</b>    | (20)        | (11)        | (16)        | (13)        |
| <b>Balance of provisions for bad and doubtful debts at year end</b>                                 | <b>1,478</b> | 1,500       | 1,600       | 1,588       | 1,847       |
| <b>Write-offs and recoveries</b>  |              |             |             |             |             |
| <b>Write-offs</b>   |              |             |             |             |             |
| <b>Australia</b>  |              |             |             |             |             |
| Agriculture, forestry and fishing   | <b>1</b>     | –           | 7           | 10          | 15          |
| Commercial and financial <sup>1</sup>   | <b>41</b>    | 38          | 45          | 67          | 176         |
| Real estate – construction  | <b>2</b>     | 2           | 4           | 2           | 10          |
| Real estate – mortgage  | <b>2</b>     | –           | 2           | 15          | 5           |
| Instalment loans and other personal lending   | <b>194</b>   | 203         | 193         | 246         | 163         |
| Other real estate owned   | –            | –           | –           | –           | 2           |
| <b>Total Australia</b>  | <b>240</b>   | 243         | 251         | 340         | 371         |
| <b>New Zealand</b>  |              |             |             |             |             |
| Agriculture, forestry and fishing   | –            | 4           | –           | –           | –           |
| Commercial and financial <sup>1</sup>   | –            | 8           | –           | 5           | 25          |
| Real estate – construction  | –            | –           | –           | 3           | –           |
| Real estate – mortgage  | –            | 3           | 38          | 45          | 1           |
| Instalment loans and other personal lending   | <b>43</b>    | 29          | 6           | 7           | 22          |
| <b>Total New Zealand</b>  | <b>43</b>    | 44          | 44          | 60          | 48          |
| <b>Total Other Overseas</b>   | <b>47</b>    | 15          | 16          | 14          | 32          |
| <b>Total write-offs</b>   | <b>330</b>   | 302         | 311         | 414         | 451         |
| <b>Recoveries</b>   |              |             |             |             |             |
| <b>Australia</b>  |              |             |             |             |             |
| Agriculture, forestry and fishing   | –            | –           | 6           | 3           | 1           |
| Commercial and financial <sup>1</sup>   | <b>3</b>     | 5           | 19          | 10          | 37          |
| Real estate – construction  | –            | –           | 1           | 1           | 1           |
| Real estate – mortgage  | <b>2</b>     | –           | –           | 1           | 2           |
| Instalment loans and other personal lending   | <b>68</b>    | 55          | 53          | 52          | 40          |
| Other real estate owned   | –            | –           | –           | –           | (10)        |
| <b>Australia</b>  | <b>73</b>    | 60          | 79          | 67          | 71          |
| <b>New Zealand</b>  | <b>10</b>    | 11          | 8           | 13          | 8           |
| <b>Other Overseas</b>   | <b>7</b>     | 4           | 2           | 13          | 6           |
| <b>Total recoveries</b>   | <b>90</b>    | 75          | 89          | 93          | 85          |
| <b>Net write-offs and recoveries</b>  | <b>(240)</b> | (227)       | (222)       | (321)       | (366)       |

<sup>1</sup> Lease finance write-offs and recoveries, which were not material, are included in the 'Commercial and financial' category.

|  | Consolidated |             |             |             |             |
|--|--------------|-------------|-------------|-------------|-------------|
|  | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m | 1997<br>\$m | 1996<br>\$m |
| <b>NOTE 14. IMPAIRED ASSETS</b>  |              |             |             |             |             |
| <b>Australia</b>   |              |             |             |             |             |
| Non-accrual assets <sup>1</sup>  |              |             |             |             |             |
| Gross  | 291          | 347         | 457         | 609         | 974         |
| Specific provisions  | (115)        | (149)       | (176)       | (205)       | (346)       |
| Net  | 176          | 198         | 281         | 404         | 628         |
| Restructured loans   |              |             |             |             |             |
| Gross  | 34           | 13          | 39          | 38          | 61          |
| Specific provisions  | (9)          | (1)         | (9)         | (16)        | (17)        |
| Net  | 25           | 12          | 30          | 22          | 44          |
| <b>Net Australian impaired assets</b>  | <b>201</b>   | <b>210</b>  | <b>311</b>  | <b>426</b>  | <b>672</b>  |
| <b>New Zealand</b>   |              |             |             |             |             |
| Non-accrual assets <sup>1</sup>  |              |             |             |             |             |
| Gross  | 95           | 100         | 121         | 104         | 178         |
| Specific provisions  | (22)         | (32)        | (42)        | (41)        | (77)        |
| Net  | 73           | 68          | 79          | 63          | 101         |
| Restructured loans   |              |             |             |             |             |
| Gross  | 16           | 1           | 8           | 41          | 24          |
| Specific provisions  | -            | -           | (1)         | (24)        | (22)        |
| Net  | 16           | 1           | 7           | 17          | 2           |
| <b>Net New Zealand impaired assets</b>   | <b>89</b>    | <b>69</b>   | <b>86</b>   | <b>80</b>   | <b>103</b>  |
| <b>Other Overseas</b>  |              |             |             |             |             |
| Non-accrual assets <sup>1</sup>  |              |             |             |             |             |
| Gross  | 146          | 172         | 206         | 70          | 109         |
| Specific provisions  | (118)        | (144)       | (130)       | (49)        | (65)        |
| Net  | 28           | 28          | 76          | 21          | 44          |
| Restructured loans   |              |             |             |             |             |
| Gross  | 11           | 11          | 21          | 7           | 7           |
| Specific provisions  | (2)          | (4)         | (4)         | (4)         | (4)         |
| Net  | 9            | 7           | 17          | 3           | 3           |
| <b>Net Other Overseas impaired assets</b>  | <b>37</b>    | <b>35</b>   | <b>93</b>   | <b>24</b>   | <b>47</b>   |
| <b>Total net impaired assets <sup>2</sup></b>  | <b>327</b>   | <b>314</b>  | <b>490</b>  | <b>530</b>  | <b>822</b>  |
| <b>Accruing items past due 90 days (with adequate security)</b>  |              |             |             |             |             |
| Australia  | 154          | 156         | 181         | 312         | 398         |
| New Zealand  | 40           | 30          | 66          | 55          | 42          |
| Other Overseas   | 11           | 4           | 105         | 14          | 9           |
| <b>Total</b>   | <b>205</b>   | <b>190</b>  | <b>352</b>  | <b>381</b>  | <b>449</b>  |
| <b>Interest received for the year on the above non-accrual and restructured assets is:</b>             |              |             |             |             |             |
| Australia  | 7            | 16          | 15          | 39          | 61          |
| New Zealand  | 6            | 5           | 6           | 12          | 9           |
| Other Overseas   | 9            | 1           | 1           | 2           | 7           |
| <b>Total</b>   | <b>22</b>    | <b>22</b>   | <b>22</b>   | <b>53</b>   | <b>77</b>   |
| <b>Interest forgone for the year on the above non-accrual and restructured assets is estimated at:</b> |              |             |             |             |             |
| Australia  | 19           | 38          | 54          | 92          | 162         |
| New Zealand  | 8            | 1           | 8           | 7           | 9           |
| Other Overseas   | 3            | 1           | 2           | 3           | 6           |
| <b>Total</b>   | <b>30</b>    | <b>40</b>   | <b>64</b>   | <b>102</b>  | <b>177</b>  |

<sup>1</sup> Includes assets acquired through security enforcement (OREO), recorded at net market value. This has not been a significant amount in any of the above years.

<sup>2</sup> Includes off balance sheet impaired items \$17 million (1999 \$16 million; 1998 \$36 million; 1997 \$36 million; 1996 \$61 million).

## Notes to the financial statements

|  | Consolidated |             | Parent Entity |             |
|--|--------------|-------------|---------------|-------------|
|  | 2000<br>\$m  | 1999<br>\$m | 2000<br>\$m   | 1999<br>\$m |
| <b>NOTE 15. FIXED ASSETS</b>               |              |             |               |             |
| Premises and sites (note 1(e)ix)           |              |             |               |             |
| At Directors' valuation 2000               | <b>59</b>    | –           | <b>2</b>      | –           |
| At Directors' valuation 1999               | <b>28</b>    | 199         | <b>11</b>     | 24          |
| At Directors' valuation 1998               | <b>54</b>    | 83          | <b>33</b>     | 56          |
| At Directors' valuation 1997               | <b>21</b>    | 19          | –             | –           |
| At Directors' valuation 1995               | <b>180</b>   | 383         | <b>125</b>    | 170         |
| At cost                                    | <b>61</b>    | 56          | <b>59</b>     | 40          |
| Accumulated depreciation                   | <b>(23)</b>  | (27)        | <b>(10)</b>   | (9)         |
|  | <b>380</b>   | 713         | <b>220</b>    | 281         |
| Leasehold improvements                     |              |             |               |             |
| At cost                                    | <b>235</b>   | 209         | <b>185</b>    | 167         |
| Accumulated amortisation                   | <b>(105)</b> | (93)        | <b>(78)</b>   | (66)        |
|  | <b>130</b>   | 116         | <b>107</b>    | 101         |
| Furniture, equipment and computer software |              |             |               |             |
| At cost                                    | <b>1,542</b> | 1,463       | <b>1,305</b>  | 1,228       |
| Accumulated depreciation                   | <b>(877)</b> | (765)       | <b>(768)</b>  | (674)       |
|  | <b>665</b>   | 698         | <b>537</b>    | 554         |
| <b>Total fixed assets</b>                  | <b>1,175</b> | 1,527       | <b>864</b>    | 936         |

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, and allowing for subsequent acquisitions and disposals, the value of premises held at 30 September 2000, would have been \$451 million (30 September 1999 \$873 million). 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 |               |
|---|---------------|---------------|---------------|---------------|
|   | 2000<br>\$m   | 1999<br>\$m   | 2000<br>\$m   | 1999<br>\$m   |
| <b>NOTE 16. OTHER ASSETS</b>  |               |               |               |               |
| Accrued interest receivable   | 575           | 415           | 491           | 375           |
| Future income tax benefits  | 467           | 523           | 439           | 490           |
| Securities purchased under agreements to resell   | 289           | 174           | 270           | 174           |
| Securities sold not delivered   | 2,636         | 3,650         | 2,636         | 3,650         |
| Other financial markets assets  | 13,549        | 5,992         | 13,678        | 6,016         |
| Intangible assets (after accumulated amortisation of \$405m, 1999 \$316m)                 | 1,535         | 1,665         | 1,261         | 1,368         |
| Deferred expenditure (after accumulated amortisation of \$12m, 1999 \$4m)                 | 147           | 129           | 80            | 65            |
| Prepayment of superannuation fund contributions   | 806           | 807           | 735           | 736           |
| Investment in life insurance controlled entity  | -             | 419           | -             | -             |
| Other investments   | 175           | 361           | 52            | 129           |
| Excess of net market value of a controlled entity over recognised net assets <sup>1</sup> | 128           | -             | -             | -             |
| Other <sup>2</sup>  | 705           | 579           | 474           | 460           |
| <b>Total other assets</b>   | <b>21,012</b> | <b>14,714</b> | <b>20,116</b> | <b>13,463</b> |

**Future income tax benefits comprise:**

|                                      |            |            |            |            |
|--------------------------------------|------------|------------|------------|------------|
| Provision for bad and doubtful debts | 450        | 473        | 393        | 427        |
| Provision for employee entitlements  | 108        | 111        | 98         | 101        |
| Treasury/financial markets products  | (9)        | 155        | (9)        | 155        |
| Depreciation                         | 19         | 24         | 13         | 16         |
| Tax losses                           | 197        | 223        | 125        | 95         |
| Other timing differences             | (298)      | (463)      | (181)      | (304)      |
|                                      | <b>467</b> | <b>523</b> | <b>439</b> | <b>490</b> |

**Potential future income tax benefits not brought to account as realisation is not considered virtually certain:**

|                                |           |            |           |            |
|--------------------------------|-----------|------------|-----------|------------|
| Related to losses <sup>3</sup> | 20        | 42         | 13        | 33         |
| Other                          | 58        | 82         | 57        | 82         |
|                                | <b>78</b> | <b>124</b> | <b>70</b> | <b>115</b> |

1 Attributable to Westpac Life Insurance Services Limited's investment in its controlled entity.

2 Other assets includes an amount of \$190 million (30 September 1999 nil) which relates to the second instalment due on the New Zealand Class shares issued during the year. This second instalment is due by 20 December 2000 (see note 21).

3 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.

## Notes to the financial statements

|  | Consolidated  |               | Parent Entity |               |
|--|---------------|---------------|---------------|---------------|
|  | 2000<br>\$m   | 1999<br>\$m   | 2000<br>\$m   | 1999<br>\$m   |
| <b>NOTE 17. DUE TO OTHER FINANCIAL INSTITUTIONS</b>                        |               |               |               |               |
| <b>Australia</b>   |               |               |               |               |
| Interest earning   | 122           | 376           | 122           | 376           |
| Non-interest earning   | 681           | 498           | 681           | 498           |
| <b>Total Australia</b>   | <b>803</b>    | <b>874</b>    | <b>803</b>    | <b>874</b>    |
| <b>Overseas</b>  |               |               |               |               |
| Interest earning   | 3,000         | 2,438         | 2,993         | 2,436         |
| Non-interest earning   | 169           | 250           | 169           | 250           |
| <b>Total Overseas</b>  | <b>3,169</b>  | <b>2,688</b>  | <b>3,162</b>  | <b>2,686</b>  |
| <b>Total due to other financial institutions</b>                           | <b>3,972</b>  | <b>3,562</b>  | <b>3,965</b>  | <b>3,560</b>  |
| <b>NOTE 18. DEPOSITS AND PUBLIC BORROWINGS</b>                             |               |               |               |               |
| <b>Deposits</b>  |               |               |               |               |
| <b>Australia</b>   |               |               |               |               |
| Non-interest bearing, repayable at call                                    | 3,423         | 3,522         | 3,423         | 3,522         |
| Certificates of deposit  | 5,949         | 6,010         | 5,949         | 6,010         |
| Other interest bearing   |               |               |               |               |
| At call  | 29,929        | 28,163        | 30,081        | 28,316        |
| Term <sup>1</sup>  | 18,995        | 18,058        | 18,995        | 18,058        |
| <b>Total Australia</b>   | <b>58,296</b> | <b>55,753</b> | <b>58,448</b> | <b>55,906</b> |
| <b>New Zealand</b>   |               |               |               |               |
| Non-interest bearing, repayable at call                                    | 675           | 771           | 675           | 771           |
| Certificates of deposit  | 1,439         | 2,046         | 1,439         | 2,046         |
| Other interest bearing   |               |               |               |               |
| At call  | 4,058         | 4,412         | 4,059         | 4,412         |
| Term   | 7,507         | 8,014         | 7,507         | 8,014         |
| <b>Total New Zealand</b>   | <b>13,679</b> | <b>15,243</b> | <b>13,680</b> | <b>15,243</b> |
| <b>Other Overseas</b>  |               |               |               |               |
| Non-interest bearing, repayable at call                                    | 385           | 185           | 289           | 111           |
| Certificates of deposit  | 3,607         | 2,771         | 3,607         | 2,771         |
| Other interest bearing   |               |               |               |               |
| At call  | 381           | 321           | 240           | 220           |
| Term   | 7,457         | 5,414         | 7,298         | 5,266         |
| <b>Total Other Overseas</b>  | <b>11,830</b> | <b>8,691</b>  | <b>11,434</b> | <b>8,368</b>  |
| <b>Total Overseas</b>  | <b>25,509</b> | <b>23,934</b> | <b>25,114</b> | <b>23,611</b> |
| <b>Total deposits</b>  | <b>83,805</b> | <b>79,687</b> | <b>83,562</b> | <b>79,517</b> |
| <b>Public borrowings by controlled entity borrowing corporations</b>       |               |               |               |               |
| <b>Australia</b>   |               |               |               |               |
| Secured <sup>2</sup>   | 3,666         | 3,631         | -             | -             |
| Unsecured  | 2,509         | 2,129         | -             | -             |
| <b>Total Australia</b>   | <b>6,175</b>  | <b>5,760</b>  | <b>-</b>      | <b>-</b>      |
| <b>Overseas</b>  |               |               |               |               |
| Secured <sup>2</sup>   | 14            | 99            | -             | -             |
| <b>Total Overseas</b>  | <b>14</b>     | <b>99</b>     | <b>-</b>      | <b>-</b>      |
| <b>Total public borrowings by controlled entity borrowing corporations</b> | <b>6,189</b>  | <b>5,859</b>  | <b>-</b>      | <b>-</b>      |
| <b>Total deposits and public borrowings</b>                                | <b>89,994</b> | <b>85,546</b> | <b>83,562</b> | <b>79,517</b> |

<sup>1</sup> Includes floating rate depository receipts of US\$500 million (A\$919 million; 1999 A\$765 million) and GBP250 million (A\$673 million; 1999 A\$629 million) maturing in 2001 and 2002, respectively.

<sup>2</sup> Secured borrowings relate principally to the Australian Guarantee Corporation Limited (AGC) Group and Australian Guarantee Corporation (N.Z.) Limited (AGC(NZ)) and are secured by floating charges over the assets of AGC and certain of its controlled entities and AGC(NZ) respectively.

| 2000                      |                      | Consolidated              |                      | 1998                      |                      |
|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
|                           |                      | 1999                      |                      |                           |                      |
| Average<br>Balance<br>\$m | Average<br>Rate<br>% | Average<br>Balance<br>\$m | Average<br>Rate<br>% | Average<br>Balance<br>\$m | Average<br>Rate<br>% |

**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          | 3,320         | –   | 3,258  | –   | 3,249  | –   |
| Other interest bearing demand | 28,837        | 6.3 | 27,008 | 4.4 | 25,485 | 4.0 |
| Certificates of deposit       | 6,578         | 5.8 | 4,688  | 4.9 | 4,153  | 4.5 |
| Other interest bearing term   | 18,327        | 5.3 | 18,671 | 4.6 | 18,134 | 5.8 |
| <b>Total Australia</b>        | <b>57,062</b> |     | 53,625 |     | 51,021 |     |

**Overseas**

|                               |               |     |        |     |        |     |
|-------------------------------|---------------|-----|--------|-----|--------|-----|
| Non-interest bearing          | 990           | –   | 1,186  | –   | 1,409  | –   |
| Other interest bearing demand | 4,584         | 2.7 | 5,740  | 2.1 | 6,087  | 5.0 |
| Certificates of deposit       | 6,123         | 6.0 | 4,582  | 5.3 | 4,400  | 7.1 |
| Other interest bearing term   | 15,006        | 6.0 | 13,799 | 5.4 | 14,142 | 7.4 |
| <b>Total Overseas</b>         | <b>26,703</b> |     | 25,307 |     | 26,038 |     |

Certificates of deposits issued by Westpac in Australia represent negotiable certificates of deposits and transferable certificates of deposits. Negotiable certificates of deposits are negotiable securities with minimum denominations of \$50,000 and are normally issued with terms to maturity of 30 days to 180 days. Transferable certificates of deposits are longer-term fixed rate instruments with minimum denominations of \$100,000 and are normally issued with terms to maturity of 3 to 5 years. At 30 September 2000, negotiable certificates of deposits on issue totalled \$5.2 billion (1999 \$5.7 billion) and transferable certificates of deposits on issue totalled \$0.7 billion (1999 \$0.3 billion).

Certificates of deposits issued by Westpac in New Zealand are registered certificate of deposits, there are no minimum denominations and they are normally issued with terms to maturity of up to 1 year.

Other overseas certificates of deposits issued by Westpac principally consist of US dollar certificates of deposits issued by our New York branch. The US dollar certificates of deposits are usually fixed rate instruments with minimum denominations of US\$100,000 and are generally issued for terms of 1 to 13 months.

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 controlled entity 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 controlled entities in Australia and over the assets of AGC(NZ) and are distributed among approximately 139,400 and 1,500 investors in Australia and New Zealand, respectively.

## Notes to the financial statements

|   | Consolidated  |               | Parent Entity |               |
|---|---------------|---------------|---------------|---------------|
|   | 2000<br>\$m   | 1999<br>\$m   | 2000<br>\$m   | 1999<br>\$m   |
| <b>NOTE 19. OTHER LIABILITIES</b>                   |               |               |               |               |
| Provision for:                                      |               |               |               |               |
| proposed dividends                                  | 512           | 445           | 497           | 445           |
| distributions on other equity instruments           | 13            | –             | –             | –             |
| income taxes  | 235           | 204           | 155           | 95            |
| deferred income tax                                 | 416           | 237           | 297           | 170           |
| long service leave                                  | 159           | 159           | 146           | 146           |
| holiday leave and other staff benefits              | 147           | 136           | 131           | 122           |
| non-lending losses                                  | 13            | 14            | 11            | 12            |
| restructuring (note 1(f)v)                          | 145           | 211           | 144           | 209           |
| Unearned general insurance premiums                 | 84            | 84            | –             | –             |
| Outstanding general insurance claims                | 60            | 42            | 1             | –             |
| Accrued interest payable                            | 1,135         | 792           | 939           | 663           |
| Securities sold under agreements to repurchase      | 210           | 188           | 210           | 188           |
| Securities sold short                               | 1,213         | 1,377         | 1,213         | 1,377         |
| Securities purchased not delivered                  | 1,144         | 3,084         | 1,144         | 3,084         |
| Other financial markets liabilities                 | 10,352        | 5,523         | 10,353        | 5,523         |
| Other   | 1,801         | 1,768         | 1,643         | 1,513         |
| <b>Total other liabilities</b>                      | <b>17,639</b> | <b>14,264</b> | <b>16,884</b> | <b>13,547</b> |
| <b>Provision for deferred income tax comprises:</b> |               |               |               |               |
| Leveraged lease transactions                        | 215           | 266           | 213           | 265           |
| Finance lease transactions                          | 102           | 107           | 40            | 44            |
| Treasury/financial markets products                 | 119           | 29            | 37            | 29            |
| Depreciation  | 27            | 47            | 26            | 36            |
| Other timing differences                            | (47)          | (212)         | (19)          | (204)         |
|   | <b>416</b>    | <b>237</b>    | <b>297</b>    | <b>170</b>    |
| <b>NOTE 20. DEBT ISSUES</b>                         |               |               |               |               |
| <b>Bonds, notes and commercial paper</b>            |               |               |               |               |
| Short term debt                                     | 4,180         | 5,605         | 1,037         | 1,341         |
| Long term debt                                      | 15,023        | 9,305         | 10,530        | 7,007         |
| <b>Total</b>  | <b>19,203</b> | <b>14,910</b> | <b>11,567</b> | <b>8,348</b>  |
| <b>Short term debt</b>                              |               |               |               |               |
| USD commercial paper                                | 3,128         | 4,087         | 408           | –             |
| Other commercial paper                              | 659           | –             | 236           | –             |
| HKD euro commercial paper                           | 381           | –             | 381           | –             |
| CHF medium term notes                               | –             | 1,267         | –             | 1,090         |
| Other debt  | 12            | 251           | 12            | 251           |
| <b>Total short term debt</b>                        | <b>4,180</b>  | <b>5,605</b>  | <b>1,037</b>  | <b>1,341</b>  |

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<br>Currency                                   | Issue Range (in millions) | Interest Rate                       | Consolidated |             | Parent Entity |             |
|---|---------------------------|-------------------------------------|--------------|-------------|---------------|-------------|
|   |                           |                                     | 2000<br>\$m  | 1999<br>\$m | 2000<br>\$m   | 1999<br>\$m |
| <b>Due from 1 October 1999 to 30 September 2000</b> |                           |                                     |              |             |               |             |
| <b>Euro medium term notes</b>                       |                           |                                     |              |             |               |             |
| AUD   | 25-55                     | Fixed rate ranging from 5.03%-5.05% | -            | 80          | -             | -           |
| 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         | -             | 107         |
| NZD   | 97-100                    | Fixed rate 8.00%                    | -            | 77          | -             | 77          |
| CHF   | 10-100                    | Floating rate note                  | -            | 213         | -             | 10          |
| HKD   | 300                       | Fixed rate 6.80%                    | -            | 59          | -             | -           |
|   |                           |                                     | -            | 671         | -             | 329         |
| <b>Due from 1 October 2000 to 30 September 2001</b> |                           |                                     |              |             |               |             |
| <b>Euro medium term notes</b>                       |                           |                                     |              |             |               |             |
| AUD   | 10                        | Structured                          | 10           | -           | 10            | -           |
| USD   | 10-105                    | Fixed rate ranging from 2.47%-6.58% | 331          | 100         | 138           | 100         |
| USD   | 10-100                    | Structured                          | 158          | -           | 59            | -           |
| USD   | 75-500                    | Floating rate note                  | 1,284        | 1,070       | -             | -           |
| GBP   | 68                        | Fixed rate 5.00%                    | 184          | -           | 184           | -           |
| JPY   | 1,000-3,000               | Fixed rate ranging from 0.98%-5.00% | 102          | 230         | 52            | 216         |
| JPY   | 35,000                    | Floating rate note                  | 596          | 547         | 596           | 547         |
| CHF   | 75                        | Floating rate note                  | 79           | 76          | -             | -           |
| HKD   | 140                       | Fixed rate 7.62%                    | 33           | 28          | 33            | 28          |
| EUR   | 19                        | Fixed rate 3.80%                    | 31           | -           | -             | -           |
| CAD   | 15                        | Floating rate note                  | 18           | 16          | -             | -           |
|   |                           |                                     | 2,826        | 2,067       | 1,072         | 891         |
| <b>Domestic medium term notes</b>                   |                           |                                     |              |             |               |             |
| NZD   | 5-50                      | Fixed rate ranging from 5.97%-8.00% | 41           | 43          | 41            | 43          |
|   |                           |                                     | 2,867        | 2,110       | 1,113         | 934         |
| <b>Due from 1 October 2001 to 30 September 2002</b> |                           |                                     |              |             |               |             |
| <b>Euro medium term notes</b>                       |                           |                                     |              |             |               |             |
| AUD   | 125-200                   | Fixed rate ranging from 4.80%-4.90% | 287          | 325         | 287           | 325         |
| USD   | 8-30                      | Fixed rate ranging from 3.00%-7.39% | 196          | 31          | 196           | 31          |
| USD   | 10                        | Structured                          | 18           | -           | 18            | -           |
| USD   | 10-300                    | Floating rate note                  | 1,246        | 626         | 55            | 15          |
| JPY   | 1,000                     | Fixed rate 0.28%                    | 17           | 42          | 17            | 42          |
| JPY   | 2,000                     | Floating rate note                  | 170          | 145         | 170           | 145         |
| GBP   | 15                        | Fixed rate 5.50%                    | 40           | 38          | 40            | 38          |
| GBP   | 20                        | Floating rate note                  | 54           | 50          | -             | -           |
| NZD   | 50-200                    | Fixed rate ranging from 5.69%-7.27% | 261          | 40          | 37            | -           |
| HKD   | 50-400                    | Fixed rate ranging from 7.65%-7.89% | 193          | 79          | 193           | 79          |
| HKD   | 30-1,000                  | Floating rate note                  | 290          | 243         | 290           | 243         |
| SGD   | 20                        | Fixed rate note 3.54%               | 21           | -           | 21            | -           |
|   |                           |                                     | 2,793        | 1,619       | 1,324         | 918         |



**NOTE 20. DEBT ISSUES (CONTINUED)****Long term debt (continued)**

| Issue<br>Currency                                   | Issue Range (in millions) | Interest Rate                          | Consolidated  |             | Parent Entity |             |
|---|---------------------------|--|---------------|-------------|---------------|-------------|
|   |                           |  | 2000<br>\$m   | 1999<br>\$m | 2000<br>\$m   | 1999<br>\$m |
| <b>Due from 1 October 2002 to 30 September 2003</b> |                           |  |               |             |               |             |
| <b>Euro medium term notes</b>                       |                           |  |               |             |               |             |
| AUD   | 4-120                     | Fixed rate ranging from 0.50%-6.60%    | 318           | -           | 318           | -           |
| AUD   | 300                       | Floating rate note                     | 300           | 300         | 300           | 300         |
| USD   | 4-500                     | Fixed rate ranging from 3.00%-6.38%    | 1,048         | 764         | 1,048         | 764         |
| USD   | 50-300                    | Floating rate note                     | 1,469         | 765         | 920           | 765         |
| JPY   | 500-1,000                 | Structured notes                       | 38            | 28          | 38            | 28          |
| JPY   | 25,000-50,000             | Fixed rate 0.88%                       | 1,278         | -           | 1,278         | -           |
| GBP   | 250                       | Floating rate note                     | 673           | 628         | 673           | 628         |
| HKD   | 50-100                    | Fixed rate ranging from 7.15% to 7.40% | 59            | -           | 59            | -           |
| HKD   | 1,500                     | Floating rate note                     | 353           | -           | 353           | -           |
| CHF   | 200                       | Fixed rate note 2.50%                  | 213           | 204         | 213           | 204         |
| CHF   | 140                       | Floating rate note                     | 148           | -           | -             | -           |
| SGD   | 100                       | Fixed rate 3.80%                       | 106           | -           | 106           | -           |
|   |                           |  | <b>6,003</b>  | 2,689       | <b>5,306</b>  | 2,689       |
| <b>Domestic medium term notes</b>                   |                           |  |               |             |               |             |
| NZD   | 60                        | Fixed rate 6.50%                       | 45            | 44          | -             | 44          |
|   |                           |  | <b>6,048</b>  | 2,733       | <b>5,306</b>  | 2,733       |
| <b>Due from 1 October 2003 to 30 September 2004</b> |                           |  |               |             |               |             |
| <b>Euro medium term notes</b>                       |                           |  |               |             |               |             |
| USD   | 15-500                    | Fixed rate ranging from 5.25%-5.75%    | 948           | 765         | 948           | 765         |
| USD   | 27                        | Zero coupon rate                       | 36            | 30          | 36            | 30          |
| NZD   | 100                       | Fixed rate 6.00%                       | 75            | 79          | -             | -           |
| EUR   | 500                       | Floating rate note                     | 810           | 816         | 810           | 816         |
| SGD   | 150                       | Fixed rate 4.75%                       | 158           | 135         | 158           | 135         |
| GBP   | 77                        | Structured                             | 207           | 194         | 207           | 194         |
|   |                           |  | <b>2,234</b>  | 2,019       | <b>2,159</b>  | 1,940       |
| <b>Due from 1 October 2004 to 30 September 2005</b> |                           |  |               |             |               |             |
| <b>Euro medium term notes</b>                       |                           |  |               |             |               |             |
| USD   | 5-250                     | Floating rate note                     | 559           | 8           | 106           | 8           |
| USD   | 5-10                      | Structured                             | 64            | 8           | 64            | 8           |
| USD   | 5                         | Fixed rate 8.25%                       | 9             | -           | 9             | -           |
| HKD   | 100                       | Fixed rate 7.35%                       | 24            | -           | 24            | -           |
| ITL   | 15,000                    | Fixed rate 6.50%                       | -             | 13          | -             | 13          |
|   |                           |  | <b>656</b>    | 29          | <b>203</b>    | 29          |
| <b>Due from 1 October 2005</b>                      |                           |  |               |             |               |             |
| <b>Euro medium term notes</b>                       |                           |  |               |             |               |             |
| HKD   | 100                       | Fixed rate 8.04%                       | 24            | -           | 24            | -           |
| USD   | 5-20                      | Structured                             | 184           | 85          | 184           | 85          |
| USD   | 5                         | Fixed rate 7.00%                       | 9             | -           | 9             | -           |
| JPY   | 1,500                     | Fixed rate 1.60%                       | 26            | 29          | 26            | 29          |
| JPY   | 1,400-2,000               | Structured                             | 97            | 10          | 97            | 10          |
| JPY   | 2,000                     | Fixed rate 1.97%                       | 85            | -           | 85            | -           |
|   |                           |  | <b>425</b>    | 124         | <b>425</b>    | 124         |
| <b>Total long term debt</b>                         |                           |  | <b>15,023</b> | 9,305       | <b>10,530</b> | 7,007       |

1 Optional early redemption call exercised.

## Consolidated

| 2000<br>\$m | 1999<br>\$m | 1998<br>\$m |
|-------------|-------------|-------------|
|-------------|-------------|-------------|

**NOTE 20. DEBT ISSUES (CONTINUED)****Short term borrowings****US commercial paper**

|  |              |       |       |
|--|--------------|-------|-------|
| Maximum amount outstanding at any month end    | <b>4,782</b> | 5,368 | 2,481 |
| Approximate average amount outstanding         | <b>3,181</b> | 3,803 | 1,407 |
| Approximate weighted-average interest rate on: |              |       |       |
| average amount outstanding                     | <b>6.5%</b>  | 5.4%  | 5.6%  |
| outstanding at year end                        | <b>6.8%</b>  | 5.6%  | 5.6%  |

**Euro commercial paper**

|  |              |       |       |
|--|--------------|-------|-------|
| Maximum amount outstanding at any month end    | <b>2,488</b> | 3,248 | 2,019 |
| Approximate average amount outstanding         | <b>1,557</b> | 1,950 | 1,689 |
| Approximate weighted-average interest rate on: |              |       |       |
| average amount outstanding                     | <b>7.3%</b>  | 5.3%  | 5.9%  |
| outstanding at year end                        | <b>6.6%</b>  | 5.6%  | 5.9%  |

**Other commercial paper**

|  |             |   |      |
|--|-------------|---|------|
| Maximum amount outstanding at any month end    | <b>12</b>   | – | 97   |
| Approximate average amount outstanding         | <b>2</b>    | – | 73   |
| Approximate weighted-average interest rate on: |             |   |      |
| average amount outstanding                     | <b>6.2%</b> | – | 6.5% |
| outstanding at year end                        | <b>6.6%</b> | – | –    |

| Consolidated |             | Parent Entity |             |
|--------------|-------------|---------------|-------------|
| 2000<br>\$m  | 1999<br>\$m | 2000<br>\$m   | 1999<br>\$m |

**Subordinated bonds, notes and debentures**

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
| USD 400 million 9.125% subordinated debentures due 2001 <sup>1</sup> | <b>735</b>   | 612   | <b>735</b>   | 612   |
| USD 350 million 7.875% subordinated debentures due 2002 <sup>1</sup> | <b>643</b>   | 535   | <b>643</b>   | 535   |
| NZD 50 million subordinated bonds due 2005 <sup>2</sup>              | –            | 40    | –            | 40    |
| AUD 350 million subordinated medium term notes due 2008 <sup>3</sup> | <b>350</b>   | 350   | <b>350</b>   | 350   |
| AUD 300 million subordinated medium term notes due 2009 <sup>4</sup> | <b>300</b>   | 300   | <b>300</b>   | 300   |
| USD 100 million subordinated bonds due 2009 <sup>5</sup>             | <b>184</b>   | 153   | <b>184</b>   | 153   |
| NZD 50 million subordinated bonds due 2009 <sup>6</sup>              | <b>38</b>    | 40    | <b>38</b>    | 40    |
| USD 100 million subordinated bonds due 2009 <sup>5</sup>             | <b>184</b>   | –     | <b>184</b>   | –     |
| USD 100 million subordinated bonds due 2010 <sup>5</sup>             | <b>184</b>   | –     | <b>184</b>   | –     |
| USD 400 million subordinated bonds due 2010 <sup>5</sup>             | <b>735</b>   | –     | <b>735</b>   | –     |
| AUD 350 million subordinated bonds due 2010 <sup>7</sup>             | <b>350</b>   | –     | <b>350</b>   | –     |
| SGD 100 million subordinated bonds due 2010 <sup>8</sup>             | <b>105</b>   | –     | <b>105</b>   | –     |
| USD 200 million subordinated bonds due 2010 <sup>5</sup>             | <b>367</b>   | –     | <b>367</b>   | –     |
| <b>Total subordinated bonds, notes and debentures</b>                | <b>4,175</b> | 2,030 | <b>4,175</b> | 2,030 |

<sup>1</sup> Swap arrangements (to US currency at a floating interest rate) have been entered into in respect of these debentures.

<sup>2</sup> The call option was exercised during the year.

<sup>3</sup> \$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 \$238 million of bonds pay a floating rate coupon.

<sup>4</sup> \$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 \$84.5 million of bonds pay a floating rate coupon.

<sup>5</sup> The bonds pay a floating rate coupon.

<sup>6</sup> 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.

<sup>7</sup> \$112 million of these bonds pay a coupon of 7.0% until the fifth anniversary (2 August 2005). From the fifth anniversary until maturity the bonds pay a floating rate coupon. The remaining \$238 million of bonds pay a floating rate coupon.

<sup>8</sup> The bonds pay a coupon of 5.25%. A swap arrangement (to US currency at a floating interest rate) has been entered into in respect of these bonds.

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 2000 amounted to \$25 million (30 September 1999 \$16 million).

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

| Consolidated |      | Parent Entity |      |
|--------------|------|---------------|------|
| 2000         | 1999 | 2000          | 1999 |
| \$m          | \$m  | \$m           | \$m  |

**NOTE 20. DEBT ISSUES (CONTINUED)****Subordinated perpetual notes**

|   |     |     |     |     |
|---|-----|-----|-----|-----|
| USD 390.2 million (1999 USD 432.3 million) subordinated perpetual floating rate notes | 717 | 662 | 717 | 662 |
|---|-----|-----|-----|-----|

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

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

**Westpac debt programs and issuing shelves**

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                                  |
|-----------------------|----------------------------------|---|
| <b>Australia</b>      |                                  |   |
| No limit              | AUD \$600 million                | Debt issuance program                                       |
| No limit              | AUD \$1,000 million              | Subordinated debt issuance program                          |
| <b>Euro Market</b>    |                                  |   |
| AUD 2 billion         | AUD \$1,067 million <sup>1</sup> | Asian debt program  |
| USD 1 billion         | USD \$142 million                | Euro certificate of deposit program                         |
| USD 3 billion         | USD \$509 million                | Euro commercial paper program <sup>2</sup>                  |
| USD 12.5 billion      | USD \$7,340 million              | Euro medium term note program <sup>2</sup>                  |
| <b>Japan</b>          |                                  |   |
| JPY 100 billion       | Nil                              | Samurai shelf   |
| JPY 200 billion       | JPY 58 billion                   | Uridashi shelf  |
| <b>United States</b>  |                                  |   |
| USD 5 billion         | USD \$629 million                | Commercial paper program                                    |
| USD 2 billion         | USD \$803 million                | Commercial paper program <sup>3</sup>                       |
| USD 5 billion         | USD \$2,495 million              | Medium term deposit program                                 |
| USD 1.2 billion       | USD \$396 million <sup>4</sup>   | SEC registered shelf  |
| <b>New Zealand</b>    |                                  |   |
| NZD 750 million       | NZD \$110 million                | Domestic medium term note program <sup>5</sup>              |
| NZD 500 million       | NZD \$50 million                 | Domestic subordinated medium term note program <sup>5</sup> |
| NZD 500 million       | Nil                              | Subordinated debt program <sup>6</sup>                      |
| NZD 750 million       | Nil                              | Domestic medium term note program <sup>7</sup>              |

<sup>1</sup> 1 AUD/USD = 0.5442

<sup>2</sup> WestpacTrust Securities NZ Limited is also an issuer under this program

<sup>3</sup> Sole issuer is WestpacTrust Securities NZ Limited

<sup>4</sup> Issuance includes JPY 75,000,000,000 Global Yen transaction of which JPY 7,885,000,000 of primary issuance was registered under the SEC shelf. This equates to USD \$73 million using USD/JPY exchange rate of 107.851. The remaining USD \$323 million represents the TOPRS.

<sup>5</sup> Issued by Westpac's New Zealand branch.

<sup>6</sup> Issued by WestpacTrust Capital NZ Limited.

<sup>7</sup> Issued by WestpacTrust Securities NZ Limited.

| Consolidated |      | Parent Entity |      |
|--------------|------|---------------|------|
| 2000         | 1999 | 2000          | 1999 |
| \$m          | \$m  | \$m           | \$m  |

## NOTE 21. EQUITY

### Authorised share capital

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
| 3,100 million ordinary shares of A\$1 each | <b>3,100</b> | 3,100 | <b>3,100</b> | 3,100 |
|--|--------------|-------|--------------|-------|

### Issued and paid up share capital

#### Ordinary shares

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
| 1,776,162,463 (1999 1,852,618,757) of A\$1 each fully paid | <b>1,776</b> | 1,853 | <b>1,776</b> | 1,853 |
| Nil (1999 20,000) of A\$1 each paid to A\$0.10             | -            | -     | -            | -     |
| 46,000 (1999 71,500) of A\$1 each paid to A\$0.01          | -            | -     | -            | -     |
| Total ordinary share capital                               | <b>1,776</b> | 1,853 | <b>1,776</b> | 1,853 |

#### New Zealand Class shares

|   |              |       |              |       |
|---|--------------|-------|--------------|-------|
| 54,393,306 (1999 nil) of NZ\$11.95 each paid to NZ\$7.20<br>(net of total issue costs of A\$16 million) | <b>482</b>   | -     | -            | -     |
| <b>Total issued and paid up share capital</b>   | <b>2,258</b> | 1,853 | <b>1,776</b> | 1,853 |

### During the year the following ordinary shares were issued:

To general managers under the General Management Share Option Plan:  
54,000 ordinary shares of A\$1 each fully paid at a premium of A\$8.57.

To shareholders in terms of the Dividend Reinvestment Plan:

11,609,975 ordinary shares of A\$1 each fully paid at a premium of A\$9.66 and 7,441,590 ordinary shares of A\$1 each fully paid at a premium of A\$11.16.

To senior officers under the Senior Officers' Share Purchase Scheme upon exercise of options:

13,162,000 ordinary shares of A\$1 each fully paid at a premium of A\$5.89.

In addition, 45,500 ordinary shares issued in terms of the Senior Officers' Share Purchase Scheme previously paid to A\$0.01 or A\$0.10 were fully paid up at an average premium of A\$3.91.

During the year 108,769,359 ordinary shares of A\$1 each were bought back 'on market' at an average premium of A\$10.70.

### New Zealand Class shares (NZ Class shares)

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

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

| Consolidated |      | Parent Entity |      |
|--------------|------|---------------|------|
| 2000         | 1999 | 2000          | 1999 |
| \$m          | \$m  | \$m           | \$m  |

### Other equity instruments

|   |            |     |            |     |
|---|------------|-----|------------|-----|
| 12,900,000 trust originated preferred securities (TOPRS) of US\$25 each fully paid<br>(net of total issue costs of A\$20 million) | <b>465</b> | 465 | -          | -   |
| 1 convertible debenture of NZ\$611,724,203 (net of issue costs of A\$20 million)  | -          | -   | <b>465</b> | 465 |
| 30,844 perpetual capital notes of A\$10,000 each fully paid   | -          | -   | <b>308</b> | -   |
| <b>Total other equity instruments</b>   | <b>465</b> | 465 | <b>773</b> | 465 |

**NOTE 21. EQUITY (CONTINUED)****Perpetual capital notes**

On 15 October 1999, 30,844 perpetual capital notes of A\$10,000 each were issued at par value to Westpac Tasman No. 1 Pty Limited, a wholly owned controlled entity of Westpac. The notes will yield a non-cumulative half yearly distribution (15 April, 15 October) in arrears at the bank bill swap rate (BBSW) plus 1.25% and will rank subordinate and junior in right of payment of principal and distributions to Westpac's obligations to its depositors and creditors.

**Convertible debenture and TOPrS**

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

The convertible debenture is an unsecured, junior subordinated obligation of Westpac and will rank subordinate and junior in right of payment of principal and distributions to Westpac's obligations to its depositors and creditors. The convertible debenture will only pay a distribution to the extent it is declared by the Board of Directors of Westpac, 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 Westpac preference shares (8% non-cumulative preference shares in Westpac 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 Westpac 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 Westpac, 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 Westpac 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 Westpac 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, Westpac 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 debenture and their distributions are treated as a US dollar denominated instrument.

Westpac 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, Westpac 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 in 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 three 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 Westpac:

| Latest Date<br>for Exercise<br>of Options | Exercise<br>Price | Number of options       |                              |                                 |           | Lapsed<br>During<br>the Year | At<br>30 September<br>2000 |
|---|-------------------|-------------------------|------------------------------|---------------------------------|-----------|------------------------------|----------------------------|
|   |                   | At<br>1 October<br>1999 | Issued<br>During<br>the Year | Exercised<br>During<br>the Year |           |                              |                            |
| 1 March 2009                              | \$10.85           | 140,000                 | –                            | –                               | 90,000    | <b>50,000</b>                |                            |
| 6 April 2009                              | \$10.60           | 575,000                 | –                            | –                               | 125,000   | <b>450,000</b>               |                            |
| 19 April 2009                             | \$11.45           | 100,000                 | –                            | –                               | –         | <b>100,000</b>               |                            |
| 3 August 2009                             | \$9.99            | 375,000                 | –                            | –                               | 50,000    | <b>325,000</b>               |                            |
| 29 December 2009                          | \$9.57            | –                       | 5,313,000                    | 54,000                          | 1,346,000 | <b>3,913,000</b>             |                            |
| 24 January 2010                           | \$10.63           | –                       | 400,000                      | –                               | –         | <b>400,000</b>               |                            |
| 6 March 2010                              | \$10.70           | –                       | 140,000                      | –                               | –         | <b>140,000</b>               |                            |
| 3 April 2010                              | \$10.51           | –                       | 40,000                       | –                               | –         | <b>40,000</b>                |                            |
| 3 April 2010                              | \$10.75           | –                       | 100,000                      | –                               | –         | <b>100,000</b>               |                            |
| 4 September 2010                          | \$12.39           | –                       | 1,170,000                    | –                               | –         | <b>1,170,000</b>             |                            |
| <b>Total</b>                              |                   | 1,190,000               | 7,163,000                    | 54,000                          | 1,611,000 | <b>6,688,000</b>             |                            |

The weighted average exercise price of options issued during the year was \$10.13.

|  | Weighted<br>average<br>exercise price<br>\$ | Weighted<br>average<br>market price<br>\$ |
|--|---|---|
| 1,055,000 options outstanding as at 30 September 2000, whose exercise price exceeded the market price on grant date      | 10.46                                       | 10.34                                     |
| 5,633,000 options outstanding as at 30 September 2000, whose exercise price was less than the market price on grant date | 10.27                                       | 11.07                                     |

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

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 Westpac's ordinary shares on the Australian Stock Exchange Limited (ASX) 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 shareholders returns received by Westpac shareholders against those received by shareholders of a peer group over the performance period. The peer group will be the 50 largest industrial companies listed on ASX 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 2000, 49 officers held options under the GMSOP.

**NOTE 21. EQUITY (CONTINUED)****ii) Senior Officers' Share Purchase Scheme (SOSPS)**

The following table relates to options granted to senior officers under the SOSPS to take up ordinary shares in Westpac:

| Latest Date<br>for Exercise<br>of Options | Exercise<br>Price | Number of options       |                              |                                 |                              | At<br>30 September<br>2000 |
|---|-------------------|-------------------------|------------------------------|---------------------------------|------------------------------|----------------------------|
|   |                   | At<br>1 October<br>1999 | Issued<br>During<br>the Year | Exercised<br>During<br>the Year | Lapsed<br>During<br>the Year |                            |
| 24 January 2000                           | \$4.20            | 655,000                 | –                            | 570,000                         | 85,000                       | –                          |
| 20 June 2000                              | \$5.17            | 80,000                  | –                            | 80,000                          | –                            | –                          |
| 23 October 2000                           | \$5.34            | 20,000                  | –                            | 20,000                          | –                            | –                          |
| 19 December 2000                          | \$5.51            | 65,000                  | –                            | 65,000                          | –                            | –                          |
| 29 January 2001                           | \$5.51            | 3,622,000               | –                            | 2,560,000                       | –                            | <b>1,062,000</b>           |
| 1 February 2001                           | \$5.94            | 50,000                  | –                            | 50,000                          | –                            | –                          |
| 15 April 2001                             | \$5.58            | 135,000                 | –                            | 120,000                         | –                            | <b>15,000</b>              |
| 24 July 2001                              | \$5.64            | 345,000                 | –                            | 345,000                         | –                            | –                          |
| 27 August 2001                            | \$5.80            | 350,000                 | –                            | 350,000                         | –                            | –                          |
| 28 January 2002                           | \$7.10            | 10,534,000              | –                            | 6,689,000                       | 200,000                      | <b>3,645,000</b>           |
| 7 April 2002                              | \$7.05            | 275,000                 | –                            | 25,000                          | 50,000                       | <b>200,000</b>             |
| 14 April 2002                             | \$7.08            | 100,000                 | –                            | 100,000                         | –                            | –                          |
| 14 April 2002                             | \$7.05            | 100,000                 | –                            | –                               | –                            | <b>100,000</b>             |
| 19 May 2002                               | \$6.85            | 100,000                 | –                            | –                               | –                            | <b>100,000</b>             |
| 5 August 2002                             | \$7.84            | 90,000                  | –                            | 40,000                          | –                            | <b>50,000</b>              |
| 29 September 2002                         | \$7.89            | 1,550,000               | –                            | –                               | 250,000                      | <b>1,300,000</b>           |
| 22 December 2002                          | \$8.60            | 10,302,000              | –                            | 1,070,000                       | 1,079,000                    | <b>8,153,000</b>           |
| 2 March 2003                              | \$9.92            | 285,000                 | –                            | 100,000                         | –                            | <b>185,000</b>             |
| 9 March 2003                              | \$9.91            | 20,000                  | –                            | –                               | –                            | <b>20,000</b>              |
| 6 April 2003                              | \$10.24           | 30,000                  | –                            | –                               | –                            | <b>30,000</b>              |
| 4 May 2003                                | \$11.04           | 100,000                 | –                            | –                               | –                            | <b>100,000</b>             |
| 11 May 2003                               | \$11.08           | 50,000                  | –                            | –                               | –                            | <b>50,000</b>              |
| 18 May 2003                               | \$10.60           | 180,000                 | –                            | –                               | –                            | <b>180,000</b>             |
| 9 June 2003                               | \$10.61           | 315,000                 | –                            | –                               | 170,000                      | <b>145,000</b>             |
| 22 June 2003                              | \$10.41           | 60,000                  | –                            | –                               | –                            | <b>60,000</b>              |
| 27 July 2003                              | \$10.00           | 680,000                 | –                            | 300,000                         | –                            | <b>380,000</b>             |
| 10 August 2003                            | \$10.67           | 120,000                 | –                            | –                               | –                            | <b>120,000</b>             |
| 24 August 2003                            | \$10.50           | 70,000                  | –                            | –                               | –                            | <b>70,000</b>              |
| 28 August 2003                            | \$10.04           | 125,000                 | –                            | –                               | –                            | <b>125,000</b>             |
| 14 September 2003                         | \$9.94            | 75,000                  | –                            | –                               | –                            | <b>75,000</b>              |
| 18 September 2003                         | \$9.30            | 20,000                  | –                            | –                               | –                            | <b>20,000</b>              |
| 21 December 2003                          | \$9.56            | 9,822,000               | –                            | 563,000                         | 1,199,557                    | <b>8,059,443</b>           |
| 4 January 2004                            | \$10.22           | 200,000                 | –                            | –                               | –                            | <b>200,000</b>             |
| 15 February 2009                          | \$10.75           | 100,000                 | –                            | –                               | –                            | <b>100,000</b>             |
| 1 March 2009                              | \$10.63           | 250,000                 | –                            | –                               | 60,000                       | <b>190,000</b>             |
| 8 March 2009                              | \$10.28           | 75,000                  | –                            | –                               | –                            | <b>75,000</b>              |
| 10 May 2009                               | \$11.56           | 165,000                 | –                            | –                               | –                            | <b>165,000</b>             |
| 3 August 2009                             | \$9.83            | 20,000                  | –                            | 20,000                          | –                            | –                          |
| 30 August 2009                            | \$10.10           | 35,000                  | –                            | –                               | 25,000                       | <b>10,000</b>              |
| 5 October 2009                            | \$9.55            | –                       | 40,000                       | –                               | –                            | <b>40,000</b>              |
| 29 December 2009                          | \$9.53            | –                       | 9,770,000                    | 95,000                          | 229,849                      | <b>9,445,151</b>           |
| 20 January 2010                           | \$10.31           | –                       | 55,000                       | –                               | –                            | <b>55,000</b>              |
| 24 January 2010                           | \$10.10           | –                       | 20,000                       | –                               | –                            | <b>20,000</b>              |
| 6 March 2010                              | \$10.42           | –                       | 105,000                      | –                               | –                            | <b>105,000</b>             |
| 29 May 2010                               | \$10.43           | –                       | 80,000                       | –                               | –                            | <b>80,000</b>              |
| 4 September 2010                          | \$12.20           | –                       | 265,000                      | –                               | –                            | <b>265,000</b>             |
|   |                   | 41,170,000              | 10,335,000                   | 13,162,000                      | 3,348,406                    | <b>34,994,594</b>          |

The weighted average exercise price of options issued during the year was \$9.62.

## **NOTE 21. EQUITY (CONTINUED)**

### **ii) Senior Officers' Share Purchase Scheme (continued)**

Under the SOSPS, senior officers had been able to purchase a limited number of new ordinary shares issued by Westpac at market price, but paid up initially to only \$0.10 or \$0.01. The residual is payable when called by Westpac. Only fully paid ordinary shares qualify for the payment of dividends. The market price of shares at 30 September 2000 was \$12.75 (1999 \$9.45).

Pursuant to amendments to the SOSPS rules, approved by shareholders in January 1988, Westpac 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 Westpac 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 Westpac's ordinary shares on the 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 \$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 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 2000, 823 (1999 757) officers held partly paid ordinary shares or options under the SOSPS. Managing Director Dr D.R. Morgan holds 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 holds 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.

### **iii) Chief Executive Share Option Agreement**

Pursuant to a resolution passed at a special general meeting of Westpac 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 Westpac'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.

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 Westpac 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 Investments Commission (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 Westpac'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**

The Australian Prudential Regulation Authority (APRA) has responsibility for the prudential supervision of authorised deposit-taking institutions, life and general insurance companies and superannuation funds in Australia. Westpac is an authorised deposit-taking institution.

Australia's risk-based capital adequacy guidelines are generally consistent with the approach agreed upon by the Basle Committee on Banking Supervision.

Australian banks are required to maintain a minimum ratio of capital to risk-adjusted 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 equity, i.e. paid-up share capital, retained earnings, certain reserves and other equity instruments. 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 controlled entities that are not consolidated for capital adequacy purposes such as insurance and funds management controlled entities. Deduction is also made for any capital invested or guarantees or similar support provided to entities involved in securitisation activities. 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.

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2000           | 1999           |
|   | \$m            | \$m            |
| <b>Eligible capital and relevant ratios as at 30 September</b>                            |                |                |
| <b>Tier 1 capital</b>   |                |                |
| Total equity  | 9,262          | 8,997          |
| less: Receivable in respect of New Zealand Class shares                                   | (190)          | -              |
| Premises revaluation reserve  | (36)           | (113)          |
| Intangible assets   | (1,535)        | (1,665)        |
| Estimated reinvestment under dividend reinvestment plan <sup>1</sup>                      | 33             | -              |
| <b>Total tier 1 capital</b>   | <b>7,534</b>   | <b>7,219</b>   |
| <b>Tier 2 capital</b>   |                |                |
| Premises revaluation reserve  | 36             | 113            |
| Subordinated undated capital notes  | 717            | 662            |
| General provision for doubtful debts  | 1,212          | 1,170          |
| Future income tax benefit related to general provision                                    | (374)          | (421)          |
| Eligible subordinated bonds, notes and debentures   | 3,310          | 1,536          |
| <b>Total tier 2 capital</b>   | <b>4,901</b>   | <b>3,060</b>   |
| <b>Total tier 1 and tier 2 capital</b>  | <b>12,435</b>  | <b>10,279</b>  |
| Deductions:   |                |                |
| Other banks' capital instruments  | (9)            | (9)            |
| Investments and capital in life insurance, funds management and securitisation activities | (1,091)        | (790)          |
| <b>Net qualifying capital</b>   | <b>11,335</b>  | <b>9,480</b>   |
| <b>Risk adjusted assets</b>   | <b>114,816</b> | <b>102,592</b> |
| Tier 1 capital ratio  | 6.6%           | 7.0%           |
| Tier 2 capital ratio  | 4.3%           | 3.0%           |
| Deductions  | (1.0)%         | (0.8)%         |
| <b>Net capital ratio</b>  | <b>9.9%</b>    | <b>9.2%</b>    |

<sup>1</sup> The amount is derived from reinvestment experience on the Group's dividend reinvestment plan.

## NOTE 22 CAPITAL ADEQUACY (CONTINUED)

In determining risk-adjusted assets, assets (including off-balance sheet exposures) 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%, 100%) are applied to the different types of assets. For example, cash, bullion, claims on the Reserve Bank of Australia (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.

APRA also requires Australian banks to assess capital adequacy in respect of market risk in their trading book. Required capital for market risk is calculated on standard models or on internal models approved by APRA.

|  | Balance        |             | Risk Weight<br>% | Risk Adjusted Balance |             |
|--|----------------|-------------|------------------|-----------------------|-------------|
|  | 2000<br>\$m    | 1999<br>\$m |                  | 2000<br>\$m           | 1999<br>\$m |
| <b>Risk adjusted assets</b>  |                |             |                  |                       |             |
| <b>On-balance sheet assets</b>   |                |             |                  |                       |             |
| Cash, claims on the RBA, Australian Commonwealth Government securities under one year, and other zero-weighted assets <sup>1</sup> | <b>23,745</b>  | 21,145      | –                | –                     | –           |
| Claims on OECD banks and local governments   | <b>7,299</b>   | 4,751       | 20%              | <b>1,460</b>          | 950         |
| Loans secured by residential mortgages   | <b>63,328</b>  | 56,958      | 50%              | <b>31,664</b>         | 28,479      |
| All other assets   | <b>63,886</b>  | 57,366      | 100%             | <b>63,886</b>         | 57,366      |
| <b>Total on-balance sheet assets – credit risk</b>   | <b>158,258</b> | 140,220     |                  | <b>97,010</b>         | 86,795      |

|  | Contract or Notional Amount |             | Credit Equivalent Amount |             | Risk Adjusted Balance |             |
|--|-----------------------------|-------------|--------------------------|-------------|-----------------------|-------------|
|  | 2000<br>\$m                 | 1999<br>\$m | 2000<br>\$m              | 1999<br>\$m | 2000<br>\$m           | 1999<br>\$m |
| <b>Total off-balance sheet exposures – credit risk</b> | <b>615,727</b>              | 561,985     | <b>34,107</b>            | 29,821      | <b>17,275</b>         | 15,192      |
| <b>Total risk adjusted assets – credit risk</b>        |                             |             |                          |             | <b>114,285</b>        | 101,987     |
| <b>Risk adjusted assets – market risk</b>              |                             |             |                          |             | <b>531</b>            | 605         |
| <b>Total risk adjusted assets</b>                      |                             |             |                          |             | <b>114,816</b>        | 102,592     |

<sup>1</sup> Other zero-weighted assets include gross unrealised gains on trading derivative financial instruments of \$13,594 million (1999: \$5,329 million), which are included in the credit equivalent amount of off-balance sheet exposures and life insurance investment assets of \$7,547 million (1999: Nil) that are not consolidated for capital adequacy purposes.

**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 2000**

|   | At<br>Call<br>\$m | Overdrafts<br>\$m | 1 day to<br>3 months<br>\$m | Over<br>3 months<br>to 1 year<br>\$m | Over<br>1 year<br>to 5 years<br>\$m | Over<br>5 years<br>\$m | No<br>specific<br>maturity<br>\$m | Total<br>\$m   |
|---|-------------------|-------------------|-----------------------------|--------------------------------------|-------------------------------------|------------------------|-----------------------------------|----------------|
| <b>Australia</b>                                |                   |                   |                             |                                      |                                     |                        |                                   |                |
| <b>Assets</b>                                   |                   |                   |                             |                                      |                                     |                        |                                   |                |
| Cash and balances with central banks            | 645               | -                 | -                           | -                                    | -                                   | -                      | -                                 | 645            |
| Due from other financial institutions           | 91                | -                 | 1,262                       | -                                    | -                                   | -                      | -                                 | 1,353          |
| Trading securities                              | -                 | -                 | 2,738                       | 1,606                                | 378                                 | 598                    | -                                 | 5,320          |
| Investment securities                           | -                 | -                 | -                           | -                                    | 635                                 | 93                     | -                                 | 728            |
| Loans   | -                 | 3,502             | 9,352                       | 9,190                                | 12,712                              | 50,065                 | -                                 | 84,821         |
| Acceptances of customers                        | -                 | -                 | 12,809                      | 503                                  | 2,030                               | 269                    | -                                 | 15,611         |
| Life insurance investment assets                | -                 | -                 | -                           | 572                                  | 179                                 | 917                    | 5,879                             | 7,547          |
| All other assets                                | 2                 | -                 | 2,583                       | 625                                  | 11,906                              | 1,464                  | 1,153                             | 17,733         |
| <b>Total assets</b>                             | <b>738</b>        | <b>3,502</b>      | <b>28,744</b>               | <b>12,496</b>                        | <b>27,840</b>                       | <b>53,406</b>          | <b>7,032</b>                      | <b>133,758</b> |
| <b>Liabilities</b>                              |                   |                   |                             |                                      |                                     |                        |                                   |                |
| Due to other financial institutions             | 803               | -                 | -                           | -                                    | -                                   | -                      | -                                 | 803            |
| Deposits and public borrowings                  | 35,986            | -                 | 14,262                      | 8,771                                | 5,452                               | -                      | -                                 | 64,471         |
| Bonds, notes and commercial paper               | -                 | -                 | 168                         | 2,458                                | 8,621                               | 135                    | -                                 | 11,382         |
| Acceptances                                     | -                 | -                 | 12,809                      | 503                                  | 2,030                               | 269                    | -                                 | 15,611         |
| Life insurance policy liabilities               | -                 | -                 | -                           | 453                                  | 259                                 | 69                     | 6,210                             | 6,991          |
| All other liabilities                           | -                 | -                 | 2,964                       | 1,840                                | 9,543                               | -                      | 84                                | 14,431         |
| Net intragroup payable                          | 9,582             | -                 | -                           | -                                    | -                                   | -                      | -                                 | 9,582          |
| <b>Total liabilities excluding loan capital</b> | <b>46,371</b>     | <b>-</b>          | <b>30,203</b>               | <b>14,025</b>                        | <b>25,905</b>                       | <b>473</b>             | <b>6,294</b>                      | <b>123,271</b> |
| Loan capital                                    | -                 | -                 | -                           | 735                                  | 643                                 | 3,477                  | -                                 | 4,855          |
| <b>Total liabilities</b>                        | <b>46,371</b>     | <b>-</b>          | <b>30,203</b>               | <b>14,760</b>                        | <b>26,548</b>                       | <b>3,950</b>           | <b>6,294</b>                      | <b>128,126</b> |
| <b>Net assets Australia</b>                     | <b>(45,633)</b>   | <b>3,502</b>      | <b>(1,459)</b>              | <b>(2,264)</b>                       | <b>1,292</b>                        | <b>49,456</b>          | <b>738</b>                        | <b>5,632</b>   |
| <b>Overseas</b>                                 |                   |                   |                             |                                      |                                     |                        |                                   |                |
| <b>Assets</b>                                   |                   |                   |                             |                                      |                                     |                        |                                   |                |
| Cash and balances with central banks            | 191               | -                 | -                           | -                                    | -                                   | -                      | -                                 | 191            |
| Due from other financial institutions           | 7                 | -                 | 1,883                       | 82                                   | -                                   | -                      | -                                 | 1,972          |
| Trading securities                              | -                 | -                 | 999                         | 505                                  | 341                                 | 9                      | -                                 | 1,854          |
| Investment securities                           | -                 | -                 | -                           | 143                                  | 951                                 | 909                    | -                                 | 2,003          |
| Loans   | -                 | 793               | 5,474                       | 3,130                                | 8,300                               | 5,015                  | -                                 | 22,712         |
| Acceptances of customers                        | -                 | -                 | 54                          | -                                    | -                                   | -                      | -                                 | 54             |
| Regulatory deposits                             | -                 | -                 | 228                         | 391                                  | -                                   | -                      | 1                                 | 620            |
| All other assets                                | 89                | -                 | 515                         | 240                                  | 3,008                               | 589                    | 13                                | 4,454          |
| Net intragroup receivable                       | 9,582             | -                 | -                           | -                                    | -                                   | -                      | -                                 | 9,582          |
| <b>Total assets</b>                             | <b>9,869</b>      | <b>793</b>        | <b>9,153</b>                | <b>4,491</b>                         | <b>12,600</b>                       | <b>6,522</b>           | <b>14</b>                         | <b>43,442</b>  |
| <b>Liabilities</b>                              |                   |                   |                             |                                      |                                     |                        |                                   |                |
| Due to other financial institutions             | 197               | -                 | 2,972                       | -                                    | -                                   | -                      | -                                 | 3,169          |
| Deposits and public borrowings                  | 6,499             | -                 | 9,493                       | 8,640                                | 891                                 | -                      | -                                 | 25,523         |
| Bonds, notes and commercial paper               | -                 | -                 | 1,645                       | 3,208                                | 2,968                               | -                      | -                                 | 7,821          |
| Acceptances                                     | -                 | -                 | 54                          | -                                    | -                                   | -                      | -                                 | 54             |
| All other liabilities                           | -                 | -                 | 725                         | 747                                  | 1,721                               | -                      | 15                                | 3,208          |
| <b>Total liabilities excluding loan capital</b> | <b>6,696</b>      | <b>-</b>          | <b>14,889</b>               | <b>12,595</b>                        | <b>5,580</b>                        | <b>-</b>               | <b>15</b>                         | <b>39,775</b>  |
| Loan capital                                    | -                 | -                 | -                           | -                                    | 37                                  | -                      | -                                 | 37             |
| <b>Total liabilities</b>                        | <b>6,696</b>      | <b>-</b>          | <b>14,889</b>               | <b>12,595</b>                        | <b>5,617</b>                        | <b>-</b>               | <b>15</b>                         | <b>39,812</b>  |
| <b>Net assets Overseas</b>                      | <b>3,173</b>      | <b>793</b>        | <b>(5,736)</b>              | <b>(8,104)</b>                       | <b>6,983</b>                        | <b>6,522</b>           | <b>(1)</b>                        | <b>3,630</b>   |
| <b>Net assets total</b>                         | <b>(42,460)</b>   | <b>4,295</b>      | <b>(7,195)</b>              | <b>(10,368)</b>                      | <b>8,275</b>                        | <b>55,978</b>          | <b>737</b>                        | <b>9,262</b>   |

**NOTE 23. MATURITY ANALYSIS (CONTINUED)**

Consolidated Maturity Analysis as at 30 September 1999

|   | At<br>Call<br>\$m | Overdrafts<br>\$m | 1 day to<br>3 months<br>\$m | Over<br>3 months<br>to 1 year<br>\$m | Over<br>1 year<br>to 5 years<br>\$m | Over<br>5 years<br>\$m | No<br>specific<br>maturity<br>\$m | Total<br>\$m   |
|---|-------------------|-------------------|-----------------------------|--------------------------------------|-------------------------------------|------------------------|-----------------------------------|----------------|
| <b>Australia</b>                                |                   |                   |                             |                                      |                                     |                        |                                   |                |
| <b>Assets</b>                                   |                   |                   |                             |                                      |                                     |                        |                                   |                |
| 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         |
| All other assets                                | –                 | –                 | 3,879                       | 886                                  | 1,427                               | 804                    | 6,466                             | 13,462         |
| <b>Total assets</b>                             | <b>1,272</b>      | <b>2,802</b>      | <b>22,204</b>               | <b>13,887</b>                        | <b>18,622</b>                       | <b>45,301</b>          | <b>6,466</b>                      | <b>110,554</b> |
| <b>Liabilities</b>                              |                   |                   |                             |                                      |                                     |                        |                                   |                |
| 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         |
| Net intragroup payable                          | 8,973             | –                 | –                           | –                                    | –                                   | –                      | –                                 | 8,973          |
| <b>Total liabilities excluding loan capital</b> | <b>44,258</b>     | <b>–</b>          | <b>25,481</b>               | <b>13,092</b>                        | <b>12,270</b>                       | <b>406</b>             | <b>5,893</b>                      | <b>101,400</b> |
| Loan capital                                    | –                 | –                 | –                           | –                                    | 1,147                               | 1,465                  | –                                 | 2,612          |
| <b>Total liabilities</b>                        | <b>44,258</b>     | <b>–</b>          | <b>25,481</b>               | <b>13,092</b>                        | <b>13,417</b>                       | <b>1,871</b>           | <b>5,893</b>                      | <b>104,012</b> |
| <b>Net assets Australia</b>                     | <b>(42,986)</b>   | <b>2,802</b>      | <b>(3,277)</b>              | <b>795</b>                           | <b>5,205</b>                        | <b>43,430</b>          | <b>573</b>                        | <b>6,542</b>   |
| <b>Overseas</b>                                 |                   |                   |                             |                                      |                                     |                        |                                   |                |
| <b>Assets</b>                                   |                   |                   |                             |                                      |                                     |                        |                                   |                |
| 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          |
| Net intragroup receivable                       | 8,973             | –                 | –                           | –                                    | –                                   | –                      | –                                 | 8,973          |
| <b>Total assets</b>                             | <b>9,586</b>      | <b>846</b>        | <b>6,534</b>                | <b>1,781</b>                         | <b>5,422</b>                        | <b>12,930</b>          | <b>1,540</b>                      | <b>38,639</b>  |
| <b>Liabilities</b>                              |                   |                   |                             |                                      |                                     |                        |                                   |                |
| 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          |
| <b>Total liabilities excluding loan capital</b> | <b>7,054</b>      | <b>–</b>          | <b>15,848</b>               | <b>9,075</b>                         | <b>2,804</b>                        | <b>233</b>             | <b>1,090</b>                      | <b>36,104</b>  |
| Loan capital                                    | –                 | –                 | –                           | –                                    | –                                   | 80                     | –                                 | 80             |
| <b>Total liabilities</b>                        | <b>7,054</b>      | <b>–</b>          | <b>15,848</b>               | <b>9,075</b>                         | <b>2,804</b>                        | <b>313</b>             | <b>1,090</b>                      | <b>36,184</b>  |
| <b>Net assets Overseas</b>                      | <b>2,532</b>      | <b>846</b>        | <b>(9,314)</b>              | <b>(7,294)</b>                       | <b>2,618</b>                        | <b>12,617</b>          | <b>450</b>                        | <b>2,455</b>   |
| <b>Net assets total</b>                         | <b>(40,454)</b>   | <b>3,648</b>      | <b>(12,591)</b>             | <b>(6,499)</b>                       | <b>7,823</b>                        | <b>56,047</b>          | <b>1,023</b>                      | <b>8,997</b>   |

**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 liabilities. Averages used are predominantly daily averages.

|  | 2000                      |                              |                      | Consolidated<br>1999      |                              |                      | 1998                      |                              |                      |
|--|---------------------------|------------------------------|----------------------|---------------------------|------------------------------|----------------------|---------------------------|------------------------------|----------------------|
|  | Average<br>Balance<br>\$m | Interest <sup>1</sup><br>\$m | Average<br>Rate<br>% | Average<br>Balance<br>\$m | Interest <sup>1</sup><br>\$m | Average<br>Rate<br>% | Average<br>Balance<br>\$m | Interest <sup>1</sup><br>\$m | Average<br>Rate<br>% |
| <b>Assets</b>  |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| <b>Interest earning assets</b>   |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Due from other financial institutions  |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Australia  | 1,531                     | 71                           | 4.6                  | 956                       | 30                           | 3.1                  | 872                       | 34                           | 3.9                  |
| New Zealand  | 1,298                     | 70                           | 5.4                  | 1,120                     | 54                           | 4.8                  | 1,421                     | 115                          | 8.1                  |
| Other Overseas   | 1,691                     | 120                          | 7.1                  | 1,849                     | 108                          | 5.8                  | 2,315                     | 133                          | 5.7                  |
| Investment and trading securities  |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Australia  | 7,029                     | 382                          | 5.4                  | 6,528                     | 400                          | 6.1                  | 5,592                     | 347                          | 6.2                  |
| New Zealand  | 691                       | 62                           | 9.0                  | 586                       | 37                           | 6.3                  | 1,217                     | 76                           | 6.2                  |
| Other Overseas   | 1,923                     | 166                          | 8.6                  | 2,368                     | 153                          | 6.5                  | 2,118                     | 158                          | 7.5                  |
| Regulatory deposits  |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Other Overseas   | 517                       | 32                           | 6.2                  | 302                       | 15                           | 5.0                  | 252                       | 13                           | 5.2                  |
| Loans and other receivables  |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Australia  | 85,409                    | 7,612                        | 8.9                  | 73,693                    | 5,944                        | 8.1                  | 67,496                    | 5,794                        | 8.6                  |
| New Zealand  | 20,142                    | 1,722                        | 8.5                  | 19,332                    | 1,451                        | 7.5                  | 19,131                    | 1,987                        | 10.4                 |
| Other Overseas   | 2,645                     | 201                          | 7.6                  | 3,251                     | 261                          | 8.0                  | 4,094                     | 345                          | 8.4                  |
| Impaired loans   |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Australia  | 313                       | 7                            | 2.2                  | 428                       | 16                           | 3.7                  | 570                       | 15                           | 2.6                  |
| New Zealand  | 102                       | 6                            | 5.9                  | 114                       | 5                            | 4.4                  | 122                       | 6                            | 4.9                  |
| Other Overseas   | 171                       | 9                            | 5.3                  | 207                       | 1                            | 0.5                  | 138                       | 1                            | 0.7                  |
| Intragroup receivable  |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Other Overseas   | 12,326                    | 717                          | 5.8                  | 9,988                     | 535                          | 5.4                  | 8,902                     | 536                          | 6.0                  |
| Interest earning assets and interest income including intragroup             |                           |                              |                      |                           |                              |                      |                           |                              |                      |
|  | 135,788                   | 11,177                       | 8.2                  | 120,722                   | 9,010                        | 7.5                  | 114,240                   | 9,560                        | 8.4                  |
| Intragroup elimination   |                           |                              |                      |                           |                              |                      |                           |                              |                      |
|  | (12,326)                  | (717)                        |                      | (9,988)                   | (535)                        |                      | (8,902)                   | (536)                        |                      |
| <b>Total interest earning assets and interest income</b>                     |                           |                              |                      |                           |                              |                      |                           |                              |                      |
|  | 123,462                   | 10,460                       | 8.5                  | 110,734                   | 8,475                        | 7.7                  | 105,338                   | 9,024                        | 8.6                  |
| <b>Non-interest earning assets</b>   |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Cash, bullion, due from other financial institutions and regulatory deposits |                           |                              |                      |                           |                              |                      |                           |                              |                      |
|  | 486                       |                              |                      | 864                       |                              |                      | 1,253                     |                              |                      |
| Life insurance investment assets   |                           |                              |                      |                           |                              |                      |                           |                              |                      |
|  | 7,792                     |                              |                      | -                         |                              |                      | -                         |                              |                      |
| Other assets   |                           |                              |                      |                           |                              |                      |                           |                              |                      |
|  | 15,900                    |                              |                      | 19,369                    |                              |                      | 23,217                    |                              |                      |
| Provisions for doubtful debts  |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Australia  | (1,241)                   |                              |                      | (1,324)                   |                              |                      | (1,379)                   |                              |                      |
| New Zealand  | (91)                      |                              |                      | (106)                     |                              |                      | (117)                     |                              |                      |
| Other Overseas   | (153)                     |                              |                      | (146)                     |                              |                      | (97)                      |                              |                      |
| <b>Total non-interest earning assets</b>                                     |                           |                              |                      |                           |                              |                      |                           |                              |                      |
|  | 22,693                    |                              |                      | 18,657                    |                              |                      | 22,877                    |                              |                      |
| Acceptances of customers   |                           |                              |                      |                           |                              |                      |                           |                              |                      |
| Australia  | 12,403                    |                              |                      | 10,905                    |                              |                      | 11,315                    |                              |                      |
| New Zealand  | -                         |                              |                      | 4                         |                              |                      | 43                        |                              |                      |
| Other Overseas   | 8                         |                              |                      | 50                        |                              |                      | 74                        |                              |                      |
| <b>Total acceptances</b>   |                           |                              |                      |                           |                              |                      |                           |                              |                      |
|  | 12,411                    |                              |                      | 10,959                    |                              |                      | 11,432                    |                              |                      |
| <b>Total assets</b>  |                           |                              |                      |                           |                              |                      |                           |                              |                      |
|  | 158,566                   |                              |                      | 140,350                   |                              |                      | 139,647                   |                              |                      |

<sup>1</sup> Interest income includes fully tax equivalent gross up.

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

|  | Consolidated              |                 |                      |                           |                 |                      |                           |                 |                      |
|--|---------------------------|-----------------|----------------------|---------------------------|-----------------|----------------------|---------------------------|-----------------|----------------------|
|  | 2000                      |                 |                      | 1999                      |                 |                      | 1998                      |                 |                      |
|  | Average<br>Balance<br>\$m | Interest<br>\$m | Average<br>Rate<br>% | Average<br>Balance<br>\$m | Interest<br>\$m | Average<br>Rate<br>% | Average<br>Balance<br>\$m | Interest<br>\$m | Average<br>Rate<br>% |
| <b>Liabilities</b>   |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| <b>Interest bearing liabilities</b>                                    |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Deposits   |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Australia  | 53,742                    | 3,166           | 5.9                  | 50,367                    | 2,273           | 4.5                  | 47,772                    | 2,261           | 4.7                  |
| New Zealand  | 14,002                    | 695             | 5.0                  | 15,431                    | 647             | 4.2                  | 15,459                    | 1,128           | 7.3                  |
| Other Overseas   | 11,711                    | 705             | 6.0                  | 8,690                     | 465             | 5.4                  | 9,170                     | 538             | 5.9                  |
| Public borrowings by controlled entity borrowing corporations          |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Australia  | 5,912                     | 331             | 5.6                  | 5,495                     | 298             | 5.4                  | 5,383                     | 329             | 6.1                  |
| New Zealand  | 96                        | 7               | 7.3                  | 247                       | 19              | 7.7                  | 392                       | 31              | 7.9                  |
| Other Overseas   | -                         | -               | -                    | -                         | -               | -                    | 2                         | -               | -                    |
| Due to other financial institutions                                    |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Australia  | 589                       | 32              | 5.4                  | 314                       | 13              | 4.1                  | 498                       | 22              | 4.4                  |
| New Zealand  | 127                       | 10              | 7.9                  | 138                       | 8               | 5.8                  | 110                       | 15              | 13.6                 |
| Other Overseas   | 3,239                     | 181             | 5.6                  | 3,264                     | 173             | 5.3                  | 3,803                     | 238             | 6.3                  |
| Loan capital   |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Australia  | 3,242                     | 264             | 8.1                  | 2,386                     | 170             | 7.1                  | 2,110                     | 169             | 8.0                  |
| New Zealand  | 74                        | 6               | 8.1                  | 52                        | 5               | 9.6                  | 42                        | 4               | 9.5                  |
| Other Overseas   | -                         | -               | -                    | -                         | -               | -                    | 15                        | -               | -                    |
| Other interest bearing liabilities                                     |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Australia  | 9,811                     | 736             | 7.5                  | 6,951                     | 501             | 7.2                  | 5,876                     | 384             | 6.5                  |
| New Zealand  | 5,367                     | 332             | 6.2                  | 2,662                     | 98              | 3.7                  | 1,644                     | 147             | 8.9                  |
| Other Overseas   | 1,742                     | 111             | 6.4                  | 3,905                     | 186             | 4.8                  | 2,357                     | 138             | 5.9                  |
| Intragroup payable   |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Australia  | 11,201                    | 654             | 5.8                  | 7,862                     | 424             | 5.4                  | 5,014                     | 294             | 5.9                  |
| New Zealand  | 1,125                     | 63              | 5.6                  | 2,126                     | 111             | 5.2                  | 3,888                     | 242             | 6.2                  |
| Interest bearing liabilities and interest expense including intragroup |                           |                 |                      |                           |                 |                      |                           |                 |                      |
|  | 121,980                   | 7,293           | 6.0                  | 109,890                   | 5,391           | 4.9                  | 103,535                   | 5,940           | 5.7                  |
| Intragroup elimination   |                           |                 |                      |                           |                 |                      |                           |                 |                      |
|  | (12,326)                  | (717)           |                      | (9,988)                   | (535)           |                      | (8,902)                   | (536)           |                      |
| <b>Total interest bearing liabilities and interest expense</b>         |                           |                 |                      |                           |                 |                      |                           |                 |                      |
|  | 109,654                   | 6,576           | 6.0                  | 99,902                    | 4,856           | 4.9                  | 94,633                    | 5,404           | 5.7                  |
| <b>Non-interest bearing liabilities</b>                                |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Deposits and due to other financial institutions                       |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Australia  | 3,651                     |                 |                      | 3,603                     |                 |                      | 3,581                     |                 |                      |
| New Zealand  | 925                       |                 |                      | 959                       |                 |                      | 1,049                     |                 |                      |
| Other Overseas   | 302                       |                 |                      | 527                       |                 |                      | 515                       |                 |                      |
| Life insurance policy liabilities                                      | 6,804                     |                 |                      | -                         |                 |                      | -                         |                 |                      |
| Other liabilities  | 15,280                    |                 |                      | 15,685                    |                 |                      | 19,575                    |                 |                      |
| <b>Total non-interest bearing liabilities</b>                          |                           |                 |                      |                           |                 |                      |                           |                 |                      |
|  | 26,962                    |                 |                      | 20,774                    |                 |                      | 24,720                    |                 |                      |
| Acceptances  |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| Australia  | 12,403                    |                 |                      | 10,905                    |                 |                      | 11,315                    |                 |                      |
| New Zealand  | -                         |                 |                      | 4                         |                 |                      | 43                        |                 |                      |
| Other Overseas   | 8                         |                 |                      | 50                        |                 |                      | 74                        |                 |                      |
| <b>Total acceptances of customers</b>                                  |                           |                 |                      |                           |                 |                      |                           |                 |                      |
|  | 12,411                    |                 |                      | 10,959                    |                 |                      | 11,432                    |                 |                      |
| <b>Total liabilities</b>   |                           |                 |                      |                           |                 |                      |                           |                 |                      |
|  | 149,027                   |                 |                      | 131,635                   |                 |                      | 130,785                   |                 |                      |
| Ordinary shareholders' equity  |                           |                 |                      |                           |                 |                      |                           |                 |                      |
| TOPrS  | 9,070                     |                 |                      | 8,609                     |                 |                      | 8,484                     |                 |                      |
| Preference shareholders' equity  | 465                       |                 |                      | 103                       |                 |                      | -                         |                 |                      |
| Outside equity interests   | -                         |                 |                      | -                         |                 |                      | 375                       |                 |                      |
| Outside equity interests   | 4                         |                 |                      | 3                         |                 |                      | 3                         |                 |                      |
| <b>Total equity</b>  |                           |                 |                      |                           |                 |                      |                           |                 |                      |
|  | 9,539                     |                 |                      | 8,715                     |                 |                      | 8,862                     |                 |                      |
| <b>Total liabilities and equity</b>                                    |                           |                 |                      |                           |                 |                      |                           |                 |                      |
|  | 158,566                   |                 |                      | 140,350                   |                 |                      | 139,647                   |                 |                      |

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

The following table allocates changes in net interest income<sup>1</sup> 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.

|   | 2000          |              |              | 1999          |              |              |
|---|---------------|--------------|--------------|---------------|--------------|--------------|
|   | Change due to |              |              | Change due to |              |              |
|   | Volume<br>\$m | Rate<br>\$m  | Total<br>\$m | Volume<br>\$m | Rate<br>\$m  | Total<br>\$m |
| <b>Interest-earning assets</b>                                |               |              |              |               |              |              |
| Due from other financial institutions                         |               |              |              |               |              |              |
| Australia   | 18            | 23           | 41           | 3             | (7)          | (4)          |
| New Zealand   | 8             | 8            | 16           | (24)          | (37)         | (61)         |
| Other Overseas  | (10)          | 22           | 12           | (27)          | 2            | (25)         |
| Investment and trading securities                             |               |              |              |               |              |              |
| Australia   | 31            | (49)         | (18)         | 58            | (5)          | 53           |
| New Zealand   | 6             | 19           | 25           | (39)          | -            | (39)         |
| Other Overseas  | (27)          | 40           | 13           | 19            | (24)         | (5)          |
| Regulatory deposits   |               |              |              |               |              |              |
| Other Overseas  | 11            | 6            | 17           | 3             | (1)          | 2            |
| Loans and other receivables                                   |               |              |              |               |              |              |
| Australia   | 985           | 683          | 1,668        | 532           | (382)        | 150          |
| New Zealand   | 70            | 201          | 271          | 21            | (557)        | (536)        |
| Other Overseas  | (49)          | (11)         | (60)         | (71)          | (13)         | (84)         |
| Impaired loans  |               |              |              |               |              |              |
| Australia   | (4)           | (5)          | (9)          | (4)           | 5            | 1            |
| New Zealand   | (1)           | 2            | 1            | -             | (1)          | (1)          |
| Other Overseas  | -             | 8            | 8            | 1             | (1)          | -            |
| Intragroup receivable   |               |              |              |               |              |              |
| Overseas  | 133           | 49           | 182          | 65            | (66)         | (1)          |
| Total change in interest income including intragroup          | 1,171         | 996          | 2,167        | 537           | (1,087)      | (550)        |
| Intragroup elimination  | (133)         | (49)         | (182)        | (65)          | 66           | 1            |
| Total change in interest income                               | 1,038         | 947          | 1,985        | 472           | (1,021)      | (549)        |
| <b>Interest-bearing liabilities</b>                           |               |              |              |               |              |              |
| Deposits  |               |              |              |               |              |              |
| Australia   | 141           | 752          | 893          | 123           | (111)        | 12           |
| New Zealand   | (64)          | 112          | 48           | (2)           | (479)        | (481)        |
| Other Overseas  | 170           | 70           | 240          | (28)          | (45)         | (73)         |
| Public borrowings by controlled entity borrowing corporations |               |              |              |               |              |              |
| Australia   | 21            | 12           | 33           | 7             | (38)         | (31)         |
| New Zealand   | (12)          | -            | (12)         | (11)          | (1)          | (12)         |
| Due to other financial institutions                           |               |              |              |               |              |              |
| Australia   | 11            | 8            | 19           | (8)           | (1)          | (9)          |
| New Zealand   | (1)           | 3            | 2            | 4             | (11)         | (7)          |
| Other Overseas  | (2)           | 10           | 8            | (34)          | (31)         | (65)         |
| Loan capital  |               |              |              |               |              |              |
| Australia   | 62            | 32           | 94           | 22            | (21)         | 1            |
| New Zealand   | 2             | (1)          | 1            | 1             | -            | 1            |
| Other interest-bearing liabilities                            |               |              |              |               |              |              |
| Australia   | 206           | 29           | 235          | 70            | 47           | 117          |
| New Zealand   | 100           | 134          | 234          | 91            | (140)        | (49)         |
| Other Overseas  | (103)         | 28           | (75)         | 91            | (43)         | 48           |
| Intragroup payable  |               |              |              |               |              |              |
| Australia   | 185           | 45           | 230          | 167           | (37)         | 130          |
| New Zealand   | (52)          | 4            | (48)         | (110)         | (21)         | (131)        |
| Total change in interest expense including intragroup         | 664           | 1,238        | 1,902        | 383           | (932)        | (549)        |
| Intragroup elimination  | (133)         | (49)         | (182)        | (57)          | 58           | 1            |
| Total change in interest expense                              | 531           | 1,189        | 1,720        | 326           | (874)        | (548)        |
| <b>Change in net interest income</b>                          |               |              |              |               |              |              |
| Australia   | 404           | (226)        | 178          | 375           | (265)        | 110          |
| New Zealand   | 110           | (22)         | 88           | (125)         | 36           | (89)         |
| Other Overseas  | (7)           | 6            | (1)          | (104)         | 82           | (22)         |
| <b>Total change in net interest income</b>                    | <b>507</b>    | <b>(242)</b> | <b>265</b>   | <b>146</b>    | <b>(147)</b> | <b>(1)</b>   |

<sup>1</sup> Net interest income includes fully tax equivalent gross up.

**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.

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



**NOTE 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 segment results have been presented on a management reporting basis and consequently internal charges and transfer pricing adjustments have been reflected in the performance of each business segment. Intersegment pricing is determined on an arm's length basis.

The business segments are defined by the customers they service and the services they provide. The Australian Retail Financial Services segment consists of the combined results of Australian Retail Banking, AGC, Westpac Financial Services and Global Transactional Services. The Institutional Banking segment represents primarily corporate and government customers, services provided include corporate finance and financial markets. The New Zealand Retail segment comprises the retail operations of this region. Other includes the general provision for bad and doubtful debts and the results of Group Treasury, Pacific Banking and Head Office functions.

|   | Consolidated<br>2000                           |                                 |                              |              | Total<br>\$m   |
|---|--|---------------------------------|------------------------------|--------------|----------------|
|   | Australian Retail<br>Financial Services<br>\$m | Institutional<br>Banking<br>\$m | New Zealand<br>Retail<br>\$m | Other<br>\$m |                |
| <b>Profit and loss</b>                    |  |                                 |                              |              |                |
| Net interest income <sup>1</sup>          | 2,883  | 484                             | 567                          | (50)         | <b>3,884</b>   |
| Lending fees (loan and risk)              | 445  | 113                             | 31                           | (5)          | <b>584</b>     |
| Transaction fees and commissions received | 798  | 23                              | 185                          | 6            | <b>1,012</b>   |
| Other non-risk fee income                 | 82   | 54                              | 78                           | 17           | <b>231</b>     |
| Fees and commissions paid                 | (276)  | (64)                            | (43)                         | (1)          | <b>(384)</b>   |
| Trading income                            | –  | 108                             | 13                           | 23           | <b>144</b>     |
| Other income                              | 705  | 42                              | 30                           | 4            | <b>781</b>     |
| Internal charges <sup>2</sup>             | (66)   | (22)                            | 1                            | 87           | <b>–</b>       |
| Total operating income                    | 4,571  | 738                             | 862                          | 81           | <b>6,252</b>   |
| Salaries and other staff expenses         | (1,301)  | (166)                           | (204)                        | (144)        | <b>(1,815)</b> |
| Equipment and occupancy expenses          |  |                                 |                              |              |                |
| Depreciation and amortisation             | (226)  | (7)                             | (33)                         | (3)          | <b>(269)</b>   |
| Other                                     | (284)  | (22)                            | (42)                         | (15)         | <b>(363)</b>   |
| Other expenses                            | (658)  | (60)                            | (152)                        | (88)         | <b>(958)</b>   |
| Internal charges <sup>2</sup>             | (177)  | (48)                            | (6)                          | 231          | <b>–</b>       |
| Total operating expenses                  | (2,646)  | (303)                           | (437)                        | (19)         | <b>(3,405)</b> |
| Amortisation of intangible assets         | (63)   | –                               | (35)                         | –            | <b>(98)</b>    |
| Bad and doubtful debts                    | (188)  | 6                               | (21)                         | 1            | <b>(202)</b>   |
| Operating profit before income tax        | 1,674  | 441                             | 369                          | 63           | <b>2,547</b>   |
| Income tax expense <sup>1</sup>           | (599)  | (135)                           | (119)                        | 24           | <b>(829)</b>   |
| Outside equity interest                   | –  | –                               | –                            | (3)          | <b>(3)</b>     |
| Operating profit after income tax         | 1,075  | 306                             | 250                          | 84           | <b>1,715</b>   |
| <b>Balance sheet</b>                      |  |                                 |                              |              |                |
| Deposits and other public borrowings      | 52,426   | 7,033                           | 10,339                       | 20,196       | <b>89,994</b>  |
| Net loans and acceptances                 | 85,585   | 21,805                          | 14,398                       | 1,410        | <b>123,198</b> |
| Total assets                              | 101,052  | 48,097                          | 15,402                       | 3,067        | <b>167,618</b> |

<sup>1</sup> Net interest income and income tax expense includes fully tax equivalent gross up

<sup>2</sup> Internal charges are eliminated on consolidation

**NOTE 25. GROUP SEGMENT INFORMATION (CONTINUED)**

|   | Consolidated<br>1999                           |                                 |                              |              | Total<br>\$m |
|---|--|---------------------------------|------------------------------|--------------|--------------|
|   | Australian Retail<br>Financial Services<br>\$m | Institutional<br>Banking<br>\$m | New Zealand<br>Retail<br>\$m | Other<br>\$m |              |
| <b>Profit and loss</b>                    |  |                                 |                              |              |              |
| Net interest income                       | 2,751  | 326                             | 647                          | (105)        | 3,619        |
| Lending fees (loan and risk)              | 383  | 97                              | 34                           | (2)          | 512          |
| Transaction fees and commissions received | 713  | 17                              | 158                          | 7            | 895          |
| Other non-risk fee income                 | 76   | 67                              | 64                           | 21           | 228          |
| Fees and commissions paid                 | (250)  | (17)                            | (34)                         | (1)          | (302)        |
| Trading income                            | 1  | 215                             | 21                           | 47           | 284          |
| Other income                              | 371  | 42                              | 28                           | 81           | 522          |
| Internal charges                          | (10)   | (44)                            | (1)                          | 55           | -            |
| Total operating income                    | 4,035  | 703                             | 917                          | 103          | 5,758        |
| Salaries and other staff expenses         | (1,315)  | (169)                           | (237)                        | (109)        | (1,830)      |
| Equipment and occupancy expenses          |  |                                 |                              |              |              |
| Depreciation and amortisation             | (192)  | (14)                            | (26)                         | (5)          | (237)        |
| Other                                     | (302)  | (11)                            | (45)                         | (7)          | (365)        |
| Other expenses                            | (568)  | (54)                            | (169)                        | (111)        | (902)        |
| Internal charges                          | (90)   | (60)                            | (11)                         | 161          | -            |
| Total operating expenses                  | (2,467)  | (308)                           | (488)                        | (71)         | (3,334)      |
| Amortisation of intangible assets         | (63)   | -                               | (37)                         | -            | (100)        |
| Bad and doubtful debts                    | (130)  | (11)                            | 12                           | (42)         | (171)        |
| Operating profit before income tax        | 1,375  | 384                             | 404                          | (10)         | 2,153        |
| Income tax expense                        | (475)  | (136)                           | (146)                        | 63           | (694)        |
| Outside equity interest                   | -  | -                               | -                            | (3)          | (3)          |
| Operating profit after income tax         | 900  | 248                             | 258                          | 50           | 1,456        |
| <b>Balance sheet</b>                      |  |                                 |                              |              |              |
| Deposits and other public borrowings      | 49,648   | 7,178                           | 11,108                       | 17,612       | 85,546       |
| Net loans and acceptances                 | 73,599   | 18,351                          | 14,964                       | 1,051        | 107,965      |
| Total assets                              | 81,592   | 35,990                          | 16,250                       | 6,388        | 140,220      |

## NOTE 25. GROUP SEGMENT INFORMATION (CONTINUED)

|   | Consolidated<br>1998                           |                                 |                              |              | Total<br>\$m |
|---|--|---------------------------------|------------------------------|--------------|--------------|
|   | Australian Retail<br>Financial Services<br>\$m | Institutional<br>Banking<br>\$m | New Zealand<br>Retail<br>\$m | Other<br>\$m |              |
| <b>Profit and loss</b>                    |  |                                 |                              |              |              |
| Net interest income                       | 2,647  | 246                             | 673                          | 54           | 3,620        |
| Lending fees (loan and risk)              | 390  | 85                              | 30                           | 3            | 508          |
| Transaction fees and commissions received | 604  | 34                              | 61                           | 9            | 708          |
| Other non-risk fee income                 | 54   | 40                              | 111                          | 27           | 232          |
| Fees and commissions paid                 | (178)  | (22)                            | –                            | 2            | (198)        |
| Trading income                            | 1  | 371                             | 22                           | 16           | 410          |
| Other income                              | 267  | 3                               | 26                           | 47           | 343          |
| Internal charges                          | (95)   | (61)                            | –                            | 156          | –            |
| Total operating income                    | 3,690  | 696                             | 923                          | 314          | 5,623        |
| Salaries and other staff expenses         | (1,155)  | (148)                           | (236)                        | (165)        | (1,704)      |
| Equipment and occupancy expenses          |  |                                 |                              |              |              |
| Depreciation and amortisation             | (190)  | (3)                             | (45)                         | (6)          | (244)        |
| Other                                     | (308)  | (16)                            | (57)                         | (16)         | (397)        |
| Other expenses                            | (529)  | (74)                            | (190)                        | (148)        | (941)        |
| Internal charges                          | (131)  | (69)                            | (8)                          | 208          | –            |
| Total operating expenses                  | (2,313)  | (310)                           | (536)                        | (127)        | (3,286)      |
| Amortisation of intangible assets         | (62)   | –                               | (38)                         | (6)          | (106)        |
| Bad and doubtful debts                    | (142)  | (85)                            | (19)                         | 78           | (168)        |
| Abnormal items                            | (83)   | (12)                            | (7)                          | (4)          | (106)        |
| Operating profit before income tax        | 1,090  | 289                             | 323                          | 255          | 1,957        |
| Income tax expense                        | (378)  | (121)                           | (114)                        | (68)         | (681)        |
| Outside equity interest                   | –  | (1)                             | –                            | (3)          | (4)          |
| Operating profit after income tax         | 712  | 167                             | 209                          | 184          | 1,272        |
| <b>Balance sheet</b>                      |  |                                 |                              |              |              |
| Deposits and other public borrowings      | 47,783   | 12,953                          | 11,902                       | 10,526       | 83,164       |
| Net loans and acceptances                 | 67,165   | 17,343                          | 15,617                       | 1,938        | 102,063      |
| Total assets                              | 73,791   | 40,995                          | 16,921                       | 5,612        | 137,319      |

**NOTE 26. CREDIT RISK CONCENTRATIONS**

Credit risk is the risk of financial loss from the failure of a customer to fully honour the terms of their contract with the Group. 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   |                                 |                |                    |   |                                 |  |                      |
|---|--|---------------------------------|----------------|--------------------|---|---------------------------------|--|----------------------|
|   | <b>Credit Risk Concentration as at 30 September 2000</b> |                                 |                |                    |   |                                 |  |                      |
|   | Trading<br>Securities<br>\$m                             | Investment<br>Securities<br>\$m | Loans<br>\$m   | Acceptances<br>\$m | Contingent<br>Liabilities <sup>1</sup><br>\$m | Derivatives <sup>1</sup><br>\$m | Life<br>Insurance<br>Investment<br>Assets<br>\$m | <b>Total<br/>\$m</b> |
| <b>Australia</b>                              |  |                                 |                |                    |   |                                 |  |                      |
| Government and other public authorities       | 3,636  | 116                             | 544            | -                  | 890   | 20                              | -  | <b>5,206</b>         |
| Agriculture, forestry and fishing             | -  | -                               | 1,587          | 1,028              | 76  | 43                              | -  | <b>2,734</b>         |
| Commercial and financial                      | 1,625  | 612                             | 22,423         | 12,172             | 3,876   | 14,877                          | 7,547  | <b>63,132</b>        |
| Real estate – construction                    | -  | -                               | 789            | 1,714              | 435   | 14                              | -  | <b>2,952</b>         |
| Real estate – mortgage                        | 59   | -                               | 47,844         | -                  | 2,479   | -                               | -  | <b>50,382</b>        |
| Instalment loans and other personal lending   | -  | -                               | 10,996         | 697                | 48  | -                               | -  | <b>11,741</b>        |
| Lease financing                               | -  | -                               | 1,906          | -                  | -   | -                               | -  | <b>1,906</b>         |
| <b>Total Australia</b>                        | <b>5,320</b>   | <b>728</b>                      | <b>86,089</b>  | <b>15,611</b>      | <b>7,804</b>                                  | <b>14,954</b>                   | <b>7,547</b>                                     | <b>138,053</b>       |
| <b>New Zealand</b>                            |  |                                 |                |                    |   |                                 |  |                      |
| Government and other public authorities       | 1,139  | -                               | 367            | -                  | 37  | 23                              | -  | <b>1,566</b>         |
| Agriculture, forestry and fishing             | 29   | -                               | 1,335          | -                  | 68  | 52                              | -  | <b>1,484</b>         |
| Commercial and financial                      | 37   | -                               | 5,974          | -                  | 787   | 2,714                           | -  | <b>9,512</b>         |
| Real estate – construction                    | -  | -                               | 129            | -                  | 17  | 9                               | -  | <b>155</b>           |
| Real estate – mortgage                        | -  | -                               | 9,484          | -                  | 1,338   | -                               | -  | <b>10,822</b>        |
| Instalment loans and other personal lending   | -  | -                               | 2,168          | -                  | 33  | -                               | -  | <b>2,201</b>         |
| Lease financing                               | 32   | -                               | -              | -                  | -   | -                               | -  | <b>32</b>            |
| <b>Total New Zealand</b>                      | <b>1,237</b>   | <b>-</b>                        | <b>19,457</b>  | <b>-</b>           | <b>2,280</b>                                  | <b>2,798</b>                    | <b>-</b>   | <b>25,772</b>        |
| <b>Other Overseas</b>                         |  |                                 |                |                    |   |                                 |  |                      |
| Government and other public authorities       | -  | 117                             | 53             | -                  | 3   | -                               | -  | <b>173</b>           |
| Agriculture, forestry and fishing             | -  | -                               | 17             | -                  | 3   | -                               | -  | <b>20</b>            |
| Commercial and financial                      | 617  | 1,886                           | 2,914          | 54                 | 5,234   | 917                             | -  | <b>11,622</b>        |
| Real estate – construction                    | -  | -                               | 23             | -                  | 3   | -                               | -  | <b>26</b>            |
| Real estate – mortgage                        | -  | -                               | 241            | -                  | 5   | -                               | -  | <b>246</b>           |
| Instalment loans and other personal lending   | -  | -                               | 97             | -                  | 8   | -                               | -  | <b>105</b>           |
| Lease financing                               | -  | -                               | 120            | -                  | -   | -                               | -  | <b>120</b>           |
| <b>Total Other Overseas</b>                   | <b>617</b>   | <b>2,003</b>                    | <b>3,465</b>   | <b>54</b>          | <b>5,256</b>                                  | <b>917</b>                      | <b>-</b>   | <b>12,312</b>        |
| <b>Total</b>                                  | <b>7,174</b>   | <b>2,731</b>                    | <b>109,011</b> | <b>15,665</b>      | <b>15,340</b>                                 | <b>18,669</b>                   | <b>7,547</b>                                     | <b>176,137</b>       |
| <b>Other risk concentrations</b>              |  |                                 |                |                    |   |                                 |  |                      |
| Amounts due from other financial institutions |  |                                 |                |                    |   |                                 |  | <b>3,325</b>         |
| Regulatory deposits                           |  |                                 |                |                    |   |                                 |  | <b>620</b>           |
| <b>Total gross credit risk</b>                |  |                                 |                |                    |   |                                 |  | <b>180,082</b>       |

<sup>1</sup> Credit risk 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                                      |                                 |               |                    |   |                                 | Total<br>\$m   |
|---|---|---------------------------------|---------------|--------------------|---|---------------------------------|----------------|
|   | Credit Risk Concentration as at 30 September 1999 |                                 |               |                    |   |                                 |                |
|   | Trading<br>Securities<br>\$m                      | Investment<br>Securities<br>\$m | Loans<br>\$m  | Acceptances<br>\$m | Contingent<br>Liabilities <sup>1</sup><br>\$m | Derivatives <sup>1</sup><br>\$m |                |
| <b>Australia</b>                            |   |                                 |               |                    |   |                                 |                |
| Government and other public authorities     | 5,599   | 113                             | 284           | 31                 | 3,164   | 407                             | <b>9,598</b>   |
| Agriculture, forestry and fishing           | –   | –                               | 1,642         | 938                | 3   | 3                               | <b>2,586</b>   |
| Commercial and financial                    | 1,772   | –                               | 22,701        | 7,068              | 3,181   | 7,552                           | <b>42,274</b>  |
| Real estate – construction                  | –   | –                               | 1,158         | 1,498              | 118   | 7                               | <b>2,781</b>   |
| Real estate – mortgage                      | 16  | 4                               | 40,544        | –                  | 8,053   | –                               | <b>48,617</b>  |
| Instalment loans and other personal lending | –   | –                               | 9,001         | 706                | 36  | –                               | <b>9,743</b>   |
| Lease financing                             | –   | –                               | 2,644         | –                  | 106   | –                               | <b>2,750</b>   |
| <b>Total Australia</b>                      | <b>7,387</b>                                      | <b>117</b>                      | <b>77,974</b> | <b>10,241</b>      | <b>14,661</b>                                 | <b>7,969</b>                    | <b>118,349</b> |
| <b>New Zealand</b>                          |   |                                 |               |                    |   |                                 |                |
| Government and other public authorities     | 881   | –                               | 211           | –                  | 45  | 202                             | <b>1,339</b>   |
| Agriculture, forestry and fishing           | –   | –                               | 1,397         | –                  | 85  | 28                              | <b>1,510</b>   |
| Commercial and financial                    | 102   | –                               | 5,063         | 1                  | 715   | 915                             | <b>6,796</b>   |
| Real estate – construction                  | –   | –                               | 106           | –                  | 24  | 13                              | <b>143</b>     |
| Real estate – mortgage                      | –   | –                               | 9,907         | –                  | 1,136   | –                               | <b>11,043</b>  |
| Instalment loans and other personal lending | –   | –                               | 2,152         | –                  | 16  | –                               | <b>2,168</b>   |
| Lease financing                             | –   | –                               | 25            | –                  | –   | –                               | <b>25</b>      |
| <b>Total New Zealand</b>                    | <b>983</b>  | <b>–</b>                        | <b>18,861</b> | <b>1</b>           | <b>2,021</b>                                  | <b>1,158</b>                    | <b>23,024</b>  |
| <b>Other Overseas</b>                       |   |                                 |               |                    |   |                                 |                |
| Government and other public authorities     | 160   | 776                             | 59            | –                  | –   | 69                              | <b>1,064</b>   |
| Agriculture, forestry and fishing           | –   | –                               | 22            | –                  | 1   | –                               | <b>23</b>      |
| Commercial and financial                    | 527   | 1,315                           | 1,910         | 7                  | 3,226   | 709                             | <b>7,694</b>   |
| Real estate – construction                  | –   | –                               | 26            | –                  | –   | 3                               | <b>29</b>      |
| Real estate – mortgage                      | –   | –                               | 263           | –                  | –   | –                               | <b>263</b>     |
| Instalment loans and other personal lending | –   | –                               | 70            | –                  | 4   | –                               | <b>74</b>      |
| Lease financing                             | –   | –                               | 31            | –                  | –   | –                               | <b>31</b>      |
| <b>Total Other Overseas</b>                 | <b>687</b>  | <b>2,091</b>                    | <b>2,381</b>  | <b>7</b>           | <b>3,231</b>                                  | <b>781</b>                      | <b>9,178</b>   |
| <b>Total</b>                                | <b>9,057</b>                                      | <b>2,208</b>                    | <b>99,216</b> | <b>10,249</b>      | <b>19,913</b>                                 | <b>9,908</b>                    | <b>150,551</b> |

**Other risk concentrations**

|   |                |
|---|----------------|
| Amounts due from other financial institutions | <b>4,006</b>   |
| Regulatory deposits                           | <b>398</b>     |
| <b>Total gross credit risk</b>                | <b>154,955</b> |

<sup>1</sup> Credit risk 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 27. AUDITORS' REMUNERATION

|   | Consolidated   |                | Parent Entity  |                |                |
|---|----------------|----------------|----------------|----------------|----------------|
|   | 2000<br>\$'000 | 1999<br>\$'000 | 1998<br>\$'000 | 2000<br>\$'000 | 1999<br>\$'000 |
| Remuneration for audit or review of the financial statements:                                   |                |                |                |                |                |
| Auditors of Westpac <sup>1</sup>  | 2,609          | 2,585          | 2,326          | 2,609          | 2,585          |
| Auditors of controlled entities <sup>1</sup>  |                |                |                |                |                |
| PricewaterhouseCoopers  | 945            | 1,133          | 1,081          | -              | -              |
| Other auditors  | 32             | 17             | 30             | -              | -              |
| Goods and services tax  | 167            | 27             | 32             | 121            | 21             |
|   | <b>3,753</b>   | 3,762          | 3,469          | <b>2,730</b>   | 2,606          |
| Remuneration for other services by Westpac auditors and PricewaterhouseCoopers <sup>1 2 3</sup> |                |                |                |                |                |
| Auditors of Westpac   | 485            | 794            | 202            | 485            | 794            |
| PricewaterhouseCoopers  | 12,965         | 5,643          | 3,346          | 11,619         | 4,448          |
| Goods and services tax  | 559            | 138            | 101            | 549            | 109            |
|   | <b>14,009</b>  | 6,575          | 3,649          | <b>12,653</b>  | 5,351          |

1 The auditors of Westpac are Messrs Chowdry and Codling (1999 and 1998: Messrs Lynn and Chowdry). The firm in which they are partners, PricewaterhouseCoopers, audited most of the controlled entities.

2 Other services includes \$547,000 (1999 \$599,000; 1998 \$564,000) 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. During that period the USA firm did not provide any auditing services to the Group.

PricewaterhouseCoopers ('PwC') became the auditor of controlled entities with effect from 1 July 1998 (following the merger of Coopers & Lybrand and Price Waterhouse on that date). In the 1998 financial year, auditors' remuneration includes all amounts paid to Coopers & 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 on normal commercial terms. In order to eliminate potential conflicts of interest, Class Order 98/1869 dated 22 September 1998 was received from the Australian Securities and Investments Commission (ASIC) which 'grandfathers' all indebtedness of these partners. This Class Order requires:

- Westpac to report to ASIC within thirty days of its occurrence 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 opinion 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 |             |
|---|--------------|-------------|---------------|-------------|
|   | 2000<br>\$m  | 1999<br>\$m | 2000<br>\$m   | 1999<br>\$m |
| <b>NOTE 28. EXPENDITURE COMMITMENTS</b>   |              |             |               |             |
| <b>Commitments for capital expenditure not provided for in the financial statements:</b>      |              |             |               |             |
| Payable within one year   | 17           | 10          | 14            | 3           |
| <b>Total commitments for capital expenditure not provided for in the financial statements</b> | <b>17</b>    | 10          | <b>14</b>     | 3           |
| <b>Lease commitments (all leases are classified as operating leases)</b>                      |              |             |               |             |
| Land and buildings  | 971          | 829         | 999           | 801         |
| Plant and equipment   | 32           | 96          | 31            | 96          |
| <b>Total lease commitments</b>  | <b>1,003</b> | 925         | <b>1,030</b>  | 897         |
| Due within one year   | 217          | 214         | 220           | 204         |
| Due within 1-2 years  | 170          | 176         | 175           | 163         |
| Due within 2-3 years  | 140          | 109         | 146           | 110         |
| Due within 3-4 years  | 110          | 82          | 116           | 85          |
| Due within 4-5 years  | 84           | 63          | 90            | 65          |
| Due after 5 years   | 282          | 281         | 283           | 270         |
| <b>Total lease commitments</b>  | <b>1,003</b> | 925         | <b>1,030</b>  | 897         |

As at 30 September 2000, the total future minimum lease payments expected to be received by both the Group and Westpac from non cancellable sub-leases was \$81 million (1999 \$93 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 Westpac 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. As both schemes are in surplus, the Group's contributions for the years ended 30 September 2000, 1999 and 1998 were nominal.

Actuarial reviews, as at 30 June 2000, were carried out by independent actuaries on the WSSP and the AGCSRF. See also notes 1(h)i, 4 and 16. The next full actuarial review is expected to be undertaken at 30 June 2003.

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

|  | WSSP<br>\$m | AGCSRF<br>\$m | Overseas<br>Schemes<br>\$m | Total<br>\$m |
|--|-------------|---------------|----------------------------|--------------|
| (i) Present value of employees' accrued benefits <sup>1</sup>  | 1,638       | 98            | 405                        | 2,141        |
| (ii) Net market value of assets held by the scheme to meet future benefit payments                         | 2,499       | 177           | 466                        | 3,142        |
| Excess of assets held to meet future benefit payments<br>over present value of employees' accrued benefits | 861         | 79            | 61                         | 1,001        |
| (iii) Vested benefits <sup>2</sup>   | 1,570       | 96            | 186                        | 1,852        |

<sup>1</sup> 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.

<sup>2</sup> 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 30 June 2000
- Overseas Schemes various dates between 5 April 1997 and 30 June 2000

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.

The Group is obliged to repurchase securitised loans where there is a breach of warranty within 120 days of sale.

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

|  | Consolidated                             |  |  |  | Parent Entity                            |  |  |  |
|--|--|--|--|--|--|--|--|--|
|  | 2000                                     |  | 1999                                     |  | 2000                                     |  | 1999                                     |  |
|  | Contract or<br>Notional<br>Amount<br>\$m | Credit<br>Equivalent <sup>1</sup><br>\$m | Contract or<br>Notional<br>Amount<br>\$m | Credit<br>Equivalent <sup>1</sup><br>\$m | Contract or<br>Notional<br>Amount<br>\$m | Credit<br>Equivalent <sup>1</sup><br>\$m | Contract or<br>Notional<br>Amount<br>\$m | Credit<br>Equivalent <sup>1</sup><br>\$m |
| <b>Credit-risk related instruments</b>             |  |  |  |  |  |  |  |  |
| Standby letters of credit and financial guarantees | 1,890                                    | 1,890                                    | 2,039                                    | 2,039                                    | 1,857                                    | 1,857                                    | 1,986                                    | 1,986                                    |
| Trade letters of credit <sup>2</sup>               | 421                                      | 84                                       | 358                                      | 72                                       | 411                                      | 82                                       | 351                                      | 71                                       |
| Non-financial guarantees <sup>3</sup>              | 3,064                                    | 1,532                                    | 3,185                                    | 1,593                                    | 3,056                                    | 1,528                                    | 3,180                                    | 1,590                                    |
| Commitments to extend credit:                      |  |  |  |  |  |  |  |  |
| Residual maturity less than 1 year <sup>4</sup>    | 31,166                                   | –  | 31,398                                   | –  | 31,159                                   | –  | 31,398                                   | –  |
| Residual maturity 1 year or more                   | 13,632                                   | 6,816                                    | 9,511                                    | 4,756                                    | 13,632                                   | 6,816                                    | 9,505                                    | 4,752                                    |
| Other commitments <sup>5</sup>                     | 3,522                                    | 5,018                                    | 11,528                                   | 11,453                                   | 3,705                                    | 5,093                                    | 11,788                                   | 11,529                                   |
| <b>Total credit-risk-related instruments</b>       | <b>53,695</b>                            | <b>15,340</b>                            | <b>58,019</b>                            | <b>19,913</b>                            | <b>53,820</b>                            | <b>15,376</b>                            | <b>58,208</b>                            | <b>19,928</b>                            |

1 Credit equivalents are determined in accordance with the APRA risk-weighted capital adequacy guidelines (refer note 22).

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 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, underwriting commitments and credit derivatives.

#### Additional liabilities and commitments

- (i) An assessed liability of \$2 million (1999 \$1 million) based on an actuarial assessment as at 30 September 2000, as a self-insurer under the Accident Compensation Act, 1985 (Victoria). An assessed liability of \$8 million (1999 \$8 million) based on an actuarial assessment as at 30 September 2000, as a self-insurer under the Workers' Compensation Act, 1987 (New South Wales). An assessed liability of \$3 million (1999 \$0.3 million) based on an actuarial assessment as at 30 September 2000, as a self-insurer under the Workercover Queensland Act, 1996 (Queensland). 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 13) or the provision for non-lending losses (note 19).
- (iii) In accordance with the Regulations of the Australian Payments Clearing Association (APCA), Westpac may be required to provide liquidity support for any other APCA member that fails to settle its clearing obligations.
- (iv) In accordance with the Interbank Deposit Agreement, established during the year with three other Australian banks, a deposit notice may be served upon the other participants by a bank which is experiencing liquidity problems. The other participants are then required to deposit equal amounts of up to \$2 billion each for a period of 30 days. At the end of 30 days the deposit holder has the option to repay the deposit in cash or by way of assignment of mortgages to the value of the deposit.

#### 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 Westpac:

- (i) Guarantees of commercial paper, other debt and equity 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 Westpac 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<br>1 year<br>% | Over 1 year<br>to 5 years<br>% | Over<br>5 years<br>% |
|-----------------------------------|--------------------------|--------------------------------|----------------------|
| 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 Westpac's 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<br>Amount<br>\$m | Regulatory<br>Credit<br>Equivalent<br>\$m | Positive<br>Mark-to-market<br>(replacement<br>cost)<br>\$m | Negative<br>Mark-to-<br>market<br>\$m | Average<br>Positive<br>Mark-to-market<br>(replacement<br>cost)<br>\$m | Average<br>Negative<br>Mark-to-<br>market<br>\$m |
|--|---------------------------|---|--|---------------------------------------|---|--|
| <b>2000</b>                                  |                           |   |  |                                       |   |  |
| <b>Interest rate</b>                         |                           |   |  |                                       |   |  |
| Futures                                      | 40,869                    | 1   | 1  | 2                                     | 7   | 2  |
| Forwards                                     | 26,620                    | 2   | 2  | 5                                     | 5   | 6  |
| Swaps  | 161,004                   | 2,467                                     | 1,703  | 1,679                                 | 1,715   | 1,652  |
| Purchased options                            | 10,176                    | 19  | 10   | -                                     | 17  | -  |
| Sold options                                 | 4,718                     | -   | -  | 38                                    | -   | 23   |
| <b>Foreign exchange</b>                      |                           |   |  |                                       |   |  |
| Forwards                                     | 212,539                   | 10,596                                    | 8,696  | 6,093                                 | 4,906   | 3,706  |
| Swaps  | 37,380                    | 3,741                                     | 2,164  | 1,792                                 | 1,180   | 1,354  |
| Purchased options                            | 21,624                    | 1,271                                     | 964  | -                                     | 661   | -  |
| Sold options                                 | 19,843                    | -   | -  | 640                                   | -   | 452  |
| <b>Commodities</b>                           | <b>1,316</b>              | <b>184</b>                                | <b>52</b>  | <b>48</b>                             | <b>47</b>   | <b>44</b>  |
| <b>Equities and credit</b>                   | <b>5,785</b>              | <b>388</b>                                | <b>2</b>   | <b>3</b>                              | <b>3</b>  | <b>14</b>  |
| <b>Total trading derivatives outstanding</b> | <b>541,874</b>            | <b>18,669</b>                             | <b>13,594</b>  | <b>10,300</b>                         | <b>8,541</b>  | <b>7,253</b>                                     |
| <b>1999</b>                                  |                           |   |  |                                       |   |  |
| <b>Interest rate</b>                         |                           |   |  |                                       |   |  |
| 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   |
| <b>Foreign exchange</b>                      |                           |   |  |                                       |   |  |
| 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  |
| <b>Commodities</b>                           | <b>1,099</b>              | <b>149</b>                                | <b>39</b>  | <b>37</b>                             | <b>32</b>   | <b>30</b>  |
| <b>Equities and credit</b>                   | <b>723</b>                | <b>63</b>                                 | <b>13</b>  | <b>-</b>                              | <b>5</b>  | <b>8</b>   |
| <b>Total trading derivatives outstanding</b> | <b>485,222</b>            | <b>9,908</b>                              | <b>5,329</b>   | <b>5,786</b>                          | <b>7,139</b>  | <b>7,320</b>                                     |

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.

| Derivatives used for asset and liability management purposes              | Notional Amount<br>2000<br>\$m | 1999<br>\$m   |
|---|--------------------------------|---------------|
| <b>Interest rate</b>  |                                |               |
| Futures   | 39,721                         | 23,065        |
| Forwards  | 1,165                          | 6,693         |
| Swaps   | 44,043                         | 44,055        |
| Purchased options   | 566                            | 313           |
| <b>Foreign exchange</b>   |                                |               |
| Forwards  | 15,154                         | 10,570        |
| Swaps   | 18,353                         | 14,280        |
| <b>Equities</b>   | -                              | 43            |
| <b>Total derivatives used for asset and liability management purposes</b> | <b>119,002</b>                 | <b>99,019</b> |

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 2000, the net amount of the deferred gains in relation to terminated and matured hedge contracts was \$13.3 million (1999 \$3.2 million) 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 2000. 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<br>2000        |                                       |                                      |                                     |                        |                                    | Total<br>\$m   | Weighted<br>Average<br>Rate<br>% |
|---|-----------------------------|---------------------------------------|--------------------------------------|-------------------------------------|------------------------|------------------------------------|----------------|----------------------------------|
|   | Less than<br>1 month<br>\$m | Over 1<br>month to<br>3 months<br>\$m | Over 3<br>months<br>to 1 year<br>\$m | Over 1<br>year to<br>5 years<br>\$m | Over<br>5 years<br>\$m | Non-<br>interest<br>bearing<br>\$m |                |                                  |
| <b>Australia</b>                                    |                             |                                       |                                      |                                     |                        |                                    |                |                                  |
| <b>Assets</b>                                       |                             |                                       |                                      |                                     |                        |                                    |                |                                  |
| Cash and balances with central banks                | -                           | -                                     | -                                    | -                                   | -                      | 645                                | <b>645</b>     | -                                |
| Due from other financial institutions               | 488                         | 644                                   | -                                    | -                                   | -                      | 221                                | <b>1,353</b>   | 6.3%                             |
| Trading securities                                  | 4,300                       | -                                     | -                                    | -                                   | -                      | 1,020                              | <b>5,320</b>   | 6.1%                             |
| Investment securities                               | 728                         | -                                     | -                                    | -                                   | -                      | -                                  | <b>728</b>     | 6.6%                             |
| Loans <sup>1</sup>                                  | 58,552                      | 6,522                                 | 7,669                                | 12,806                              | 665                    | (1,393)                            | <b>84,821</b>  | 7.4%                             |
| Acceptances of customers                            | -                           | -                                     | -                                    | -                                   | -                      | 15,611                             | <b>15,611</b>  | -                                |
| Life insurance investment assets <sup>2</sup>       | 1,129                       | -                                     | 574                                  | 29                                  | 915                    | 4,900                              | <b>7,547</b>   | 6.3%                             |
| Fixed assets  | -                           | -                                     | -                                    | -                                   | -                      | 957                                | <b>957</b>     | -                                |
| Other assets  | -                           | -                                     | -                                    | -                                   | -                      | 16,776                             | <b>16,776</b>  | -                                |
| <b>Total assets</b>                                 | <b>65,197</b>               | <b>7,166</b>                          | <b>8,243</b>                         | <b>12,835</b>                       | <b>1,580</b>           | <b>38,737</b>                      | <b>133,758</b> |                                  |
| <b>Liabilities</b>                                  |                             |                                       |                                      |                                     |                        |                                    |                |                                  |
| Due to other financial institutions                 | 122                         | -                                     | -                                    | -                                   | -                      | 681                                | <b>803</b>     | 5.7%                             |
| Deposits and public borrowings                      | 47,248                      | 7,838                                 | 4,246                                | 1,709                               | 7                      | 3,423                              | <b>64,471</b>  | 4.9%                             |
| Bonds, notes and commercial paper                   | 3,084                       | 6,248                                 | 2,027                                | 23                                  | -                      | -                                  | <b>11,382</b>  | 6.7%                             |
| Acceptances   | -                           | -                                     | -                                    | -                                   | -                      | 15,611                             | <b>15,611</b>  | -                                |
| Life insurance policy liabilities                   | -                           | -                                     | 453                                  | 259                                 | 69                     | 6,210                              | <b>6,991</b>   | -                                |
| Other liabilities                                   | -                           | -                                     | -                                    | -                                   | -                      | 14,431                             | <b>14,431</b>  | -                                |
| Net intragroup payable                              | 9,582                       | -                                     | -                                    | -                                   | -                      | -                                  | <b>9,582</b>   | 6.0%                             |
| <b>Total liabilities excluding<br/>loan capital</b> | <b>60,036</b>               | <b>14,086</b>                         | <b>6,726</b>                         | <b>1,991</b>                        | <b>76</b>              | <b>40,356</b>                      | <b>123,271</b> |                                  |
| Loan capital  | -                           | 4,527                                 | -                                    | 328                                 | -                      | -                                  | <b>4,855</b>   | 7.4%                             |
| <b>Total liabilities</b>                            | <b>60,036</b>               | <b>18,613</b>                         | <b>6,726</b>                         | <b>2,319</b>                        | <b>76</b>              | <b>40,356</b>                      | <b>128,126</b> |                                  |
| <b>Net assets</b>                                   | <b>5,161</b>                | <b>(11,447)</b>                       | <b>1,517</b>                         | <b>10,516</b>                       | <b>1,504</b>           | <b>(1,619)</b>                     | <b>5,632</b>   |                                  |
| <b>Total equity</b>                                 | <b>-</b>                    | <b>-</b>                              | <b>-</b>                             | <b>-</b>                            | <b>-</b>               | <b>5,632</b>                       | <b>5,632</b>   |                                  |
| <b>Off-balance sheet items</b>                      | <b>9,074</b>                | <b>8,709</b>                          | <b>(10,400)</b>                      | <b>(6,009)</b>                      | <b>(1,374)</b>         | <b>-</b>                           | <b>-</b>       |                                  |
| <b>Net mismatch – Australia</b>                     | <b>14,235</b>               | <b>(2,738)</b>                        | <b>(8,883)</b>                       | <b>4,507</b>                        | <b>130</b>             | <b>(7,251)</b>                     | <b>-</b>       |                                  |

<sup>1</sup> The non-interest bearing category for loans include the provisions for bad and doubtful debts.

<sup>2</sup> Due to the application of Australian Accounting Standard AASB 1038 Life Insurance Business, the contractual repricing of life insurance investment assets has been included for the first time. The investment earnings on these assets support the life insurance policy liabilities and does not contribute to market risk on the Group's banking operations.

**NOTE 32. INTEREST RATE RISK (CONTINUED)**

|   | Consolidated<br>2000        |                                       |                                      |                                     |                        |                                    |                      | Weighted<br>Average<br>Rate |
|---|-----------------------------|---------------------------------------|--------------------------------------|-------------------------------------|------------------------|------------------------------------|----------------------|-----------------------------|
|   | Less than<br>1 month<br>\$m | Over 1<br>month to<br>3 months<br>\$m | Over 3<br>months<br>to 1 year<br>\$m | Over 1<br>year to<br>5 years<br>\$m | Over<br>5 years<br>\$m | Non-<br>interest<br>bearing<br>\$m | <b>Total<br/>\$m</b> | %                           |
| <b>New Zealand</b>                                  |                             |                                       |                                      |                                     |                        |                                    |                      |                             |
| <b>Assets</b>                                       |                             |                                       |                                      |                                     |                        |                                    |                      |                             |
| Cash and balances with central banks                | -                           | -                                     | -                                    | -                                   | -                      | 86                                 | <b>86</b>            | -                           |
| Due from other financial institutions               | 470                         | 168                                   | 82                                   | -                                   | -                      | 56                                 | <b>776</b>           | 5.8%                        |
| Trading securities                                  | -                           | 276                                   | 476                                  | 332                                 | -                      | 206                                | <b>1,290</b>         | 6.5%                        |
| Loans   | 9,157                       | 2,967                                 | 2,793                                | 4,540                               | -                      | (82)                               | <b>19,375</b>        | 8.9%                        |
| Fixed assets  | -                           | -                                     | -                                    | -                                   | -                      | 180                                | <b>180</b>           | -                           |
| Other assets  | -                           | -                                     | -                                    | -                                   | -                      | 3,266                              | <b>3,266</b>         | -                           |
| <b>Total assets</b>                                 | <b>9,627</b>                | <b>3,411</b>                          | <b>3,351</b>                         | <b>4,872</b>                        | <b>-</b>               | <b>3,712</b>                       | <b>24,973</b>        |                             |
| <b>Liabilities</b>                                  |                             |                                       |                                      |                                     |                        |                                    |                      |                             |
| Due to other financial institutions                 | 25                          | -                                     | -                                    | -                                   | -                      | 168                                | <b>193</b>           | 1.7%                        |
| Deposits and public borrowings                      | 7,593                       | 2,528                                 | 2,632                                | 265                                 | -                      | 675                                | <b>13,693</b>        | 5.1%                        |
| Bonds, notes and commercial paper                   | 1,716                       | 3,354                                 | 1,086                                | 496                                 | -                      | -                                  | <b>6,652</b>         | 6.3%                        |
| Other liabilities                                   | 287                         | -                                     | -                                    | -                                   | -                      | 1,867                              | <b>2,154</b>         | -                           |
| Net intragroup payable                              | 1,020                       | -                                     | -                                    | -                                   | -                      | -                                  | <b>1,020</b>         | 4.5%                        |
| <b>Total liabilities excluding<br/>loan capital</b> | <b>10,641</b>               | <b>5,882</b>                          | <b>3,718</b>                         | <b>761</b>                          | <b>-</b>               | <b>2,710</b>                       | <b>23,712</b>        |                             |
| Loan capital  | -                           | -                                     | -                                    | 37                                  | -                      | -                                  | <b>37</b>            | 7.6%                        |
| <b>Total liabilities</b>                            | <b>10,641</b>               | <b>5,882</b>                          | <b>3,718</b>                         | <b>798</b>                          | <b>-</b>               | <b>2,710</b>                       | <b>23,749</b>        |                             |
| <b>Net assets</b>                                   | <b>(1,014)</b>              | <b>(2,471)</b>                        | <b>(367)</b>                         | <b>4,074</b>                        | <b>-</b>               | <b>1,002</b>                       | <b>1,224</b>         |                             |
| <b>Total equity</b>                                 | <b>-</b>                    | <b>-</b>                              | <b>-</b>                             | <b>-</b>                            | <b>-</b>               | <b>1,224</b>                       | <b>1,224</b>         |                             |
| <b>Off-balance sheet items</b>                      | <b>1,655</b>                | <b>1,619</b>                          | <b>(1,254)</b>                       | <b>(2,774)</b>                      | <b>754</b>             | <b>-</b>                           | <b>-</b>             |                             |
| <b>Net mismatch – New Zealand</b>                   | <b>641</b>                  | <b>(852)</b>                          | <b>(1,621)</b>                       | <b>1,300</b>                        | <b>754</b>             | <b>(222)</b>                       | <b>-</b>             |                             |
| <b>Other Overseas</b>                               |                             |                                       |                                      |                                     |                        |                                    |                      |                             |
| Total assets  | 13,492                      | 1,547                                 | 750                                  | 12                                  | -                      | 3,688                              | <b>19,489</b>        | 6.7%                        |
| Total liabilities                                   | 6,661                       | 1,731                                 | 6,426                                | 32                                  | 22                     | 2,211                              | <b>17,083</b>        | 5.9%                        |
| <b>Net assets</b>                                   | <b>6,831</b>                | <b>(184)</b>                          | <b>(5,676)</b>                       | <b>(20)</b>                         | <b>(22)</b>            | <b>1,477</b>                       | <b>2,406</b>         |                             |
| <b>Total equity</b>                                 | <b>-</b>                    | <b>-</b>                              | <b>-</b>                             | <b>-</b>                            | <b>-</b>               | <b>2,406</b>                       | <b>2,406</b>         |                             |
| <b>Off-balance sheet items</b>                      | <b>1,915</b>                | <b>(1,837)</b>                        | <b>(436)</b>                         | <b>51</b>                           | <b>307</b>             | <b>-</b>                           | <b>-</b>             |                             |
| <b>Net mismatch – Other Overseas</b>                | <b>8,746</b>                | <b>(2,021)</b>                        | <b>(6,112)</b>                       | <b>31</b>                           | <b>285</b>             | <b>(929)</b>                       | <b>-</b>             |                             |

## NOTE 32. INTEREST RATE RISK (CONTINUED)

|   | Consolidated<br>1999        |                                       |                                      |                                     |                        |                                    | Total          | Weighted<br>Average<br>Rate |
|---|-----------------------------|---------------------------------------|--------------------------------------|-------------------------------------|------------------------|------------------------------------|----------------|-----------------------------|
|   | Less than<br>1 month<br>\$m | Over 1<br>month to<br>3 months<br>\$m | Over 3<br>months<br>to 1 year<br>\$m | Over 1<br>year to<br>5 years<br>\$m | Over<br>5 years<br>\$m | Non-<br>interest<br>bearing<br>\$m | \$m            | %                           |
| <b>Australia</b>                                    |                             |                                       |                                      |                                     |                        |                                    |                |                             |
| <b>Assets</b>                                       |                             |                                       |                                      |                                     |                        |                                    |                |                             |
| 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         | -                           |
| <b>Total assets</b>                                 | <b>60,590</b>               | <b>7,706</b>                          | <b>6,397</b>                         | <b>11,736</b>                       | <b>619</b>             | <b>23,506</b>                      | <b>110,554</b> |                             |
| <b>Liabilities</b>                                  |                             |                                       |                                      |                                     |                        |                                    |                |                             |
| 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         | -                           |
| Net intragroup payable                              | 8,973                       | -                                     | -                                    | -                                   | -                      | -                                  | 8,973          | 5.9%                        |
| <b>Total liabilities excluding<br/>loan capital</b> | <b>59,045</b>               | <b>13,301</b>                         | <b>2,771</b>                         | <b>232</b>                          | <b>21</b>              | <b>26,030</b>                      | <b>101,400</b> |                             |
| Loan capital  | -                           | 2,285                                 | -                                    | -                                   | 327                    | -                                  | 2,612          | 7.0%                        |
| <b>Total liabilities</b>                            | <b>59,045</b>               | <b>15,586</b>                         | <b>2,771</b>                         | <b>232</b>                          | <b>348</b>             | <b>26,030</b>                      | <b>104,012</b> |                             |
| <b>Net assets</b>                                   | <b>1,545</b>                | <b>(7,880)</b>                        | <b>3,626</b>                         | <b>11,504</b>                       | <b>271</b>             | <b>(2,524)</b>                     | <b>6,542</b>   |                             |
| <b>Total equity</b>                                 | <b>-</b>                    | <b>-</b>                              | <b>-</b>                             | <b>-</b>                            | <b>-</b>               | <b>6,542</b>                       | <b>6,542</b>   |                             |
| <b>Off-balance sheet items</b>                      | <b>2,778</b>                | <b>2,557</b>                          | <b>(1,381)</b>                       | <b>(3,381)</b>                      | <b>(573)</b>           | <b>-</b>                           | <b>-</b>       |                             |
| <b>Net mismatch – Australia</b>                     | <b>4,323</b>                | <b>(5,323)</b>                        | <b>2,245</b>                         | <b>8,123</b>                        | <b>(302)</b>           | <b>(9,066)</b>                     | <b>-</b>       |                             |
| <b>New Zealand</b>                                  |                             |                                       |                                      |                                     |                        |                                    |                |                             |
| <b>Assets</b>                                       |                             |                                       |                                      |                                     |                        |                                    |                |                             |
| 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          | -                           |
| <b>Total assets</b>                                 | <b>10,356</b>               | <b>3,025</b>                          | <b>2,880</b>                         | <b>4,045</b>                        | <b>1</b>               | <b>2,441</b>                       | <b>22,748</b>  |                             |
| <b>Liabilities</b>                                  |                             |                                       |                                      |                                     |                        |                                    |                |                             |
| 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          | -                           |
| Net intragroup payable                              | 1,430                       | -                                     | -                                    | -                                   | -                      | -                                  | 1,430          | 4.6%                        |
| <b>Total liabilities excluding<br/>loan capital</b> | <b>11,670</b>               | <b>5,254</b>                          | <b>2,472</b>                         | <b>494</b>                          | <b>-</b>               | <b>2,209</b>                       | <b>22,099</b>  |                             |
| Loan capital  | -                           | -                                     | 40                                   | 40                                  | -                      | -                                  | 80             | 8.3%                        |
| <b>Total liabilities</b>                            | <b>11,670</b>               | <b>5,254</b>                          | <b>2,512</b>                         | <b>534</b>                          | <b>-</b>               | <b>2,209</b>                       | <b>22,179</b>  |                             |
| <b>Net assets</b>                                   | <b>(1,314)</b>              | <b>(2,229)</b>                        | <b>368</b>                           | <b>3,511</b>                        | <b>1</b>               | <b>232</b>                         | <b>569</b>     |                             |
| <b>Total equity</b>                                 | <b>-</b>                    | <b>-</b>                              | <b>-</b>                             | <b>-</b>                            | <b>-</b>               | <b>569</b>                         | <b>569</b>     |                             |
| <b>Off-balance sheet items</b>                      | <b>372</b>                  | <b>1,832</b>                          | <b>(240)</b>                         | <b>(2,316)</b>                      | <b>352</b>             | <b>-</b>                           | <b>-</b>       |                             |
| <b>Net mismatch – New Zealand</b>                   | <b>(942)</b>                | <b>(397)</b>                          | <b>128</b>                           | <b>1,195</b>                        | <b>353</b>             | <b>(337)</b>                       | <b>-</b>       |                             |
| <b>Other Overseas</b>                               |                             |                                       |                                      |                                     |                        |                                    |                |                             |
| 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%                        |
| <b>Net assets</b>                                   | <b>11,531</b>               | <b>(2,536)</b>                        | <b>(6,436)</b>                       | <b>(405)</b>                        | <b>(164)</b>           | <b>(104)</b>                       | <b>1,886</b>   |                             |
| <b>Total equity</b>                                 | <b>-</b>                    | <b>-</b>                              | <b>-</b>                             | <b>-</b>                            | <b>-</b>               | <b>1,886</b>                       | <b>1,886</b>   |                             |
| <b>Off-balance sheet items</b>                      | <b>(90)</b>                 | <b>(178)</b>                          | <b>17</b>                            | <b>(57)</b>                         | <b>308</b>             | <b>-</b>                           | <b>-</b>       |                             |
| <b>Net mismatch – Other Overseas</b>                | <b>11,441</b>               | <b>(2,714)</b>                        | <b>(6,419)</b>                       | <b>(462)</b>                        | <b>144</b>             | <b>(1,990)</b>                     | <b>-</b>       |                             |

### **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 2000.

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 several 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 \$1,212 million (1999: \$1,170 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 credit and other commitments (contractual value 2000 \$48.3 billion, 1999 \$52.4 billion), guarantees and letters of credit (combined contractual value 2000 \$5.4 billion, 1999 \$5.6 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:

|   | 2000                   |                             | 1999                   |                             |
|---|------------------------|-----------------------------|------------------------|-----------------------------|
|   | Carrying Amount<br>\$m | Estimated Fair Value<br>\$m | Carrying Amount<br>\$m | Estimated Fair Value<br>\$m |
| <b>Financial assets</b>   |                        |                             |                        |                             |
| Cash and short-term liquid assets   | 836                    | 836                         | 345                    | 345                         |
| Due from other financial institutions   | 3,325                  | 3,325                       | 4,006                  | 4,006                       |
| Trading securities  | 7,174                  | 7,174                       | 9,057                  | 9,057                       |
| Investment securities   | 2,731                  | 2,670                       | 2,208                  | 2,171                       |
| Regulatory deposits   | 620                    | 620                         | 398                    | 398                         |
| Loans (net of unearned income)  |                        |                             |                        |                             |
| Loans and other receivables   | 106,436                |                             | 96,539                 |                             |
| Specific provisions for bad and doubtful debts                                  | (265)                  |                             | (328)                  |                             |
| General provisions for bad and doubtful debts                                   | (1,212)                |                             | (1,170)                |                             |
|   | <b>104,959</b>         | <b>104,723</b>              | <b>95,041</b>          | <b>94,978</b>               |
| Finance and leveraged leases  | 2,575                  |                             | 2,677                  |                             |
| Specific provisions for bad and doubtful debts                                  | (1)                    |                             | (2)                    |                             |
|   | <b>2,574</b>           | <b>2,564</b>                | <b>2,675</b>           | <b>2,657</b>                |
| Acceptances of customers  | 15,665                 | 15,665                      | 10,249                 | 10,201                      |
| Life insurance investment assets  | 7,547                  | 7,547                       | –                      | –                           |
| Other assets  |                        |                             |                        |                             |
| Accrued interest receivable   | 575                    | 575                         | 415                    | 415                         |
| Securities purchased under agreement to resell                                  | 289                    | 289                         | 174                    | 174                         |
| Securities sold not delivered   | 2,636                  | 2,636                       | 3,650                  | 3,650                       |
| Other financial markets assets  | 13,549                 | 13,549                      | 5,992                  | 5,992                       |
| Other investments   | 175                    | 175                         | 780                    | 780                         |
| <b>Financial liabilities</b>  |                        |                             |                        |                             |
| Due to other financial institutions   | 3,972                  | 3,995                       | 3,562                  | 3,580                       |
| Deposits and public borrowings  | 89,994                 | 89,667                      | 85,546                 | 85,255                      |
| Bonds, notes and commercial paper   | 19,203                 | 18,908                      | 14,910                 | 14,828                      |
| Acceptances   | 15,665                 | 15,665                      | 10,249                 | 10,201                      |
| Life insurance policy liabilities   | 6,991                  | 6,991                       | –                      | –                           |
| Other liabilities   |                        |                             |                        |                             |
| Accrued interest payable  | 1,135                  | 1,135                       | 792                    | 792                         |
| Securities sold under agreement to repurchase                                   | 210                    | 210                         | 188                    | 188                         |
| Securities short sold   | 1,213                  | 1,213                       | 1,377                  | 1,377                       |
| Securities purchased not delivered  | 1,144                  | 1,144                       | 3,084                  | 3,084                       |
| Other financial markets liabilities   | 10,352                 | 10,352                      | 5,523                  | 5,523                       |
| Subordinated bonds, notes and debentures  | 4,175                  | 4,161                       | 2,030                  | 2,015                       |
| Subordinated undated capital notes  | 717                    | 717                         | 662                    | 662                         |
| <b>Off-balance sheet derivative financial instruments</b>                       |                        |                             |                        |                             |
| Exchange-rate, interest-rate and equity contracts used for hedging purposes in: |                        |                             |                        |                             |
| receivable position   |                        | 2,370                       |                        | 661                         |
| payable position  |                        | (2,239)                     |                        | (819)                       |
| net payable position  |                        | <b>131</b>                  |                        | <b>(158)</b>                |

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 2000 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) | Name   | Notes | Country of Incorporation (b) |
|--|---------|------------------------------|--|-------|------------------------------|
| <b>Westpac Banking Corporation</b>               | (a),(c) | Australia                    | <b>BLE Capital Limited</b>                           |       | Australia                    |
| <b>52 Collins Street Pty Limited</b>             |         | Australia                    | BLE Capital Investments Pty Limited                  |       | Australia                    |
| <b>A.G.C. (Advances) Limited</b>                 |         | Australia                    | BLE Development Pty Limited                          |       | Australia                    |
| General Credits Holdings Limited                 |         | Australia                    | BLE Holdings Pty Limited                             |       | Australia                    |
| General Credits Limited                          |         | Australia                    | BLE Capital (NZ) Limited                             |       | New Zealand                  |
| G.C.L. Investments Limited                       |         | Australia                    | <b>C.B.A. Limited</b>                                |       | Australia                    |
| Island Princess Holdings Pty Limited             |         | Australia                    | Belliston Pty Limited                                |       | Australia                    |
| The Airlie Trust                                 |         | Australia                    | Westpac Properties-Vic-Limited                       |       | Australia                    |
| Reef International Pty Limited                   |         | Australia                    | Westpac Properties-NSW-Pty Limited                   |       | Australia                    |
| <b>Australian Guarantee Corporation Limited</b>  |         | Australia                    | <b>Carseldine Pty Limited</b>                        |       | Australia                    |
| A.G.C. (Commercial) Limited                      |         | Australia                    | <b>Challenge Limited</b>                             |       | Australia                    |
| M.A.C. Nominees Pty Limited                      |         | Australia                    | Challenge Finance Limited                            |       | Australia                    |
| Mazbond Pty Limited                              |         | Australia                    | Trioba Pty Limited                                   |       | Australia                    |
| Palaver Pty Limited                              |         | Australia                    | Challenge Funds Management Limited                   |       | Australia                    |
| Reveille Pty Limited                             |         | Australia                    | Challenge Information Technology Pty Limited         |       | Australia                    |
| Runkelli Pty Limited                             |         | Australia                    | <b>Huben Holdings Pty Limited</b>                    |       | Australia                    |
| S.C.F. No. 5 Limited                             |         | Australia                    | <b>Hull 4381 and 4382 Leasing Pty Limited</b>        |       | Australia                    |
| S.C.F. No. 6 Limited                             |         | Australia                    | <b>MFS Services Pty Limited</b>                      |       | Australia                    |
| A.G.C. (Finance) Limited                         |         | Australia                    | <b>Maracorp Financial Services Pty Limited</b>       |       | Australia                    |
| A.G.C. (General Finance) Limited                 |         | Australia                    | <b>Partnership Pacific Limited</b>                   |       | Australia                    |
| A.G.C. (Industrial) Limited                      |         | Australia                    | Glenunga Pty Limited                                 |       | Australia                    |
| A.G.C. (Industrial) Leasing Pty Limited          |         | Australia                    | Maliny Pty Limited                                   |       | Australia                    |
| A.G.C. (Insurance Premium Funding) Limited       |         | Australia                    | Partnership Pacific Securities Limited               |       | Australia                    |
| A.G.C. (Properties) Limited                      |         | Australia                    | Wistow Pty Limited                                   |       | Australia                    |
| A.G.C. House Limited                             |         | Australia                    | <b>Pitco Pty Limited</b>                             | (d)   | Australia                    |
| A.G.C. (Leasing) Limited                         |         | Australia                    | The Pitco Trust                                      | (d)   | Australia                    |
| A.G.C. (Pacific) Limited                         |         | Papua New Guinea             | <b>RESI – Statewide Corporation Limited</b>          |       | Australia                    |
| A.G.C. Finance (Vanuatu) Limited                 |         | Vanuatu                      | <b>RESI – Statewide Mortgage Corporation Limited</b> |       | Australia                    |
| A.G.C. (Securities) Limited                      |         | Australia                    | S.A.L. Financial Services Pty Limited                |       | Australia                    |
| AOC Holdings Limited                             |         | Australia                    | <b>RESI – Statewide Nominees Limited</b>             |       | Australia                    |
| Colmso Pty Limited                               |         | Australia                    | <b>Sallmoor Pty Limited</b>                          |       | Australia                    |
| Colmtea Pty Limited                              |         | Australia                    | <b>Sixty Martin Place (Holdings) Pty Limited</b>     |       | Australia                    |
| Como Properties Pty Limited                      |         | Australia                    | Claremont Bond Pty Limited                           |       | Australia                    |
| Ormiston Pty Limited                             |         | Australia                    | Comserv (No 3011) Pty Limited                        |       | Australia                    |
| Broadbeach International Holding Trust           |         | Australia                    | Enfield Downs Pty Limited                            |       | Australia                    |
| Pranbrooke Pty Limited                           |         | Australia                    | Infrastructure Australia (No 1) Limited              |       | Australia                    |
| Hesse Pty Limited                                |         | Australia                    | Infrastructure Australia (No 2) Limited              |       | Australia                    |
| Howlong Pty Limited                              |         | Australia                    | Infrastructure Australia (No 3) Limited              |       | Australia                    |
| Piccadilly of Sydney Pty Limited                 | (f)     | Australia                    | Infrastructure Australia (No 4) Limited              |       | Australia                    |
| Jaunty Pty Limited                               |         | Australia                    | Ivaness Pty Limited                                  |       | Australia                    |
| Piccadilly Plaza Trust                           |         | Australia                    | Loy Yang B Agencies Pty Limited                      |       | Australia                    |
| Sarnia Pty Limited                               | (f)     | Australia                    | Mayne Equipment Financing Pty Limited                | (i)   | Australia                    |
| The Swan Trust                                   |         | Australia                    | Oakjet Pty Limited                                   |       | Australia                    |
| The Exchange Plaza Trust                         |         | Australia                    | Selbourne Pty Limited                                |       | Australia                    |
| Traders Finance Corporation Limited              |         | Australia                    | Teuton Pty Limited                                   |       | Australia                    |
| Vicpac Chatswood Pty Limited                     | (f)     | Australia                    | Westpac Administration Pty Limited                   |       | Australia                    |
| The Vicpac Unit Trust                            |         | Australia                    | Westpac Asian Lending Pty Limited                    |       | Australia                    |
| <b>Bank of Kiribati Limited</b>                  | (i)     | Kiribati                     | Westpac Debt Securities Pty Limited                  |       | Australia                    |
| <b>Beach Hill Investments (No 3) Pty Limited</b> |         | Australia                    | Westpac Equipment Finance Limited                    |       | Australia                    |
| <b>Bill Acceptance Corporation Limited</b>       |         | Australia                    | Westpac Equipment Finance (Vic) Pty Limited          |       | Australia                    |
| Mortgage Management Limited                      |         | Australia                    | Westpac Unit Trust                                   |       | Australia                    |
| <b>Biralo Pty Limited</b>                        | (d)     | Australia                    | Westpac Investment Vehicle Pty Limited               | (g)   | Australia                    |
| <b>Brenmar Holdings Pty Limited</b>              |         | Australia                    | Westpac Resources and Infrastructure Pty Limited     | (g)   | Australia                    |



## NOTE 34. GROUP ENTITIES (CONTINUED)

| Name   | Notes | Country of Incorporation (b) | Name  | Notes | Country of Incorporation (b) |
|--|-------|------------------------------|---|-------|------------------------------|
| <b>The Mortgage Company Pty Limited</b>                  |       | <b>Australia</b>             | Westpac Investment Capital Corporation                |       | U.S.A                        |
| The Home Loan Partnership Pty Limited                    |       | Australia                    | Westpac USA Inc.                                      |       | U.S.A                        |
| <b>Westpac Bank-PNG-Limited</b>                          | (i)   | Papua New Guinea             | Southern Cross Inc.                                   |       | U.S.A                        |
| <b>Westpac Capital Corporation</b>                       |       | U.S.A.                       | Westpac Banking Corporation (Jersey) Limited          |       | Jersey                       |
| <b>Westpac Capital Holdings Inc</b>                      |       | U.S.A.                       | Westpac Finance (HK) Limited                          | (g)   | Hong Kong                    |
| Westpac Capital Trust I                                  |       | U.S.A.                       | Westpac Group Investment-NZ-Limited                   |       | New Zealand                  |
| <b>Westpac Derivative Products Limited</b>               |       | Australia                    | Westpac Holdings-NZ-Limited                           |       | New Zealand                  |
| <b>Westpac Equity Holdings Pty Limited</b>               |       | Australia                    | Australian Guarantee Corporation (N.Z.) Limited       |       | New Zealand                  |
| Autodirect Pty Limited                                   |       | Australia                    | AGC Equities Limited                                  | (g)   | New Zealand                  |
| PersonalDirect Limited                                   |       | Australia                    | Mortgage Services Limited                             |       | New Zealand                  |
| Pacific Structured Funding Limited                       | (g)   | Australia                    | TBNZ Limited  |       | New Zealand                  |
| Westpac Development Capital Limited                      |       | Australia                    | TBNZ Capital Limited                                  |       | New Zealand                  |
| Westpac Financial Consultants Limited                    |       | Australia                    | TBNZ Developments Limited                             |       | New Zealand                  |
| Westpac Financial Services Group Limited                 |       | Australia                    | TBNZ Investments Limited                              |       | New Zealand                  |
| Westpac Financial Services Limited                       |       | Australia                    | TBNZ Equity Limited                                   |       | New Zealand                  |
| Westpac Managed Funds Limited (in voluntary liquidation) |       | Australia                    | TBNZ Investments (UK) Limited                         |       | U.K.                         |
| Westpac Insurance Services (Brokers) Limited             |       | Australia                    | The Home Mortgage Company Limited                     |       | New Zealand                  |
| Westpac Equity Pty Limited                               |       | Australia                    | Westpac Finance Limited                               |       | New Zealand                  |
| A.F.G. Insurance Limited                                 |       | Australia                    | Ngauranga Gorge Limited                               |       | New Zealand                  |
| Westpac General Insurance Limited                        |       | Australia                    | Yasmin Properties Limited                             |       | New Zealand                  |
| Westpac Lenders Mortgage Insurance Limited               |       | Australia                    | Westpac Nominees-NZ-Limited                           |       | New Zealand                  |
| Westpac Investment Management Pty Limited                |       | Australia                    | WestpacTrust Investment Management-NZ-Limited         |       | New Zealand                  |
| Westpac Investment Property Limited                      |       | Australia                    | WestpacTrust Life-NZ-Limited                          |       | New Zealand                  |
| Westpac Asset Management Pty Limited                     | (g)   | Australia                    | WestpacTrust Superannuation Nominees-NZ-Limited       |       | New Zealand                  |
| Westpac Life Insurance Services Limited                  |       | Australia                    | WestpacTrust Capital-NZ-Limited                       |       | New Zealand                  |
| Westpac Custodian Nominees Limited                       | (h)   | Australia                    | Aotearoa Financial Services Limited                   | (i)   | New Zealand                  |
| Westpac Property Funds Management Limited                |       | Australia                    | C.B.A. Finance Nominees Limited                       |       | New Zealand                  |
| Westpac Securities Administration Limited                |       | Australia                    | Sfaka Investments Limited                             |       | New Zealand                  |
| The Wales Nominees (Vic.) Pty Limited                    |       | Australia                    | Systems and Technology Limited                        |       | New Zealand                  |
| Westpac Insurance Services Superannuation Fund Limited   |       | Australia                    | Westpac Fund Acceptances-NZ-Limited                   |       | New Zealand                  |
| Westpac Nominees-Canberra-Pty Limited                    |       | Australia                    | Westpac Lease Discounting-NZ-Limited                  |       | New Zealand                  |
| Westpac Nominees-SA-Pty Limited                          |       | Australia                    | Toliman Investments Limited                           |       | New Zealand                  |
| Westpac Information Technology Services Pty Limited      |       | Australia                    | WestpacTrust Overseas Investments Limited             | (g)   | New Zealand                  |
| Westpac Retirement Plan Pty Limited                      |       | Australia                    | Bag Inns Limited                                      | (g)   | New Zealand                  |
| Westpac Securities Limited                               |       | Australia                    | WestpacTrust Investments Limited                      |       | New Zealand                  |
| Net Nominees Limited                                     | (g)   | Australia                    | WestpacTrust Securities NZ Limited                    |       | New Zealand                  |
| Westpac Securitisation Management Pty Limited            |       | Australia                    | Pacific Structured Funding-NZ-Limited                 | (g)   | New Zealand                  |
| Westpac Training Services Pty Limited                    |       | Australia                    | Westpac Securities Inc (formerly Westpac Markets Inc) |       | U.S.A.                       |
| <b>Westpac Finance Pty Limited</b>                       |       | Australia                    | Westpac Overseas Funding Pty Limited                  |       | Australia                    |
| <b>Westpac Funding Holdings Pty Limited</b>              |       | Australia                    | Westpac Securities Japan K.K.                         | (g)   | Japan                        |
| Tavarua Funding Trust <sup>1</sup>                       |       | U.S.A.                       | Westpac Singapore Limited                             |       | Singapore                    |
| <b>Westpac Investment Holdings Pty Limited</b>           |       | Australia                    | <b>Westpac Properties Limited</b>                     |       | Australia                    |
| <b>Westpac Leasing Nominees Pty Limited</b>              |       | Australia                    | Collins Wales Pty Limited                             |       | Australia                    |
| <b>Westpac Leasing Nominees-Vic.-Pty Limited</b>         |       | Australia                    | <b>Westpac Property Investments Pty Limited</b>       | (e)   | Australia                    |
| <b>Westpac Leasing Pty Limited</b>                       |       | Australia                    | <b>Westpac Staff Superannuation Plan Pty Limited</b>  |       | Australia                    |
| <b>Westpac Matching Gifts Limited</b>                    | (g)   | Australia                    | <b>Westpac Syndications Management Pty Limited</b>    |       | Australia                    |
| <b>Westpac OMG Holdings Pty Limited</b>                  |       | Australia                    | <b>Westpac Tasman No. 1 Pty Limited</b>               | (g)   | Australia                    |
| <b>Westpac Overseas Holdings Pty Limited</b>             |       | Australia                    | Westpac Tasman No.2 Pty Limited                       | (g)   | Australia                    |
| A.G.C. Finance (S.I.) Limited                            |       | Solomon Islands              |   |       |                              |
| Diversified Investments LLC                              |       | Cayman Islands               |   |       |                              |
| Westpac Americas Inc.                                    |       | U.S.A                        |   |       |                              |

## NOTE 34. GROUP ENTITIES (CONTINUED)

### Notes

- (a) Controlled entities shown in bold type are owned directly by Westpac.  
(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, Biralto Pty Limited and The Pitco Trust is held directly by Westpac Property Investments Pty Limited. The other 50% is held directly by Westpac.  
(e) Less than 1 percent 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 Westpac.  
(g) Incorporated or formed during the year.  
(h) During the year Westpac Custodian Nominees Limited was acquired by Westpac Life Insurance Services Limited.  
(i) All entities listed in this note are wholly owned subsidiaries except the following:

|                                       | Percentage Owned |       |
|---------------------------------------|------------------|-------|
|                                       | 2000             | 1999  |
| Aotearoa Financial Services Limited   | <b>76.0%</b>     | 76.0% |
| Bank of Kiribati Limited              | <b>51.0%</b>     | 51.0% |
| Mayne Equipment Financing Pty Limited | <b>95.0%</b>     | 95.0% |
| Westpac Bank-PNG-Limited              | <b>89.9%</b>     | 89.9% |

Westpac Finance Asia Limited and Westpac Asia (Securities) Limited were disposed of during the year for a consideration of \$141million. The profit on sale of these controlled entities was \$1.4million.

During the previous year 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 \$58million. The Group profit on sale of these subsidiaries and branches was \$16million.

## NOTE 35. OTHER GROUP INVESTMENTS

The Group has a significant non-controlling shareholding in the following entities as at 30 September 2000:

|  | 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                                 |
| Metiom Australasia Pty Limited <sup>1</sup>        | Australia                            | 49.0%   | E-procurement                                     |
| Mondex Australia Pty Limited                       | Australia                            | 25.0%   | Smart card operations                             |
| Mondex Australasia Pty Limited                     | Australia                            | 23.3%   | 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%   | Investment company                                |
| Westpac Staff Superannuation Plan Pty Limited      | Australia                            | 50.0%   | Corporate trust                                   |
| Westpac Employee Assistance Foundation Pty Limited | Australia                            | 50.0%   | Employee assistance foundation                    |
| 60 Martin Place Unit Trust <sup>2</sup>            | Australia                            | 50.0%   | Property investment                               |

<sup>1</sup> This unlisted investment is owned by Westpac Life Insurance Services Limited and is carried at its estimated net market value. Previously known as Intelisys Australasia Pty Limited.

<sup>2</sup> Previously this entity was wholly owned.

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**

During the past two financial years there were no prescribed benefits given to a person, or to a prescribed superannuation fund, in connection with the retirement of a person from a prescribed office in relation to either Westpac or any of its controlled entities.

**NOTE 37. DIRECTORS**

Directors of Westpac during the year ended 30 September 2000 were:

|  |                      |
|--|----------------------|
| Mr J.A. Uhrig (Chairman)   | Mr I.R.L. Harper     |
| Mr L.A. Davis (Appointed a Director from 8 November 1999, Deputy Chairman from 6 July 2000). | Professor W.P. Hogan |
| Dr D.R. Morgan (Managing Director and Chief Executive Officer)                               | Ms H.A. Lynch        |
| Mr W.B. Capp   | Ms E. Mahlab         |
| The Hon. Sir Llewellyn Edwards   | Mr J.P. Morschel     |
| Mr J.B. Fairfax  | Mr P.D. Ritchie      |
| Mr R.P. Handley (Executive Director and Chief Financial Officer)                             | Mr C.J. Stewart      |

**NOTE 38. LOANS TO DIRECTORS AND DIRECTOR-RELATED PARTIES**

Loans made to Directors of Westpac 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  |                |
|--|----------------|----------------|----------------|----------------|
|  | 2000<br>\$'000 | 1999<br>\$'000 | 2000<br>\$'000 | 1999<br>\$'000 |
| Aggregate amount of loans to Directors   | <b>231,146</b> | 190,710        | <b>231,051</b> | 190,369        |
| Loans advanced during the year           | <b>41,008</b>  | 3,452          | <b>41,073</b>  | 3,140          |
| Loan repayments received during the year | <b>572</b>     | 10,716         | <b>391</b>     | 10,432         |

The Directors of Westpac and other controlled entities concerned in the relevant loans made and repayments received were:

|                | 2000         |       | 1999         |       |
|----------------|--------------|-------|--------------|-------|
|                | 2000         | 1999  | 2000         | 1999  |
| W.B. Capp      | <b>2,3</b>   | 2,3   | <b>2,3</b>   | 1,2,3 |
| H. Chan        | <b>1,3</b>   | 1,3   | <b>2,4,5</b> | 1,2,4 |
| Sir L. Edwards | <b>1,2,3</b> | 2,3   | <b>2,3</b>   | 1,2,3 |
| J.B. Fairfax   | <b>1,3</b>   | 1,2,3 | <b>1,2,3</b> | 1,2,3 |
| I.R.L. Harper  | <b>1,2,3</b> | 2,3   | <b>1,3</b>   | -     |
| H.A. Lynch     | <b>1,2,3</b> | 2,3   | <b>2,3</b>   | -     |
| J.P. Morschel  | <b>1,2,3</b> | -     | -            | 2,4   |
| J.J. Moses     | -            | 5     |              |       |

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.

|   | 2000                   | 1999                   |
|---|------------------------|------------------------|
| (i) Ordinary shares issued during the year  |                        |                        |
| The aggregate number of shares issued by Westpac to the Directors of Westpac and their Director-related entities during the year                            | 7,841 <sup>1</sup>     | 4,541,514 <sup>4</sup> |
| (ii) Ordinary shares disposed of during the year  | 621,585 <sup>2</sup>   | 23,800 <sup>5</sup>    |
| (iii) Ordinary shares held at the end of the year   |                        |                        |
| The aggregate number of shares of Westpac held directly, indirectly or beneficially by Directors of Westpac and their Director-related entities at year end | 1,911,992 <sup>3</sup> | 2,541,236 <sup>6</sup> |

1 Includes 2,841 shares issued under the Dividend Reinvestment Plan.

2 Includes 75,510 shares disposed of by a staff/community related benefit fund of which some Directors are personal trustees.

3 Includes 175,663 shares owned by a staff/community related benefit fund of which some Directors are personal trustees.

4 Includes 1,200,000 options exercised under the Westpac Senior Officers' Share Purchase Scheme and 2,724 shares issued under the Dividend Reinvestment Plan, in addition to 3,333,334 options exercised by Mr R.J. Joss during 1999.

5 Includes 23,800 shares disposed of by a staff/community related benefit fund of which some Directors are personal trustees.

6 Includes 105,018 shares and 161,655 equity instruments owned by a staff/community related benefit fund of which some Directors are personal trustees.

### NOTE 40. DIRECTORS' REMUNERATION

Income paid, or due and payable, from Westpac and related entities to Directors of Westpac fell within the bands below:

|                   | 2000 | 1999 |                       | 2000      | 1999      |
|-------------------|------|------|-----------------------|-----------|-----------|
| 60,001 – 70,000   | –    | 1    | 260,001 – 270,000     | –         | 1         |
| 70,001 – 80,000   | 1    | 6    | 300,001 – 310,000     | 1         | –         |
| 80,001 – 90,000   | 6    | 2    | 1,250,001 – 1,260,000 | –         | 1         |
| 90,001 – 100,000  | 3    | –    | 1,350,001 – 1,360,000 | 1         | –         |
| 100,001 – 110,000 | 1    | –    | 1,370,001 – 1,380,000 | –         | 1         |
| 160,001 – 170,000 | –    | 1    | 1,720,001 – 1,730,000 | –         | 1         |
|                   |      |      | 2,430,001 – 2,440,000 | 1         | –         |
|                   |      |      | <b>Total</b>          | <b>14</b> | <b>14</b> |

|  | Directors of the Group |                | Directors of the Parent Entity |                |
|--|------------------------|----------------|--------------------------------|----------------|
|  | 2000<br>\$'000         | 1999<br>\$'000 | 2000<br>\$'000                 | 1999<br>\$'000 |
| Income paid, or due and payable, from Westpac and related entities to Directors. | 8,739                  | 7,561          | 5,040                          | 5,457          |

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, including 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 Westpac 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, transfer of tax losses 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.

#### Associates

During the financial year Westpac sold a building to 60 Martin Place Unit Trust for market value, being \$159 million. Westpac has entered into leases for floor space in the building, which is on commercial terms and conditions. During the financial year, Westpac paid rent of \$14 million.

#### Related party financial instrument transactions

Westpac 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 Westpac must lodge a statutory declaration, signed by two Directors, with ASIC confirming that Westpac 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 Westpac 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 Westpac 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. EXECUTIVE OFFICERS' REMUNERATION**

The following table shows the number of executive officers of Westpac and Group in Australia whose income paid, or due and receivable, from Westpac 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 and benefits, including fringe benefits tax and a notional cost of superannuation for those executive officers who are members of the Westpac Staff Superannuation Plan. No value has been ascribed to any options issued to any of the executive officers.

|                   | Consolidated   |                | Parent Entity  |                |                       | Consolidated   |                | Parent Entity  |                |
|-------------------|----------------|----------------|----------------|----------------|-----------------------|----------------|----------------|----------------|----------------|
|                   | 2000           | 1999           | 2000           | 1999           |                       | 2000           | 1999           | 2000           | 1999           |
| 110,001 – 120,000 | 1 <sup>1</sup> | –              | 1 <sup>1</sup> | –              | 480,001 – 490,000     | 1              | 2              | 1              | 2              |
| 130,001 – 140,000 | 1 <sup>2</sup> | –              | 1 <sup>2</sup> | –              | 490,001 – 500,000     | –              | 2              | –              | 2              |
| 140,001 – 150,000 | 1 <sup>1</sup> | –              | 1 <sup>1</sup> | –              | 500,001 – 510,000     | 1              | 1              | 1              | 1              |
| 180,001 – 190,000 | 1 <sup>2</sup> | –              | 1 <sup>2</sup> | –              | 510,001 – 520,000     | –              | 1              | –              | 1              |
| 190,001 – 200,000 | 1 <sup>1</sup> | –              | 1 <sup>1</sup> | –              | 530,001 – 540,000     | 1              | –              | 1              | –              |
| 200,001 – 210,000 | –              | 1 <sup>1</sup> | –              | 1 <sup>1</sup> | 540,001 – 550,000     | 2              | 2              | 2              | 2              |
| 210,001 – 220,000 | 1 <sup>1</sup> | –              | 1 <sup>1</sup> | –              | 550,001 – 560,000     | 3              | –              | 3              | –              |
| 240,001 – 250,000 | 1 <sup>1</sup> | –              | 1 <sup>1</sup> | –              | 560,001 – 570,000     | 1              | –              | 1              | –              |
| 250,001 – 260,000 | –              | 1 <sup>1</sup> | –              | 1 <sup>1</sup> | 570,001 – 580,000     | 1              | 1              | 1              | 1              |
| 260,001 – 270,000 | 2 <sup>1</sup> | 2 <sup>2</sup> | 2 <sup>1</sup> | 2 <sup>2</sup> | 580,001 – 590,000     | –              | 1              | –              | 1              |
| 270,001 – 280,000 | –              | 1 <sup>2</sup> | –              | 1 <sup>2</sup> | 630,001 – 640,000     | 1              | 1              | 1              | 1              |
| 300,001 – 310,000 | 2              | 1              | 2              | 1              | 640,001 – 650,000     | 2              | 1              | 2              | 1              |
| 310,001 – 320,000 | 2 <sup>1</sup> | 1 <sup>1</sup> | 2 <sup>1</sup> | 1 <sup>1</sup> | 660,001 – 670,000     | 1              | –              | 1              | –              |
| 320,001 – 330,000 | 3 <sup>1</sup> | –              | 3 <sup>1</sup> | –              | 680,001 – 690,000     | 1              | –              | 1              | –              |
| 330,001 – 340,000 | 2 <sup>2</sup> | –              | 2 <sup>2</sup> | –              | 700,001 – 710,000     | –              | 1              | –              | 1              |
| 340,001 – 350,000 | 2 <sup>1</sup> | –              | 2 <sup>1</sup> | –              | 720,001 – 730,000     | –              | 1              | –              | 1              |
| 350,001 – 360,000 | 2              | 1 <sup>1</sup> | 2              | 1 <sup>1</sup> | 730,001 – 740,000     | –              | 1              | –              | 1              |
| 360,001 – 370,000 | 3              | –              | 3              | –              | 760,001 – 770,000     | –              | 1              | –              | 1              |
| 380,001 – 390,000 | 1              | 1              | 1              | 1              | 770,001 – 780,000     | –              | 1              | –              | 1              |
| 390,001 – 400,000 | 1              | –              | 1              | –              | 810,001 – 820,000     | –              | 1              | –              | 1              |
| 400,001 – 410,000 | –              | 1              | –              | 1              | 860,001 – 870,000     | –              | 1              | –              | 1              |
| 410,001 – 420,000 | –              | 1              | –              | 1              | 870,001 – 880,000     | –              | 1              | –              | 1              |
| 420,001 – 430,000 | –              | 1 <sup>1</sup> | –              | 1 <sup>1</sup> | 880,001 – 890,000     | 1              | 1              | 1              | 1              |
| 430,001 – 440,000 | 1 <sup>2</sup> | –              | 1 <sup>2</sup> | –              | 1,030,001 – 1,040,000 | 1              | –              | 1              | –              |
| 440,001 – 450,000 | 1              | 2              | 1              | 2              | 1,140,001 – 1,150,000 | 1              | –              | 1              | –              |
| 450,001 – 460,000 | –              | 1              | –              | 1              | 1,150,001 – 1,160,000 | 1              | –              | 1              | –              |
| 460,001 – 470,000 | 2              | 1              | 2              | 1              | 1,190,001 – 1,200,000 | 1 <sup>2</sup> | –              | 1 <sup>2</sup> | –              |
| 470,001 – 480,000 | 2              | –              | 2              | –              | 1,250,001 – 1,260,000 | –              | 1              | –              | 1              |
|                   |                |                |                |                | 1,350,001 – 1,360,000 | 1              | –              | 1              | –              |
|                   |                |                |                |                | 1,370,001 – 1,380,000 | –              | 1 <sup>1</sup> | –              | 1 <sup>1</sup> |
|                   |                |                |                |                | 1,720,001 – 1,730,000 | –              | 1              | –              | 1              |
|                   |                |                |                |                | 1,740,001 – 1,750,000 | –              | 1 <sup>1</sup> | –              | 1 <sup>1</sup> |
|                   |                |                |                |                | 2,430,001 – 2,440,000 | 1              | –              | 1              | –              |
|                   |                |                |                |                | 2,770,001 – 2,780,000 | –              | 1              | –              | 1              |
|                   |                |                |                |                | <b>Total</b>          | <b>55</b>      | <b>42</b>      | <b>55</b>      | <b>42</b>      |

1 Includes payments (other than those included in note 36) to one or more executive officers in this remuneration band who retired/resigned during the year.

2 Includes payments to one or more executive officers in this remuneration band who commenced employment with Westpac during the year.

|  | Consolidated   |                | Parent Entity  |                |
|--|----------------|----------------|----------------|----------------|
|  | 2000<br>\$'000 | 1999<br>\$'000 | 2000<br>\$'000 | 1999<br>\$'000 |
| Total income paid, or due and payable, from Westpac and related entities to executive officers whose income exceeded \$100,000 | <b>28,624</b>  | 28,198         | <b>28,624</b>  | 28,198         |

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

There are also 62 (1999 74) 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 Westpac, serve as Directors of wholly-owned Australian controlled entities. Total income paid, or due and payable to these employees amounted to \$15,893,000 (1999 \$18,491,000).

**NOTE 43. STATEMENT OF CASH FLOWS****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 cash flows comply with International Accounting Standard No. 7.

|   | Consolidated |             |             | Parent Entity |             |
|---|--------------|-------------|-------------|---------------|-------------|
|   | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m | 2000<br>\$m   | 1999<br>\$m |
| <b>Reconciliation of net cash provided by operating activities to operating profit after income tax</b> |              |             |             |               |             |
| Operating profit after income tax   | 1,715        | 1,456       | 1,272       | 1,311         | 999         |
| Adjustments:  |              |             |             |               |             |
| Outside equity interests  | 3            | 3           | 4           | -             | -           |
| Depreciation  | 270          | 237         | 244         | 217           | 199         |
| Sundry provisions and other non-cash items  | 2,247        | (177)       | 961         | 1,813         | (170)       |
| Bad and doubtful debts  | 292          | 246         | 257         | 157           | 134         |
| (Increase)/decrease in other financial market items   | (3,148)      | 1,052       | (1,427)     | (2,833)       | 1,056       |
| (Increase)/decrease in trading securities   | 764          | (2,204)     | 484         | 723           | (2,217)     |
| (Increase)/decrease in accrued interest receivable  | (156)        | (3)         | 11          | (117)         | (4)         |
| Increase/(decrease) in accrued interest payable   | 344          | (162)       | 243         | 277           | (174)       |
| Increase/(decrease) in provision for income tax   | 9            | (3)         | 57          | 60            | (51)        |
| Increase/(decrease) in provision for deferred income tax  | 98           | (19)        | (113)       | 127           | (60)        |
| (Increase)/decrease in future income tax benefits   | 61           | 202         | 106         | 51            | 84          |
| (Increase)/decrease in excess of net market value over net assets of a controlled entity                | (128)        | -           | -           | -             | -           |
| Amounts paid out of sundry provisions   | (201)        | (127)       | (111)       | (172)         | (117)       |
| Net cash provided by/(used in) operating activities   | 2,170        | 501         | 1,988       | 1,614         | (321)       |

**Non cash operating, investing and financing activities****Entity 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 entity acquired are as follows:

|  |   |   |         |   |   |
|--|---|---|---------|---|---|
| Due from other financial institutions                              | - | - | 47      | - | - |
| Trading securities   | - | - | 707     | - | - |
| Investment securities  | - | - | 652     | - | - |
| Regulatory deposits  | - | - | 109     | - | - |
| Loans  | - | - | 9,972   | - | - |
| Fixed assets   | - | - | 49      | - | - |
| Other assets   | - | - | 60      | - | - |
| Deposits and public borrowings                                     | - | - | (8,904) | - | - |
| Bonds, notes and commercial paper                                  | - | - | (1,885) | - | - |
| Due to other financial institutions                                | - | - | (10)    | - | - |
| Other liabilities  | - | - | (329)   | - | - |
|  | - | - | 468     | - | - |
| Integration costs provided, net of tax benefit                     | - | - | (63)    | - | - |
| Fair value of net assets acquired                                  | - | - | 405     | - | - |
| Intangible assets  | - | - | 913     | - | - |
|  | - | - | 1,318   | - | - |
| Issuance of shares as part consideration                           | - | - | (1,169) | - | - |
| Current period cash payment for acquisition (net of cash acquired) | - | - | 149     | - | - |
| Cash acquired  | - | - | 25      | - | - |
| <b>Cash consideration and costs</b>                                | - | - | 174     | - | - |

**NOTE 43. STATEMENT OF CASH FLOWS (CONTINUED)**

|   | Consolidated |             |             | Parent Entity |             |
|---|--------------|-------------|-------------|---------------|-------------|
|   | 2000<br>\$m  | 1999<br>\$m | 1998<br>\$m | 2000<br>\$m   | 1999<br>\$m |
| <b>Controlled entities and businesses disposed of</b>   |              |             |             |               |             |
| Details of assets and liabilities of controlled entities and businesses disposed of are as follows: |              |             |             |               |             |
| Due from other financial institutions   | -            | 15          | -           | -             | 15          |
| Statutory deposits  | -            | 14          | -           | -             | 14          |
| Loans   | <b>290</b>   | 785         | -           | -             | 742         |
| Due from/to related parties   | -            | 33          | -           | -             | 65          |
| Investment in controlled entities   | -            | -           | -           | -             | 10          |
| Fixed assets  | -            | 38          | -           | -             | 38          |
| Other assets  | <b>3</b>     | 23          | -           | -             | 23          |
| Deposits and public borrowings  | <b>(156)</b> | (815)       | -           | -             | (815)       |
| Due to other banks  | -            | (20)        | -           | -             | (19)        |
| Other liabilities   | -            | (31)        | -           | -             | (31)        |
| Net assets of entities and businesses disposed  | <b>137</b>   | 42          | -           | -             | 42          |
| Gain on disposal  | <b>2</b>     | 16          | -           | -             | 16          |
| Cash consideration  | <b>139</b>   | 58          | -           | -             | 58          |

**Non-cash investing and financing transactions****Equity transactions**

Shares issued under the dividend reinvestment plan amounted to \$214 million in the year ended 30 September 2000 (1999 \$221 million, 1998 \$91 million).

**NOTE 44. EVENTS SUBSEQUENT TO BALANCE DATE**

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

**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:

|  | <b>2000</b>  | 1999  | 1998  |
|--|--------------|-------|-------|
|  | <b>\$m</b>   | \$m   | \$m   |
| <b>Profit and loss statement</b>                               |              |       |       |
| <b>Net profit as reported</b>                                  | <b>1,715</b> | 1,456 | 1,272 |
| <b>Adjustments: (see following commentary for details)</b>     |              |       |       |
| Item No.   |              |       |       |
| 1 Premises and sites   | <b>(54)</b>  | 20    | (3)   |
| 2 Amortisation of goodwill                                     | <b>(13)</b>  | (28)  | (15)  |
| 3 Superannuation (pension) expense adjustment                  | <b>19</b>    | 4     | 8     |
| Related income tax expense                                     | <b>(11)</b>  | (2)   | (2)   |
| 5 Adjustment re provision for employee redundancy benefits     | -            | (51)  | 51    |
| Related income tax credit/(expense)                            | -            | 18    | (18)  |
| 6 Life insurance adjustment                                    | <b>(87)</b>  | -     | 8     |
| Related income tax credit                                      | <b>27</b>    | -     | -     |
| 13 TOPrS distribution  | <b>(43)</b>  | (8)   | -     |
| 15 Start up costs  | <b>(30)</b>  | -     | -     |
| Related income tax credit                                      | <b>9</b>     | -     | -     |
| 16 Software capitalisation adjustment                          | <b>(8)</b>   | -     | -     |
| Related income tax credit                                      | <b>3</b>     | -     | -     |
| 17 New Zealand Class shares                                    | <b>5</b>     | -     | -     |
| Related income tax (expense)                                   | <b>(5)</b>   | -     | -     |
| <b>Adjusted net income according to US GAAP</b>                | <b>1,527</b> | 1,409 | 1,301 |
| <b>Other comprehensive income</b>                              |              |       |       |
| Foreign currency translation reserve                           | <b>115</b>   | (13)  | (15)  |
| 7 Unrealised net gain/(loss) on available-for-sale securities  | <b>(37)</b>  | (28)  | 4     |
| Reclassification adjustment for (gains) included in net income | <b>(1)</b>   | -     | -     |
| <b>Total other comprehensive income</b>                        | <b>77</b>    | (41)  | (11)  |
| <b>Total comprehensive income according to US GAAP</b>         | <b>1,604</b> | 1,368 | 1,290 |
| <b>Adjusted net income per share (in cents):</b>               |              |       |       |
| Basic  | <b>81.1</b>  | 74.9  | 68.0  |
| Fully diluted  | <b>80.1</b>  | 74.5  | 66.7  |
| <b>Weighted average number of shares (in millions)</b>         | <b>1,883</b> | 1,881 | 1,879 |
| <b>Non-interest expenses as reported</b>                       | <b>3,503</b> | 3,434 | 3,392 |
| <b>Adjustments: (see following commentary for details)</b>     |              |       |       |
| Item No.   |              |       |       |
| 1 Premises and sites   | <b>4</b>     | (7)   | (8)   |
| 2 Amortisation of goodwill                                     | <b>13</b>    | 28    | 15    |
| 3 Superannuation adjustment                                    | <b>(19)</b>  | (4)   | (8)   |
| 5 Adjustment re provision for employee redundancy benefits     | -            | 51    | (51)  |
| 6 Life insurance adjustment                                    | <b>(24)</b>  | -     | -     |
| 9 Abnormal items   | -            | -     | 106   |
| 15 Start up costs  | <b>30</b>    | -     | -     |
| 16 Software capitalisation adjustment                          | <b>8</b>     | -     | -     |
| <b>Non-interest expenses according to US GAAP</b>              | <b>3,515</b> | 3,502 | 3,446 |



**NOTE 45. RECONCILIATION WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (CONTINUED)****Tax effect of each component of other comprehensive income**

|  | 2000                           |                                       |                               | Consolidated<br>1999           |                                       |                               | 1998                           |                                       |                               |
|--|--------------------------------|---------------------------------------|-------------------------------|--------------------------------|---------------------------------------|-------------------------------|--------------------------------|---------------------------------------|-------------------------------|
|  | Before<br>Tax<br>Amount<br>\$m | Tax<br>(Expense)<br>or Benefit<br>\$m | After<br>Tax<br>Amount<br>\$m | Before<br>Tax<br>Amount<br>\$m | Tax<br>(Expense)<br>or Benefit<br>\$m | After<br>Tax<br>Amount<br>\$m | Before<br>Tax<br>Amount<br>\$m | Tax<br>(Expense)<br>or Benefit<br>\$m | After<br>Tax<br>Amount<br>\$m |
| Available for sale securities adjustment:                          |                                |                                       |                               |                                |                                       |                               |                                |                                       |                               |
| Unrealised holding gains/(losses) arising during the year          | (24)                           | (13)                                  | (37)                          | (44)                           | 16                                    | (28)                          | 6                              | (2)                                   | 4                             |
| Less: Reclassification adjustment for gains included in net income | (1)                            | -                                     | (1)                           | -                              | -                                     | -                             | -                              | -                                     | -                             |
| Net available for sale securities adjustment                       | (25)                           | (13)                                  | (38)                          | (44)                           | 16                                    | (28)                          | 6                              | (2)                                   | 4                             |
| Foreign currency translation adjustment                            | 115                            | -                                     | 115                           | (13)                           | -                                     | (13)                          | (15)                           | -                                     | (15)                          |
| Total other comprehensive income                                   | 90                             | (13)                                  | 77                            | (57)                           | 16                                    | (41)                          | (9)                            | (2)                                   | (11)                          |

|  | 2000<br>\$m | 1999<br>\$m | 1998<br>\$m |
|--|-------------|-------------|-------------|
|--|-------------|-------------|-------------|

**Accumulated other comprehensive income balances****Foreign currency translation reserve**

|   |      |      |      |
|---|------|------|------|
| Balance at beginning of year                | (39) | (15) | (4)  |
| Transfers (to)/from retained profits        | (2)  | (11) | 4    |
| Foreign currency adjustments net of hedging | 115  | (13) | (15) |
| Balance at year end                         | 74   | (39) | (15) |

**Available-for-sale securities**

|  |           |             |             |
|--|-----------|-------------|-------------|
| Balance at beginning of year                     | (25)      | 3           | (1)         |
| Adjustments                                      | (38)      | (28)        | 4           |
| Balance at year end                              | (63)      | (25)        | 3           |
| <b>Total other comprehensive income balances</b> | <b>11</b> | <b>(64)</b> | <b>(12)</b> |

**Equity as reported**

|  |       |       |       |
|--|-------|-------|-------|
|  | 9,257 | 8,994 | 8,606 |
|--|-------|-------|-------|

**Adjustments: (see following commentary for details)**

Item No.

|    |  |              |              |              |
|----|--|--------------|--------------|--------------|
| 1  | Premises and sites                                       | (141)        | (112)        | (172)        |
| 2  | Goodwill   | 4            | 17           | 45           |
| 3  | Superannuation (pension) expense adjustment              | (87)         | (95)         | (97)         |
| 5  | Adjustment re provision for employee redundancy benefits | -            | -            | 33           |
| 6  | Life insurance adjustment                                | (68)         | (8)          | 4            |
| 7  | Available-for-sale securities                            | (63)         | (25)         | 3            |
| 8  | Final dividend provided                                  | 512          | 445          | 418          |
| 13 | TOPRS  | (465)        | (465)        | -            |
| 15 | Start up costs   | (21)         | -            | -            |
| 16 | Software capitalisation adjustment                       | (5)          | -            | -            |
| 17 | New Zealand Class shares                                 | (190)        | -            | -            |
|    | <b>Adjusted equity according to US GAAP</b>              | <b>8,733</b> | <b>8,751</b> | <b>8,840</b> |

#### 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 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.

Where properties 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 or loss 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 and provision for diminution). 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.

- 2 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 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 adopted.

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.

- 3 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.

- 4 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 Australian GAAP before valuation allowance and netting is \$969 million and \$840 million respectively (1999 \$1,346 million and \$936 million, respectively).

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

|  | 2000<br>\$m | 1999<br>\$m |
|--|-------------|-------------|
| Total deferred tax assets  | 545         | 647         |
| Total valuation allowances recognised for deferred tax assets <sup>1</sup> | (78)        | (124)       |
| Deferred tax assets (future income tax benefits as per note 16)            | 467         | 523         |
| Total deferred tax liabilities (note 19)                                   | (416)       | (237)       |
| <b>Net deferred tax assets</b>   | <b>51</b>   | <b>286</b>  |
| Net increase in the total valuation allowance during the year              | 46          | 37          |

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

- 5 The provision for restructuring costs as at 30 September 1998 of \$106 million (refer note 5) included staff redundancy costs of \$51 million and a liability for premises costs of \$55 million. The provision for restructuring principally covered 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 were recognised as a US GAAP expense during the year ended 30 September 1999.

- 6 As outlined in Note 1(h)vi, effective 1 October 1999 Australian accounting standard AASB 1038 Life Insurance Business became operative to Westpac. The standard has resulted in the consolidation of all the assets and liabilities of the statutory funds of Westpac Life Insurance Services Limited ('WLIS'). Prior to the year ended 30 September 2000, for Australian GAAP the assets and liabilities of the WLIS statutory funds were 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 was \$7,667 million which includes the shareholders' interest in these funds of \$437 million. This amount forms part of the Group's investment in the life company. All related investments of WLIS and the funds are reflected at market value. Effective 1 October 2000 Australian GAAP requires that investments in controlled entities held by a life company are subject to revaluation each reporting period, so that the investment is carried at net market value. The excess of the net market value of a controlled entity of the life company over the amount of the controlled entity's net assets is recognised in the consolidated financial statements with any subsequent movements included in the profit and loss statement. Under US GAAP, the excess of the net market value over the amount of the controlled entity's net assets is not recognised.

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. Due to the restructure of the WLIS group, with effect from 1 February 2000 acquisition costs associated with the life insurance and funds management activities are expensed as incurred for Australian GAAP. Under US GAAP the direct variable acquisition costs are deferred and recognised over the estimated life of the policy. 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.

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

- 7 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.
- 8 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.
- 9 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.
- 10 Westpac has not attributed any cost to options granted to employees under either the Senior Officers' Share Purchase Scheme, General Management Share Option Plan, or Chief Executive Share Option Agreement (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 2000, would have reduced by \$17 million or 0.9 cents per share (1999 \$19 million or 1.0 cent per share; 1998 \$13 million or 0.7 cents per share). The options have been calculated using the dividend adjusted Black & Scholes pricing model assuming an average life of 4 years, 25% (1999 25%; 1998 19%) volatility and a 85% probability for the performance.
- 11 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.
- 12 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.
- 13 Under Australian GAAP, the TOPrs are considered as effectively equity holders in Westpac and as such have not been classified as outside equity interest. Under US GAAP, the TOPrs would be classified as minority interest in the balance sheet and the distributions would be included as a reduction in the net income attributable to Westpac equity holders.
- 14 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 \$186 million (1999 \$144 million) in respect of off-balance sheet credit related commitments. Under US GAAP this component of the provision would be included with other liabilities.
- 15 Effective 1 October 1999, Westpac applied the requirement of Statement of Position (SOP98-5) 'start-up costs'. The initial application of SOP98-5 on 1 October 1999 resulted in the recognition of an expense of \$35 million before tax of \$11 million in respect of start-up costs which had been capitalised during previous financial years. These costs have continued to be capitalised under Australian GAAP and are being amortised over a period of up to 10 years.
- 16 Under Australian GAAP Westpac capitalises overheads incurred in developing computer software. Under US GAAP these costs must be expensed.
- 17 Under Australian GAAP Westpac has recognised an increase in equity and a corresponding receivable for the outstanding second instalment due on the NZ Class shares. In addition, foreign exchange contracts have been entered to hedge the foreign exchange risk on this receivable as it is denominated in New Zealand dollars. The gain and losses after tax on these hedges are included within the foreign currency translation reserve. Under US GAAP the receivable is treated as a reduction in shareholders' equity until it is received. Further, any gains and losses after tax on the hedge contracts are included within earnings.

|  | <b>2000</b>    | 1999  | 1998    |
|--|----------------|-------|---------|
|  | <b>\$m</b>     | \$m   | \$m     |
| <b>Consolidated statement of changes in US GAAP shareholders' equity</b> |                |       |         |
| Balance at beginning of year   | <b>8,751</b>   | 8,840 | 8,296   |
| (Decrease)/increase in share capital                                     | <b>215</b>     | (46)  | 38      |
| Premium on shares issued   | <b>273</b>     | 273   | 1,179   |
| Premium on shares bought back  | <b>(1,164)</b> | (845) | (1,174) |
| Currency translation adjustments (net of hedging gains/losses)           | <b>115</b>     | (13)  | (15)    |
| Net income   | <b>1,527</b>   | 1,409 | 1,301   |
| Dividends provided for or paid   | <b>(1,013)</b> | (866) | (853)   |
| US GAAP adjustments for:   |                |       |         |
| Final dividend proposed  | <b>512</b>     | 445   | 418     |
| Final dividend for prior year  | <b>(445)</b>   | (418) | (354)   |
| Available-for-sale securities  | <b>(38)</b>    | (28)  | 4       |
| Balance at year end  | <b>8,733</b>   | 8,751 | 8,840   |

**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 Westpac 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 15 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 2000, 1999 and 1998 includes superannuation (pension) expense adjustments after tax of \$7 million (credit), \$2 million (credit) and \$6 million (credit) respectively.

|   | 2000<br>\$m | 1999<br>\$m | 1998<br>\$m |
|---|-------------|-------------|-------------|
| These adjustments comprise:   |             |             |             |
| Elimination of superannuation expense/(benefit)<br>for Australian accounting purposes | 3           | (51)        | (57)        |
| Income tax applicable   | (1)         | 18          | 21          |
|   | <b>2</b>    | <b>(33)</b> | <b>(36)</b> |
| Recognition of a pension benefit calculated in accordance with US GAAP                | 16          | 55          | 65          |
| Income tax applicable   | (11)        | (20)        | (23)        |
|   | <b>5</b>    | <b>35</b>   | <b>42</b>   |
| <b>Net adjustment</b>   | <b>7</b>    | <b>2</b>    | <b>6</b>    |

The pension benefit calculated in accordance with US GAAP at 30 June comprises:

|   |           |           |           |
|---|-----------|-----------|-----------|
| Service cost                              | (82)      | (98)      | (85)      |
| Interest cost                             | (100)     | (98)      | (106)     |
| Return on assets                          | 163       | 197       | 198       |
| Net amortisation and deferral             | 60        | 58        | 58        |
| Net periodic pension benefit              | 41        | 59        | 65        |
| Contributions to the accumulation plan    | (24)      | (4)       | -         |
| <b>Net Group periodic pension benefit</b> | <b>17</b> | <b>55</b> | <b>65</b> |

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           | 1,538        | 1,723        | 1,600        |
| Net service cost                                  | 82           | 98           | 85           |
| Member contributions                              | 15           | 41           | 30           |
| Interest cost                                     | 100          | 98           | 106          |
| Benefit changes                                   | -            | 35           | -            |
| Actuarial (losses)/gains                          | 99           | (114)        | 87           |
| Curtailement and settlement of benefit obligation | -            | (152)        | -            |
| Benefits and expenses paid                        | (283)        | (191)        | (185)        |
| Benefit obligation at year end                    | <b>1,551</b> | <b>1,538</b> | <b>1,723</b> |

**Change in fair value of assets:**

|   |              |              |              |
|---|--------------|--------------|--------------|
| Fair value of assets at beginning of year     | 2,402        | 2,526        | 2,387        |
| Actual return on assets                       | 296          | 184          | 294          |
| Total contributions                           | 15           | 41           | 30           |
| Benefits and expenses paid                    | (283)        | (191)        | (185)        |
| Contributions to the accumulation plan        | (25)         | (4)          | -            |
| Settlements                                   | -            | (154)        | -            |
| Fair value of assets at year end <sup>1</sup> | <b>2,405</b> | <b>2,402</b> | <b>2,526</b> |

**Funded status at measurement date**

|                                       |       |       |       |
|---------------------------------------|-------|-------|-------|
| Assets not recognised:                |       |       |       |
| Transitional obligation assets        | (348) | (435) | (573) |
| Unrecognised net loss                 | 144   | 178   | 315   |
| Unrecognised prior year service costs | 28    | 52    | 59    |
| Repayment of pension costs            | 678   | 659   | 604   |

<sup>1</sup> 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 2000 are deposits with Westpac Banking Corporation totalling \$10.3 million (1999 \$22.6 million) and 3.5 million (1999 5.5 million) Westpac Banking Corporation ordinary shares having a total market value at that date of \$42 million (1999 \$53.8 million).

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

Assumptions used in determining the projected benefit obligation at 30 June 2000, 1999 and 1998 and in determining the pension benefit for the year ended on those dates included the following:

|   | 2000 | 1999 | 1998 |
|---|------|------|------|
| <b>Pension benefit</b>                                      |      |      |      |
| Assumed rate of return on plan assets                       | 7.5% | 8.0% | 8.5% |
| <b>Projected benefit obligation</b>                         |      |      |      |
| Average increase in future compensation levels <sup>1</sup> | 3.5% | 4.0% | 4.5% |
| Discount rate   | 6.5% | 5.5% | 6.5% |

<sup>1</sup> Plus promotional scales equivalent to approximately 1.5%.

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

**Capital adequacy**

At 30 September 2000, Westpac's tier 1 and total capital ratios were 6.6% and 9.9% respectively (1999 7.0% and 9.2% 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 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 one 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 2000, in accordance with United States guidelines, was 6.5% and 11.1% respectively (1999 7.1% and 10.4% respectively). Westpac's leverage ratio for US GAAP purposes is 4.6% (1999 4.9%).

|  | 2000  | Consolidated |       |       |       |
|--|-------|--------------|-------|-------|-------|
|  | \$m   | 1999         | 1998  | 1997  | 1996  |
|  |       | \$m          | \$m   | \$m   | \$m   |
| <b>Computation of ordinary share earnings</b>  |       |              |       |       |       |
| <b>AUSTRALIAN GAAP</b>   |       |              |       |       |       |
| Net income after deducting converting and non-converting preference dividends and TOPRS distribution | 1,672 | 1,448        | 1,248 | 1,252 | 1,093 |
| Average number of fully paid shares on issue (millions)  | 1,883 | 1,881        | 1,879 | 1,789 | 1,853 |
| Net income per share (cents)   | 88.8  | 77.0         | 66.4  | 70.0  | 59.0  |
| Converting and non-converting preference dividends   | -     | -            | 24    | 39    | 39    |
| TOPRS distribution   | 43    | 8            | -     | -     | -     |
| <b>US GAAP</b>   |       |              |       |       |       |
| Average issued fully paid \$1 shares   | 1,883 | 1,881        | 1,879 | 1,789 | 1,853 |
| Average convertible preference shares  | -     | -            | 50    | 73    | 97    |
| Average partly paid shares issued  | -     | -            | -     | 1     | 1     |
| Average options  | 23    | 11           | 22    | 22    | 15    |
| Average shares and share equivalents   | 1,906 | 1,892        | 1,951 | 1,885 | 1,966 |
| Net income after deducting converting and non-converting preference dividends                        | 1,527 | 1,409        | 1,277 | 1,324 | 1,094 |
| Basic net income per share (cents)   | 81.1  | 74.9         | 68.0  | 74.0  | 59.0  |
| Fully diluted net income per share (cents)   | 80.1  | 74.5         | 66.7  | 72.4  | 57.6  |
| Earnings per ADS (5 times earnings per share in cents)   | 405   | 374          | 340   | 370   | 295   |
| Converting and non-converting preference dividends   | -     | -            | 24    | 39    | 39    |

**Recent Accounting Pronouncements**

The requirements of Statement of Financial Accounting Standards (SFAS) No. 133 'Accounting for Derivative Instruments and Hedging Activities' as amended by SFAS 138 'Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment to Statement No. 133' issued in June 2000, is applicable to Westpac from 1 October 2000.

SFAS 133 requires all derivative instruments to be recognised as either assets or liabilities on the balance sheet, measured at their fair values. The statement permits special hedge accounting for fair value, cash flow and foreign currency hedges providing specific criteria are met. Certain aspects of the required specific hedge criteria do not allow portfolio hedging. The estimated cost of changing our risk management systems and practices to meet the specific hedge criteria was judged to be prohibitive.

For US GAAP purposes most hedging transactions entered into by Westpac will not qualify for hedge accounting and the hedging derivative will be accounted for at fair value in accordance with SFAS 133. The initial impact on US GAAP reporting will be an accumulated charge of approximately \$57 million to net income for the year ended 30 September 2001. The potential full year impact on net income according to US GAAP is estimated to fluctuate within a range of plus or minus 5% of net profit as reported under Australian GAAP.

For Australian GAAP reporting Westpac will continue to apply hedge accounting principles as adopted in the year ended 30 September 2000.

## Statutory statements

### DIRECTORS' DECLARATION

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

- (a) the financial statements of Westpac and consolidated financial statements of Westpac Banking Corporation ('the Group') and the notes to those financial statements:
  - (i) comply with applicable accounting standards and other mandatory professional reporting requirements;
  - (ii) are, in the opinion of the Directors, in accordance with the Corporations Law; and
  - (iii) give a true and fair view of the financial position and performance of Westpac and the Group, respectively as at 30 September 2000;
- (b) at the date of this declaration there are, in the Directors' opinion, reasonable grounds to believe that Westpac will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 3rd day of November 2000.

For and on behalf of the Board.



J.A. Uhrig  
Chairman



D.R. Morgan  
Managing Director and  
Chief Executive Officer

### INDEPENDENT AUDIT REPORT TO THE SHAREHOLDERS OF WESTPAC BANKING CORPORATION

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

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

#### Scope

We have audited the financial report of Westpac Banking Corporation ('the Parent Entity') and the consolidated financial report of Westpac Banking Corporation and its controlled entities ('the Group') for the year ended 30 September 2000, 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 43 to 116. The Parent Entity's Directors are responsible for the preparation and presentation of the financial reports and the information they contain. 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 and United States generally accepted auditing standards 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 and 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 an authorised deposit-taking institution 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 reports 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 2000 and 1999 and of the Parent Entity's results of operations and its cash flows for each of the two years ended 30 September 2000 and 1999 and the Group's results of operations and its cash flows for each of the three years ended 30 September 2000, 1999 and 1998; 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 an authorised deposit-taking institution 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 ended 30 September 2000, 1999 and 1998 and the determination of consolidated shareholders' equity at 30 September 2000, 1999 and 1998 to the extent summarised in note 45 to the financial statements.



R. Chowdry  
Chartered Accountants  
Sydney, Australia  
3 November 2000



M.J. Codling

# Shareholding information

## Top twenty ordinary shareholders as at 4 October 2000

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

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

## Substantial shareholders as at 4 October 2000

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

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



**Analysis of shareholdings as at 4 October 2000**

By class:

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

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

Percentage of total securities held by Top 20 holders in each class

|  |        |        |      |
|--|--------|--------|------|
|  | 55.84  | 100.00 | 22.4 |
| Holdings less than a marketable parcel | 14,670 |        |      |

By domicile:

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

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

**Westpac credit ratings (November 2000)**

|                           | Short term | Long term |
|---------------------------|------------|-----------|
| Fitch IBCA                | F1+        | AA-       |
| Moody's Investor Services | P-1        | Aa3       |
| Standard and 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 2000 AMP Limited and its associates owned approximately 12.4% 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 2000, our Directors and executive officers owned beneficially, directly or indirectly, an aggregate of 2,443,034 (0.14%) of the fully paid ordinary shares outstanding.

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 Option Plan. The exercise price is equal to the average closing price of our 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 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 Limited 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 2000, 49 officers held options under the General Management Share Option 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 was 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 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 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 our ordinary shares on the Australian Stock Exchange Limited 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 2000, there were 823 senior officers (757 in 1999) who held partly paid ordinary shares or options under the Senior Officers' Share Purchase Scheme. Managing Director Dr. D.R. Morgan holds 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 holds 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 our shareholders on 2 September 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 Limited at the time of the commencement of each performance period.

The number of unissued shares offered under the Senior Officers' Share Purchase Scheme and the 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 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 Investments Commission Class Order 94/1289, which provides relief from the prospectus regime of the Australian 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 Limited. 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 tables below set forth, for the calendar periods indicated, the reported high and low market quotations for our ordinary shares on the Australian Stock Exchange Limited based on its daily official list.

|                              | Per Ordinary Share in A\$ |       |
|------------------------------|---------------------------|-------|
|                              | High                      | Low   |
| <b>Financial year ending</b> |                           |       |
| September 2000               | 12.97                     | 9.16  |
| September 1999               | 12.06                     | 8.36  |
| September 1998               | 11.45                     | 7.10  |
| September 1997               | 9.10                      | 6.43  |
| September 1996               | 6.59                      | 5.20  |
| <b>Quarter ending</b>        |                           |       |
| <b>2000</b>                  |                           |       |
| March                        | 11.20                     | 9.94  |
| June                         | 12.51                     | 10.33 |
| September                    | 12.97                     | 11.65 |
| <b>1999</b>                  |                           |       |
| March                        | 11.73                     | 10.27 |
| June                         | 12.06                     | 9.55  |
| September                    | 10.26                     | 9.15  |
| December                     | 11.05                     | 9.16  |
| <b>1998</b>                  |                           |       |
| March                        | 10.80                     | 9.72  |
| June                         | 11.45                     | 9.15  |
| September                    | 10.86                     | 8.72  |
| December                     | 10.95                     | 8.36  |
| <b>Month ending – 2000</b>   |                           |       |
| September                    | 12.97                     | 12.38 |
| August                       | 12.97                     | 12.06 |
| July                         | 12.35                     | 11.65 |
| June                         | 12.51                     | 11.68 |
| May                          | 12.15                     | 10.40 |
| April                        | 11.14                     | 10.33 |

## Market price information (continued)

The tables below set forth for the calendar periods indicated, the reported high and low sales prices for the American Depositary Shares.

|                              | Per American depositary share in US\$ |          |
|------------------------------|---------------------------------------|----------|
|                              | High                                  | Low      |
| <b>Financial year ending</b> |                                       |          |
| September 2000               | 36 7/8                                | 30 1/16  |
| September 1999               | 33 9/16                               | 29 13/16 |
| September 1998               | 38 13/16                              | 34 7/16  |
| September 1997               | 32 15/16                              | 25 5/8   |
| September 1996               | 26                                    | 19 3/4   |
| <b>Quarter ending</b>        |                                       |          |
| <b>2000</b>                  |                                       |          |
| March                        | 35 7/16                               | 30 3/4   |
| June                         | 36 3/4                                | 31       |
| September                    | 36 7/8                                | 34 1/16  |
| <b>1999</b>                  |                                       |          |
| March                        | 36 13/16                              | 32 3/8   |
| June                         | 38 13/16                              | 31 15/16 |
| September                    | 33 9/16                               | 29 13/16 |
| December                     | 35                                    | 30       |
| <b>1998</b>                  |                                       |          |
| 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 |
| <b>Month ending – 2000</b>   |                                       |          |
| September                    | 36 13/16                              | 34 1/16  |
| August                       | 36 7/8                                | 35 1/4   |
| July                         | 35 13/16                              | 34 7/16  |
| June                         | 36 3/4                                | 34 5/16  |
| May                          | 34 11/16                              | 31       |
| April                        | 33 5/8                                | 31 15/16 |

Morgan Guaranty Trust Company of New York acts as depositary for our American Depositary Shares

**Market price information (continued)**

At 30 September 2000, there were 188,461 record holders, compared to 188,631 in 1999 and 171,450 in 1998, 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 2000, 1999 and 1998 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 Limited 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 Limited during the 20 trading days immediately before the conversion dates, discounted by 5%.

The table below sets forth, for the calendar periods indicated, the reported high and low market quotations for the Converting Preference Shares.

| Quarter ending | Per Converting Preference Share in A\$ |      |
|----------------|--|------|
|                | High                                   | Low  |
| <b>1998</b>    |  |      |
| March          | 10.74                                  | 9.71 |
| June           | 11.35                                  | 9.20 |
| September      | –                                      | –    |
| December       | –                                      | –    |
| <b>1997</b>    |  |      |
| March          | 8.55                                   | 8.16 |
| June           | 8.48                                   | 8.00 |
| September      | 9.08                                   | 8.30 |
| December       | 9.65                                   | 7.86 |

During the year a subsidiary, WestpacTrust Investments Limited, issued New Zealand Class shares which are listed on the New Zealand Stock Exchange. The market price of these shares at 30 September 2000 was NZ\$10.05. For the year to 30 September 2000, the highest reported market quotation for these shares was NZ\$10.35 and the lowest reported market quotation was NZ\$6.80.

## **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, 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;
- (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; or
  - 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.
  - The Taliban (also known as the Islamic Emirate of Afghanistan) or any undertaking owned or controlled, directly or indirectly by the Taliban.
  - The National Union for Total Independence of Angola as an organisation, senior officials of UNITA or adult members of the immediate families of senior officials of UNITA.

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 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 30 September 2000, 2.37% of our fully paid outstanding ordinary shares were held by shareholders with registered addresses outside Australia, of which 0.75% 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 a relevant interest in our voting shares if, after the acquisition, that person or any other person would be entitled to exercise more than 20% of the voting power 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 begins to have, or ceases to have, a substantial holding in us or if any person already has a substantial holding and there is a movement of at least 1% in their holding is required to give a notice to us and to the Australian Stock Exchange Limited providing certain prescribed information, including their name and address and details of their relevant interests in our voting shares. Such notice must, generally, be provided within two business days.

A person will have a substantial holding if the total votes attached to our voting shares in which they or their associates have relevant interests is 5% or more of the total number of votes attached to all our voting shares. The concepts of 'associate' and 'relevant interests' are broadly defined in the Corporations Law and investors are advised to seek their own advice on their scope. In general terms, a person will have a relevant interest in a share if they:

- (i) are the holder of that share;
- (ii) have power to exercise, or control the exercise of, a right to vote attached to that share; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, that share.

It does not matter how remote the relevant interest is or how it arises. If two or more persons can jointly exercise any one of these powers, each of them is taken to have a relevant interest. Nor does it matter that the power or control is express or implied, formal or informal, exercisable either alone or jointly with someone else or if the exercise of the power would result in a breach of contract, trust or other arrangement or understanding.

**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 is 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 legal counsel c/o Westpac Banking Corporation, 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 following discussion is a summary of certain Australian taxation implications of the ownership of Ordinary Shares (including American Depositary Shares). The statements concerning Australian taxation set out below are based on the laws in force at the date of the Annual Report 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'), and are subject to any changes in Australian law and any change in the Tax Treaty occurring after that date.

The discussion is intended only as a descriptive summary and does not purport to be a complete analysis of all the potential Australian tax implications of owning and disposing of Ordinary Shares. The specific tax position of each investor will determine the applicable Australian income tax implications for that investor and we recommend each investor consult their own tax advisers concerning the implications of owning and disposing of Ordinary Shares.

### Taxation of dividends

Under the Australian dividend imputation system, Australian tax paid at the company level is imputed (or allocated) to shareholders by means of imputation credits which attach to dividends paid by the company to the shareholder. Such dividends are termed 'franked dividends'.

When an Australian resident individual shareholder receives a franked dividend, the shareholder receives a tax credit which can be offset against the Australian income tax payable by the shareholder. An Australian resident shareholder may, in certain circumstances, be entitled to a refund of excess franking credits in relation to dividends paid on or after 1 July 2000.

While a company may only declare a dividend out of profits, the extent to which a dividend is franked typically depends upon a company's available franking credits at the time of payment of the dividend. Accordingly, a dividend paid to a shareholder may be wholly or partly franked or wholly unfranked.

Fully franked dividends paid to non-resident shareholders are exempt from Australian dividend withholding tax. Dividends paid to a non-resident shareholder which are not fully franked are subject to dividend withholding tax at the rate of 30% (unless reduced by a double tax treaty) to the extent they are unfranked. In the case of residents of the United States, the rate is reduced to 15% under the Tax Treaty provided the shares are not effectively connected with a permanent establishment or a fixed base of a non-resident in Australia through which the non-resident carries on business in Australia or provides independent personal services. In the case of residents of the United States that have a permanent establishment or fixed base in Australia and the shares in respect of which the dividends are paid are effectively connected with such a permanent establishment or fixed base, withholding tax at the rate of 30% will apply to the extent the dividends are not franked.

Fully franked dividends paid to non-resident shareholders and dividends that have been subject to dividend withholding tax are not subject to any further Australian income tax.

There are circumstances where a shareholder may not be entitled to the benefit of franking credits. The application of these rules depend upon the shareholder's own circumstances, if a resident, including the period which the shares are held and the extent to which the shareholder is 'at risk' in relation to their shareholding.

### Gain or Loss on Disposition of Shares

Subject to two exceptions, a non-resident disposing of shares in Australian public companies will be free from income tax in Australia. The exceptions are as follows:

- Shares held as part of a trade or business conducted through a permanent establishment in Australia. In such a case, any profit on disposal would be assessable to ordinary income tax. Losses would constitute an allowable deduction.
- Shares held in public companies where such shares represent (or in the last five years have represented) a holding of 10% or more by value in the issued capital of the company. In such a case, capital gains tax would apply, but not otherwise.

Capital gains tax in Australia is payable on 50% of any capital gains (without adjustment for inflation indexation) on the disposal of assets acquired on or after 1 October 1999 and held for at least 12 months by individuals. For the assets acquired prior to 1 October 1999, individuals will be able to choose between the following alternatives:

- Taxed on any capital gain after allowing for indexation of the cost base where the shares have been held for at least 12 months (ie the difference between the disposal price and the original cost indexed for inflation over the period). Indexing does not apply where the shares are disposed of within 12 months of acquisition. Indexation of the cost base for calculating capital gains tax is frozen at 30 September 1999 for all taxpayers including non-residents.
- Taxed on 50% of the actual capital gain (without adjustment for inflation indexation) where the shares have been held for at least 12 months.

Normal rates of income tax would apply to capital gains so calculated. Capital losses are not subject to indexation; they are available as deductions, but only in the form of offset against other capital gains. Depending upon which of the above alternatives is chosen, nominal capital losses are to be offset against capital gains net of frozen indexation or the full nominal capital gain before the 50% reduction. Excess capital losses can be carried forward for offset against future capital gains.



## 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\$0.5415 = 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 2000. See 'Exchange Rates' for information regarding the rates of exchange between the Australian dollar and the US dollar from financial year ended 30 September 1996 to 27 October 2000.

Our financial year ends on 30 September. As used throughout this Annual Report, the financial year ended 30 September 2000 is referred to as 2000, and other financial years are referred to in a corresponding manner.

'Financial Statements' means our audited consolidated balance sheets as of 30 September 2000 and 1999 and consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended 30 September 2000, 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              | 2001 <sup>1</sup> | 2000   | 1999   | 1998   | 1997   | 1996   |
|--------------------------------------|-------------------|--------|--------|--------|--------|--------|
|                                      | (US\$ per \$1.00) |        |        |        |        |        |
| High                                 | 0.5440            | 0.6687 | 0.6712 | 0.7386 | 0.8180 | 0.8026 |
| Low                                  | 0.5185            | 0.5372 | 0.5887 | 0.5550 | 0.7163 | 0.7318 |
| Average <sup>2</sup>                 | n/a               | 0.6032 | 0.6376 | 0.6444 | 0.7700 | 0.7718 |
| Close (on 30 September) <sup>3</sup> |                   | 0.5415 | 0.6528 | 0.5930 | 0.7250 | 0.7912 |

1 Through 27 October 2000. On 27 October 2000, the Noon Buying Rate was \$A1.00 = US\$0.5223.

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 to the financial statements.

## Management

Our business is governed by a board of directors of no fewer than seven and no more than fifteen in total, exclusive of executive directors. At 30 September 2000, the directors were:

| Name of director                       | Position           | Year appointed |
|--|--------------------|----------------|
| John Allan Uhrig <sup>12345</sup>      | Chairman           | 1989           |
| Leonard Andrew Davis <sup>26</sup>     | Deputy Chairman    | 1999           |
| David Raymond Morgan <sup>7</sup>      | Managing Director  | 1997           |
| William Barrett Capp <sup>34</sup>     | Director           | 1993           |
| Sir Llewellyn Roy Edwards <sup>4</sup> | Director           | 1988           |
| John Brehmer Fairfax <sup>2</sup>      | Director           | 1996           |
| Roger Patrick Handley                  | Executive Director | 1997           |
| Ian Rainy Lance Harper <sup>1</sup>    | Director           | 1987           |
| Warren Pat Hogan <sup>23</sup>         | Director           | 1986           |
| Helen Ann Lynch <sup>13</sup>          | Director           | 1997           |
| Eve Mahlab <sup>2</sup>                | Director           | 1993           |
| John Powell Morschel <sup>13</sup>     | Director           | 1993           |
| Peter David Ritchie <sup>14</sup>      | Director           | 1993           |
| Christopher John Stewart <sup>2</sup>  | Director           | 1997           |

1 Member of the Board Audit and Compliance Committee, which reviews our 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 our market risk limits and credit decisions, policies and control procedures, bad and doubtful debts performance and policies governing management of our credit portfolio. Above certain limits, credit decisions are also made by this committee.

3 Member of the Board Nominations Committee, which develops and reviews policies on director tenure, non-executive director remuneration and retirement schemes, board composition, strategic function and size, eligibility criteria for election of directors, and board and board committee effectiveness.

4 Member of the Board Remuneration Committee, which reviews our personnel matters, including remuneration, merit recognition, recruiting policies, management development, training policies and succession planning.

5 Appointed as Chairman on 1 October 1992.

6 Appointed as a director on 8 November 1999 and Deputy Chairman on 6 July 2000.

7 Appointed as Managing Director on 1 March 1999.

At 30 September 2000 our group executives were:

| <b>Name of group executive</b> | <b>Position</b>  | <b>Year<br/>joined<br/>Group</b> | <b>Year<br/>appointed<br/>to position</b> |
|--------------------------------|--|----------------------------------|---|
| David R. Morgan                | Managing Director and Chief Executive Officer            | 1990                             | 1999                                      |
| R. Patrick Handley             | Executive Director and Chief Financial Officer           | 1993                             | 1997                                      |
| Michael J. Hawker              | Group Executive Australian Business and Personal Banking | 1995                             | 1998                                      |
| Harry M. Price                 | Group Executive WestpacTrust, Pacific Banking and PEP    | 1961                             | 1999                                      |
| David S. Willis                | Group Executive Westpac Institutional Bank               | 1996                             | 1999                                      |
| David Clarke                   | Group Executive Banking and Financial Services Solutions | 2000                             | 2000                                      |
| Jeremy Gross                   | Group Executive Technology and Operations                | 1999                             | 1999                                      |
| Ann C. Sherry                  | Group Executive Human Resources                          | 1994                             | 1999                                      |
| Alexandra E. Holcomb           | Group Executive Group Strategy                           | 1996                             | 1999                                      |

Group executives serve at the discretion of our board of directors.

There are no family relationships between or among any of the directors or group executives.

### **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. Under the listing rules of the Australian Stock Exchange Limited all directors (apart from the managing director) must not hold office, without re-election, past the third Annual General Meeting following his or her appointment or three years, whichever is the longer.

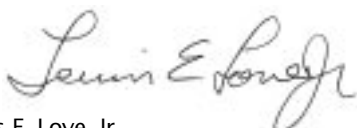
The office of a director shall become vacant upon the termination of the Annual General Meeting held next after he or she attains the age of 72 years. An Executive Director ceases to be a director upon retirement or resignation from us.

### **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  
Authorised Representative

Dated 3 November 2000

# Useful information for shareholders and customers

## Share Registries

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

### Australia

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

### New Zealand

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

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

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

\*Each ADS equals five, fully paid ordinary shares

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

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

## Westpac Investor Relations

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

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

Australia  
Telephone: (02) 9226 3143  
Facsimile: (02) 9226 1539

Overseas  
Telephone: 61 2 9226 3143  
Facsimile: 61 2 9226 1539

## Westpac's Internet site

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

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

## Banking and Financial Services

### Australia

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

### Westpac

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

### Bank of Melbourne

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

### Challenge Bank

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

### New Zealand

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

### WestpacTrust

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

  
[www.westpac.com.au](http://www.westpac.com.au)