

# Westpac Banking Corporation

ARBN 007 457 141

## FULL YEAR PROFIT RESULTS 1999

### Twelve months ended 30 September 1999

\$m	Twelve months to/as at 30 Sept 1999	30 Sept 1998	% Mov't Sept 98- Sept 99
Operating profit after income tax attributable to shareholders (\$m)			
before abnormals	1,456	1,342	↑ 8.5
after abnormals	1,456	1,272	↑ 14.5
Basic earnings per ordinary share (cents)			
before abnormals	77.0	70.1	↑ 9.8
after abnormals	77.0	66.4	↑ 16.0
Return on average ordinary equity before abnormals	16.8%	15.5%	↑ 8.4
Dividends per ordinary share (cents)	47.0	43.0	↑ 9.3

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# 1 REVIEW OF GROUP RESULTS<sup>1</sup>

## 1.1 SUMMARY

Westpac Banking Corporation today announced an operating profit after income tax, attributable to ordinary shareholders, of \$1,456 million for the full year ended 30 September 1999, an **8.5% increase before abnormals** and a 14.5% increase after abnormals.

**Earnings per share were up 9.8%** to 77.0 cents before abnormals.

Directors intend declaring a final dividend of 24 cents per ordinary share (unfranked), an increase of 9.1% over the 1998 final dividend of 22 cents per ordinary share (fully franked). The full year dividend of 47 cents (partly franked) is a 9.3% increase over the 1998 full year dividend of 43 cents per ordinary share (fully franked), and represents a dividend payout ratio of 60.2%.

Key highlights of the results were:

- **Strong volume growth** in attractive markets, evidenced in Australia by home mortgages up 14.6%, credit cards up 27.0%, and funds under management up 17.6%.
- **Continued solid growth in non-interest income**, up 6.8% for the year and 6.1% on the first half. In the full year, non-interest income represented 37.1% of total income, up from 35.6%.
- **Containment of expenses**, with the expense to income ratio falling to 57.1% in the second half, from 58.7% in the first half, and to 57.9% for the year, from 58.4%. Total non-interest expenses declined 0.8% in the second half.
- **Continued sound asset quality**, with net impaired loans falling to 3.1% of shareholders' equity and general provisions, from 5.0% as at 30 September 1998. Total provisions now cover total impaired loans 2.3 times, up from 1.9 times, while total provisions to total loans and acceptances remained relatively constant at 1.4%.
- **An improved return on capital**, with the return on ordinary equity rising to 17.2% in the second half, from 16.4% in the first half, and to 16.8% for the full year, from 15.5%.

The results demonstrate that the steady rebuilding on strong fundamentals of an expanded customer base, top quartile staff morale, improved customer satisfaction ranking, positive market share trends, and sound asset quality, is beginning to flow into financial performance. This was particularly evident in the consistent second half improvement in key financial indicators and the 12<sup>th</sup> successive half-yearly increase in pre-abnormal profits.

## 1.2 KEY ISSUES

### Cost Performance

Non-interest expenses were up 1.2% year on year, including Year 2000 and ongoing restructuring costs. In the second half, expenses were down 1% reflecting early benefits from initiatives to lower Westpac's cost structure.

Total staff expenses were flat half on half, with salaries and wages declining 3% in the second half. Staff numbers declined by approximately 5% or 1,938 equivalent full time positions during the year.

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<sup>1</sup> Comparatives in this section are with the full year ended 30 September 1998 unless otherwise stated.

## **Income Growth**

Total non-interest income grew 7%.

Commissions from the sale of investment and insurance products increased 32%, while fees associated with credit cards grew 63%, reflecting increased customer usage and improved market share. At the same time, the collection rate of fees for various branch-related services improved by 20%.

Higher product penetration was seen in Victoria, Western Australia (WA) and New Zealand, as the focus shifted from achieving merger synergies and customer retention, to enhancing customer relationships. For example, credit card growth in Victoria was 46% and in WA 43%, compared to Westpac's Australia wide growth of 32%. Similarly, sales of investment and insurance products increased by 19% in Victoria and 23% in WA, compared with Australia wide growth of 18%. In New Zealand, positive trends were also evident, with WestpacTrust achieving the highest retail funds inflow in the June 1999 quarter.

Transaction fee income increased 19%. The level of cost recovery on consumer transaction accounts is around 45%.

## **Stronger Return on Shareholders' Equity**

Progress was evident on Westpac's key financial objective of delivering returns well above the cost of capital to shareholders, anchored around sustainable earnings growth.

The return on equity was up from 15.6% in the second half of 1998, to 17.2% in the second half of 1999, representing growth of approximately 10%. This improvement in returns was driven principally by the 12% growth in earnings over the same period, with retained earnings growth more than offsetting capital reductions through buy-backs.

## **Asset Quality**

Westpac's asset quality continues to improve and is of fundamental importance as we structure and manage our balance sheet and asset growth. All key asset quality indicators have improved on the prior period. Despite the total level of provisions falling 6%, the quality of our book has improved such that total impaired assets as a percentage of equity and total provisions have fallen to 6.1% from 8.3%.

### **1.3 KEY INITIATIVES FOR 2000**

Whilst achieving steady trend improvement in key areas, the 1999 result is not fully reflective of the Westpac Group's current potential. Operational focus is on eCommerce initiatives, enhancing revenue growth, and delivering a fully competitive cost structure. Continuing to improve the efficiency of the capital structure remains an additional priority.

With the objective of continually improving shareholder value, the key initiatives for 2000 are:

#### **eCommerce**

Over the last 18 months, Westpac has emerged as the leading Internet bank in Australia, based on customer numbers and independent industry assessments. Expectations are for continuing rapid growth in customer sign-ups, as additional initiatives in the near term will continue to enhance value to customers. Recent and planned initiatives include:

- The launch of ImpEx™, an Internet-based trade payments processing facility; eMarket a partnership with leading merchants to deliver secure card payments across the Internet; and a

new, on-line home loan centre to allow customers to track origination and processing of mortgage applications.

- In the next 12 months, new products and services will include on-line share trading, electronic bill presentment, and completion of 'Launchpad', an Internet based sales platform for Westpac's financial advisers and planners.

### **Revenue Growth**

Success in deepening customer product holdings, commencing in 1997 with funds management products, broadened during the year, particularly in the insurance, credit cards and home loan product areas.

As a result, the number of priority consumer customers in Australia increased by 37%, from 410,000 to 560,000. This improvement is expected to continue and broaden into other product areas.

### **Fully Competitive Cost Structures**

Westpac's current efficiency gap, relative to its major competitors, adds approximately five cents in the dollar to its cost to serve customers. This impacts its ability to competitively price products and capacity to aggressively invest in future growth opportunities, such as electronic commerce and new forms of distribution.

Recently, a number of initiatives have been announced, which over the next two years are expected to deliver expenditure reductions of \$300 million. Allowing for the one-off costs associated with implementing these initiatives, as well as the implementation of GST and our Olympic partnerships, together with continued growth in business volumes, overall expenses should, at a minimum, remain flat in nominal terms over the next two years.

Expense initiatives include:

- Moving to a significantly smaller corporate head office and a shared services model.
- Streamlining and simplifying credit processes, documentation and settlement, which is the single most widespread activity in the Group, while improving customer service and responsiveness.
- Improving back office efficiency and effectiveness via the consolidation of operations and services.
- Leveraging Westpac's substantial buying power, by optimising external sourcing of goods and services.

### **Capital Efficiency**

To date, the cornerstones of Westpac's capital management have been careful pricing for risk, on-market buy-backs and the securitisation of mortgages.

During the year, the focus shifted to initiatives to diversify equity sources and to improve the overall capital efficiency and structure. Two major diversification initiatives were successfully executed in the second half (see section 5.2 for more detail).

#### **1.4 TAX CHANGES**

Westpac has established a project to implement the GST effective from 1 July 2000. The implementation of the GST will necessarily involve additional costs to Westpac and require expenditure to change core systems. Whilst part of these costs cannot be passed on as GST to customers, Westpac will seek to recover as much of this cost as is consistent with regulatory and government guidance, and market pricing dynamics.

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

#### **1.5 YEAR 2000**

Westpac is ready for Year 2000. After significant preparation, it has now given its customers a guarantee that their money is safe and that their financial records will be accurately maintained.

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

#### **1.6 FRANKING OF DIVIDENDS**

As announced in May 1999, Directors decided to utilise the value of tax losses built up in earlier years, resulting in the 1999 final dividend being unfranked. This removed the risk to shareholders of a future adverse impact to earnings should these tax losses not be fully available at that time. Subsequently, the Government announced its intention to reduce corporate tax rates. The utilisation of the losses has not affected the full year result and will not impact subsequent results. The directors expect to be able to fully frank the July 2000 dividend.

## 1.7 FINANCIAL SUMMARY

	Six months to/as at		Twelve months to/as at	
	30 Sept	31 March	30 Sept	30 Sept
	1999	1999	1999	1998
<b>Shareholder value</b>				
Basic earnings per ordinary share (cents)				
before intangibles and abnormals	42.7	39.6	82.3	75.8
before abnormals	40.0	37.0	77.0	70.1
after abnormals	40.0	37.0	77.0	66.4
Return on average ordinary equity (annualised)				
before abnormals	17.2%	16.4%	16.8%	15.5%
after abnormals	17.2%	16.4%	16.8%	14.7%
Fully franked dividends per ordinary share (cents)	-	23.0	23.0	43.0
Unfranked dividends per ordinary share (cents)	24.0	-	24.0	-
Dividend payout ratio				
before abnormals	59.6%	60.8%	60.2%	61.2%
after abnormals	59.6%	60.8%	60.2%	64.6%
<b>Earnings</b>				
Core earnings (\$m) <sup>(1) (2)</sup>	1,245	1,179	2,424	2,337
Operating profit after income tax attributable to equity holders (\$m)				
before abnormals	755	701	1,456	1,342
after abnormals	755	701	1,456	1,272
Return on average assets (annualised)				
before abnormals	1.08%	1.00%	1.04%	0.96%
after abnormals	1.08%	1.00%	1.04%	0.91%
Net interest spread	2.74%	2.85%	2.79%	2.86%
Net interest margin	3.23%	3.31%	3.27%	3.44%
Non-interest income/total operating income	37.9%	36.4%	37.1%	35.6%
<b>Productivity and efficiency</b>				
Productivity ratio <sup>(3)</sup>	3.21	3.13	3.17	3.30
Expense to income ratio before intangibles	57.1%	58.7%	57.9%	58.4%
Personnel numbers				
Core full time equivalent (FTE)	31,731	32,482	31,731	33,222
Implied full time equivalent (FTE) <sup>(4)</sup>	33,574	34,764	33,574	35,512
Average implied FTE	33,828	34,824	34,326	35,582

<sup>(1)</sup> Operating profit (including gross up) before charge for bad and doubtful debts, income tax, intangibles and abnormals

<sup>(2)</sup> See note 1 on page 12 for explanation of gross-up

<sup>(3)</sup> Operating income/salaries and other staff expenses

<sup>(4)</sup> Implied FTE includes core FTE, overtime, temporary staff and contractors

## 1.7 FINANCIAL SUMMARY (Cont'd)

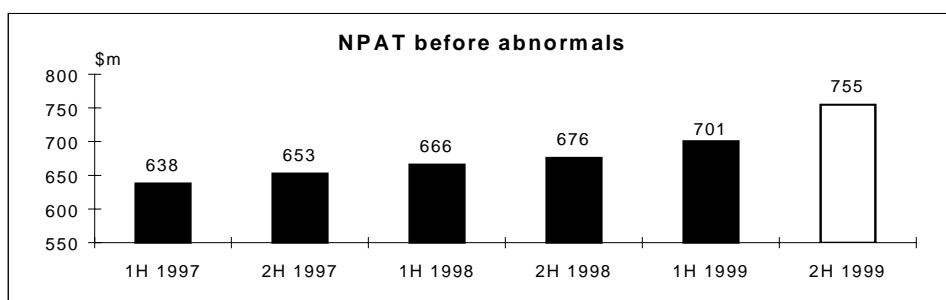
	Six months to/as at		Twelve months to/as at	
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998
<b>Capital adequacy</b>				
Capital adequacy ratios				
Total	9.2%	9.1%	9.2%	9.3%
Tier 1	7.0%	6.8%	7.0%	6.8%
Total tangible equity to total tangible assets	5.3%	5.1%	5.3%	5.0%
Total tangible equity to total risk adjusted assets	7.1%	6.9%	7.1%	7.0%
Average ordinary equity (\$m)	8,643	8,575	8,609	8,484
Average total equity (\$m)	8,855	8,575	8,715	8,862
<b>Assets</b>				
Total assets (\$m)	140,220	138,536	140,220	137,319
Total assets pre securitisation (\$m)	146,640	143,766	146,640	142,958
Net loans and acceptances (\$m)	107,965	106,477	107,965	102,063
Net loans and acceptances pre securitisation (\$m)	114,385	111,707	114,385	107,702
Risk-adjusted assets (\$m)	102,592	101,289	102,592	97,430
<b>Asset quality</b>				
Impaired loans to total loans and acceptances	0.6%	0.7%	0.6%	0.8%
Specific provisions to total impaired assets	51.2%	46.5%	51.2%	42.5%
Total provisions to total impaired assets	233%	210%	233%	188%
Total provisions to total loans and acceptances	1.4%	1.5%	1.4%	1.5%
Total bad and doubtful debt charge to average loans and acceptances (basis points)	14	18	16	16
Total impaired assets to equity and total provisions	6.1%	7.3%	6.1%	8.3%
Net impaired assets to equity and general provisions	3.1%	4.0%	3.1%	5.0%



## 1.7 FINANCIAL SUMMARY (Cont'd)

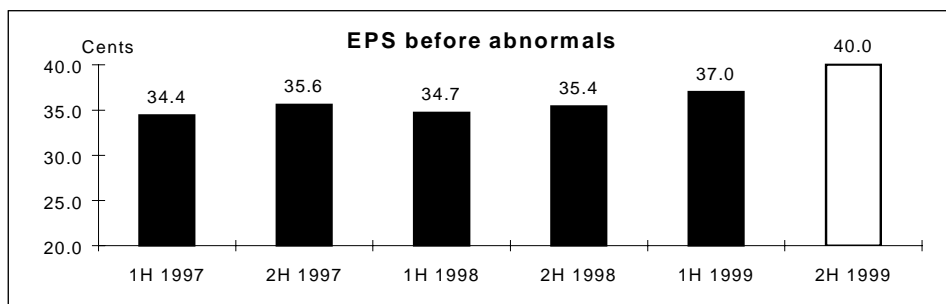
### Earnings

Profit on operations continues its consistent growth, up 8.5% on the prior corresponding period to \$1,456m.



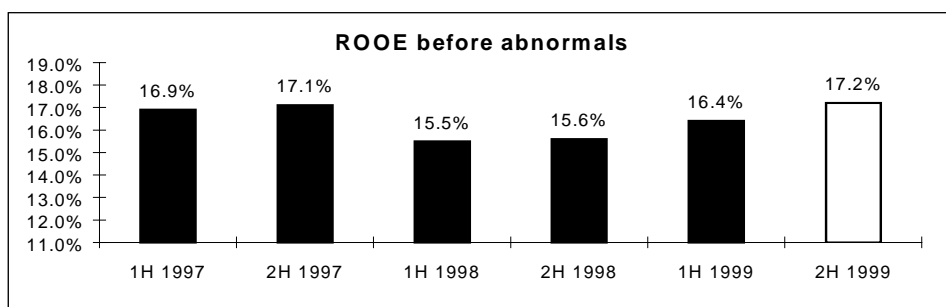
### Earnings per share

Earnings per share has grown 9.8% over 1998, showing the benefits of both NPAT performance and the results of the Group's capital management programme.



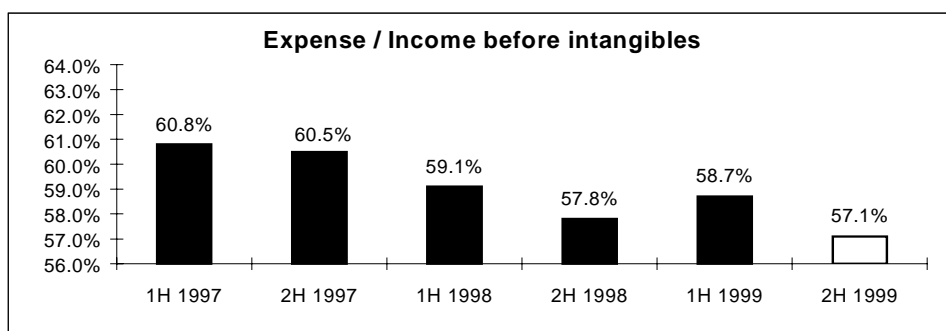
### Profitability

Return on ordinary equity (ROOE) before abnormals increased to 16.8% for the full year, (17.2% for 2H99), due to continued performance improvement, combined with active capital management.



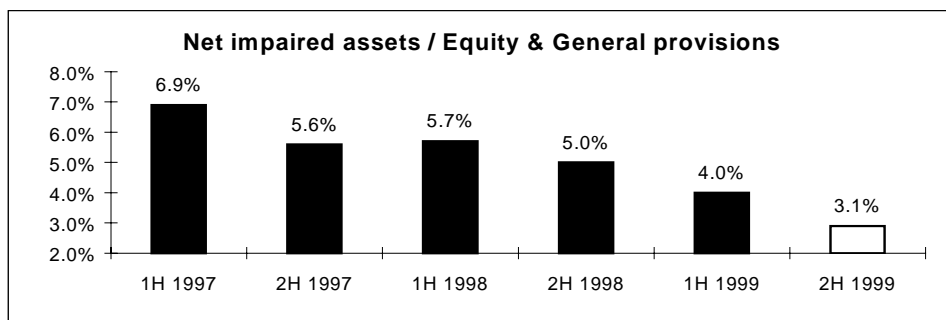
### Efficiency

The expense to income ratio before intangibles has improved 1.6 percentage points over the 1H99 reflecting successful underlying expense containment.



### Impaired Assets

Westpac's already sound asset quality continued to improve in the period.



## 2 PROFIT AND LOSS

### 2.1 PROFIT AND LOSS STATEMENTS

(Based on results that have been subject to review by Westpac's auditors)

\$m	Six months to		Twelve months to		% Mov't Sept 98- Sept 99
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998	
<b>Interest income</b>					
Deposits with banks	95	97	192	282	(31.9)
Investment and trading securities	281	309	590	581	1.5
Statutory deposits	7	8	15	13	15.4
Loans and other receivables	3,716	3,835	7,551	8,020	(5.8)
<b>Interest income</b>	<b>4,099</b>	<b>4,249</b>	<b>8,348</b>	<b>8,896</b>	<b>(6.2)</b>
Fully tax equivalent gross up (note 1)	68	59	127	128	(0.8)
<b>Interest income (including gross up)</b>	<b>4,167</b>	<b>4,308</b>	<b>8,475</b>	<b>9,024</b>	<b>(6.1)</b>
<b>Interest expense</b>					
Current and term deposits	(1,645)	(1,740)	(3,385)	(3,927)	(13.8)
Public borrowings	(154)	(163)	(317)	(360)	(11.9)
Deposits from banks	(90)	(104)	(194)	(275)	(29.5)
Loan capital	(89)	(86)	(175)	(173)	1.2
Other liabilities	(385)	(400)	(785)	(669)	17.3
<b>Interest expense</b>	<b>(2,363)</b>	<b>(2,493)</b>	<b>(4,856)</b>	<b>(5,404)</b>	<b>(10.1)</b>
<b>Net interest income (including gross up)</b>	<b>1,804</b>	<b>1,815</b>	<b>3,619</b>	<b>3,620</b>	<b>(0.0)</b>
<b>Non-interest income</b>					
Fees and commissions	765	710	1,475	1,376	7.2
Financial markets income	133	151	284	410	(30.7)
General and life insurance income	70	84	154	134	14.9
Other income	133	93	226	83	172.3
<b>Non-interest income</b>	<b>1,101</b>	<b>1,038</b>	<b>2,139</b>	<b>2,003</b>	<b>6.8</b>
<b>Operating income (including gross up)</b>	<b>2,905</b>	<b>2,853</b>	<b>5,758</b>	<b>5,623</b>	<b>2.4</b>
Charge for bad and doubtful debts	(72)	(99)	(171)	(168)	1.8
<b>Operating income (including gross up) net of provisions for bad and doubtful debts</b>	<b>2,833</b>	<b>2,754</b>	<b>5,587</b>	<b>5,455</b>	<b>2.4</b>
<b>Non-interest expenses</b>					
Salaries and other staff expenses	(915)	(915)	(1,830)	(1,704)	7.4
Equipment and occupancy expenses	(303)	(299)	(602)	(641)	(6.1)
Other expenses	(442)	(460)	(902)	(941)	(4.1)
Amortisation of intangibles	(50)	(50)	(100)	(106)	(5.7)
<b>Non-interest expenses</b>	<b>(1,710)</b>	<b>(1,724)</b>	<b>(3,434)</b>	<b>(3,392)</b>	<b>1.2</b>
<b>Operating profit before income tax (including gross up)</b>	<b>1,123</b>	<b>1,030</b>	<b>2,153</b>	<b>2,063</b>	<b>4.4</b>
Fully tax equivalent gross up (note 1)	(68)	(59)	(127)	(128)	(0.8)
<b>Operating profit before income tax (excluding gross up)</b>	<b>1,055</b>	<b>971</b>	<b>2,026</b>	<b>1,935</b>	<b>4.7</b>
Income tax expense	(300)	(267)	(567)	(589)	(3.7)
Outside equity interests	-	(3)	(3)	(4)	(25.0)
<b>Profit on operations</b>	<b>755</b>	<b>701</b>	<b>1,456</b>	<b>1,342</b>	<b>8.5</b>
Abnormal item (net of tax)	-	-	-	(70)	
<b>Operating profit after income tax attributable to shareholders</b>	<b>755</b>	<b>701</b>	<b>1,456</b>	<b>1,272</b>	<b>14.5</b>

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

## 2.1 PROFIT AND LOSS STATEMENTS (Cont'd)

\$m	Six months to/as at		Twelve months to/as at		% Mov't Sept 98- Sept 99
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998	
Retained profits at the beginning of the financial period	2,503	2,241	2,241	1,873	19.6
Operating profit after income tax attributable to shareholders	755	701	1,456	1,272	14.5
Aggregate of amounts transferred (to)/ from reserves	(26)	(9)	(35)	(51)	(31.4)
<b>Total available for appropriation</b>	<b>3,232</b>	<b>2,933</b>	<b>3,662</b>	<b>3,094</b>	<b>18.4</b>
Dividends provided for or paid	(436)	(430)	(866)	(853)	1.5
Distributions on other equity instruments	(8)	-	(8)	-	
<b>Retained profits at the end of the financial period</b>	<b>2,788</b>	<b>2,503</b>	<b>2,788</b>	<b>2,241</b>	<b>24.4</b>

## 2.2 EARNINGS PER SHARE (cents)

\$m	Six months to		Twelve months to		% Mov't Sept 98- Sept 99
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998	
Earnings (cents) per ordinary share after deducting preference dividends					
Basic					
before abnormals	40.0	37.0	<b>77.0</b>	70.1	9.8
after abnormals	40.0	37.0	<b>77.0</b>	66.4	16.0
Fully diluted <sup>(1)</sup>					
before abnormals	39.8	36.3	<b>76.1</b>	68.0	11.9
after abnormals	39.8	36.3	<b>76.1</b>	64.5	18.0
Weighted average number of fully paid ordinary shares (millions)	1,867	1,895	1,881	1,879	0.1

<sup>(1)</sup> Fully diluted earnings per share is after adjusting for partly paid shares and options outstanding.

## 2.3 DIVIDENDS

Cents per share	Six months to		Twelve months to	
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998
<b>Ordinary dividend</b>				
Interim (fully franked @ 36%)	-	23.0	23.0	21.0
Final (fully franked @ 36%)	-	-	-	22.0
Final (unfranked)	24.0	-	24.0	-
<b>Total dividend provided for or paid</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Ordinary	445	426	871	806
Preference	-	-	-	24
	445	426	871	830
(Over)/underprovision for final dividend of previous year <sup>(1)</sup>	-	(5)	(5)	23
	445	421	866	853
<b>Ordinary dividend payout ratio (before abnormals)</b>	59.6%	60.8%	60.2%	61.2%

### Distributions on other equity instruments

TOPrS distributions paid	8	-	8	-
<b>Total distributions on other equity instruments</b>	<b>8</b>	<b>-</b>	<b>8</b>	<b>-</b>

<sup>(1)</sup> The underprovision for the twelve months to 30 September 1998 was due to the increased number of shares on issue as a result of the merger with Bank of Melbourne. These were issued subsequent to the end of the previous financial period.

## 2.4 INTEREST SPREAD AND MARGIN ANALYSIS

Given the level of detail required for an analysis of interest spread and margin, the information disclosed on pages 13 to 17 only is rounded to 2 decimal places.

### 2.4.1 Spread and Margin Analysis

%	Six months to		Twelve months to	
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998
<b>Group</b>				
Interest spread on productive assets <sup>(1)</sup>	2.77	2.89	2.83	2.90
Impact of impaired loans	(0.03)	(0.04)	(0.04)	(0.04)
Interest spread <sup>(2)</sup>	2.74	2.85	2.79	2.86
Benefit of net non-interest bearing liabilities and equity <sup>(3)</sup>	0.49	0.46	0.48	0.58
Interest margin	3.23	3.31	3.27	3.44
<b>Australia</b>				
Interest spread on productive assets <sup>(1)</sup>	2.74	2.94	2.84	3.16
Impact of impaired loans	(0.02)	(0.02)	(0.02)	(0.04)
Interest spread <sup>(2)</sup>	2.72	2.92	2.82	3.12
Benefit of net non-interest bearing liabilities and equity <sup>(3)</sup>	0.54	0.47	0.50	0.54
Interest margin	3.26	3.39	3.32	3.66
<b>New Zealand</b>				
Interest spread on productive assets <sup>(1)</sup>	3.15	2.93	3.03	2.74
Impact of impaired loans	(0.02)	(0.02)	(0.02)	(0.03)
Interest spread <sup>(2)</sup>	3.13	2.91	3.01	2.71
Benefit of net non-interest bearing liabilities and equity <sup>(3)</sup>	0.12	0.07	0.11	0.11
Interest margin	3.25	2.98	3.12	2.82
<b>Other Overseas</b>				
Interest spread on productive assets <sup>(1)</sup>	0.81	0.87	0.83	0.74
Impact of impaired loans	(0.05)	(0.08)	(0.06)	(0.04)
Interest spread <sup>(2)</sup>	0.76	0.79	0.77	0.70
Benefit of net non-interest bearing liabilities and equity <sup>(3)</sup>	0.53	0.68	0.61	0.83
Interest margin	1.29	1.47	1.38	1.53

<sup>(1)</sup> **Interest spread on productive assets** is determined on the basis of the interest spread formula after excluding non-accrual loans, and the interest relating thereto, from the equation.

<sup>(2)</sup> **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.

<sup>(3)</sup> **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.

## 2.4.2 Average Balance Sheets and Interest Rates

	Twelve months to 30 September 1999			Twelve months to 30 September 1998		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	\$m	\$m	%	\$m	\$m	%
<b>Assets</b>						
<b>Interest earning assets</b>						
Due from other financial institutions						
Australia	956	30	3.1	872	34	3.9
New Zealand	1,120	54	4.8	1,421	115	8.1
Other Overseas	1,849	108	5.8	2,315	133	5.7
Investment and trading securities						
Australia	6,528	400	6.1	5,592	347	6.2
New Zealand	586	37	6.3	1,217	76	6.2
Other Overseas	2,368	153	6.5	2,118	158	7.5
Regulatory deposits						
Other Overseas	302	15	5.0	252	13	5.2
Loans and other receivables						
Australia	73,693	5,944	8.1	67,496	5,794	8.6
New Zealand	19,332	1,451	7.5	19,131	1,987	10.4
Other Overseas	3,251	261	8.0	4,094	345	8.4
Impaired loans						
Australia	428	16	3.7	570	15	2.6
New Zealand	114	5	4.4	122	6	4.9
Other Overseas	207	1	0.5	138	1	0.7
<b>Total interest earning assets and interest income</b>	<b>110,734</b>	<b>8,475</b>	<b>7.7</b>	<b>105,338</b>	<b>9,024</b>	<b>8.6</b>
<b>Non-interest earning assets</b>						
Cash, bullion, due from other banks and statutory deposits	861			1,253		
Other assets	19,369			23,217		
Provisions for doubtful debts						
Australia	(1,324)			(1,379)		
New Zealand	(106)			(117)		
Other Overseas	(146)			(97)		
<b>Total non-interest earning assets</b>	<b>18,654</b>			<b>22,877</b>		
Acceptances						
Australia	10,905			11,315		
New Zealand	7			43		
Other Overseas	50			74		
<b>Total assets</b>	<b>140,350</b>			<b>139,647</b>		

## 2.4.2 Average Balance Sheets and Interest Rates (Cont'd)

	Twelve months to 30 September 1999			Twelve months to 30 September 1998		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
<b>Liabilities and shareholders' equity</b>						
<b>Interest bearing liabilities</b>						
Deposits						
Australia	50,367	2,273	4.5	47,772	2,261	4.7
New Zealand	15,431	647	4.2	15,459	1,128	7.3
Other Overseas	8,690	465	5.4	9,170	538	5.9
Public borrowings by subsidiary borrowing corporations						
Australia	5,495	298	5.4	5,383	329	6.1
New Zealand	247	19	7.7	392	31	7.9
Other Overseas	-	-	-	2	-	-
Due to other financial institutions						
Australia	314	13	4.1	498	22	4.4
New Zealand	138	8	5.8	110	15	13.6
Other Overseas	3,264	173	5.3	3,803	238	6.3
Loan capital						
Australia	2,386	170	7.1	2,110	169	8.0
New Zealand	52	5	9.6	42	4	9.5
Other Overseas	-	-	-	15	-	-
Other interest bearing liabilities						
Australia	6,951	501	7.2	5,876	384	6.5
New Zealand	2,662	98	3.7	1,644	147	8.9
Other Overseas	3,905	186	4.8	2,357	138	5.9
<b>Total interest bearing liabilities and interest expense</b>	<b>99,902</b>	<b>4,856</b>	<b>4.9</b>	<b>94,633</b>	<b>5,404</b>	<b>5.7</b>
<b>Non-interest bearing liabilities</b>						
Deposits and due to other banks						
Australia	3,603			3,581		
New Zealand	959			1,049		
Other Overseas	527			515		
Other liabilities	15,685			19,575		
<b>Total non-interest bearing liabilities</b>	<b>20,774</b>			<b>24,720</b>		
Acceptances of customers						
Australia	10,905			11,315		
New Zealand	4			43		
Other Overseas	50			74		
<b>Total liabilities</b>	<b>131,635</b>			<b>130,785</b>		
Ordinary shareholders' equity	8,609			8,484		
TOPrS	103			-		
Preference shareholders' equity	-			375		
Outside equity interests	3			3		
<b>Total Equity</b>	<b>8,715</b>			<b>8,862</b>		
<b>Total liabilities and equity</b>	<b>140,350</b>			<b>139,647</b>		

## 2.4.2 Average Balance Sheets and Interest Rates (Cont'd)

	Twelve months to 30 September 1999			Twelve months to 30 September 1998		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
<b>Interest earning assets (including impaired loans)</b>						
Australia	81,605	6,390	7.8	74,530	6,190	8.3
New Zealand	21,152	1,547	7.3	21,891	2,184	10.0
Other Overseas	17,965	1,073	6.0	17,819	1,186	6.7
Intragroup	(9,988)	(535)		(8,902)	(536)	
<b>Group</b>	<b>110,734</b>	<b>8,475</b>	<b>7.7</b>	<b>105,338</b>	<b>9,024</b>	<b>8.6</b>
<b>Interest bearing liabilities</b>						
Australia	73,375	3,679	5.0	66,653	3,459	5.2
New Zealand	20,656	888	4.3	21,535	1,567	7.3
Other Overseas	15,859	824	5.2	15,347	94	6.0
Intragroup	(9,988)	(535)		(8,902)	(536)	
<b>Group</b>	<b>99,902</b>	<b>4,856</b>	<b>4.9</b>	<b>94,633</b>	<b>5,404</b>	<b>5.7</b>
<b>Interest spread</b>						
Australia			2.8			3.1
New Zealand			3.0			2.7
Other Overseas			0.8			0.7
Group			2.8			2.9



### **2.4.3 Commentary on Spreads and Margins**

#### **Group**

During the year, the interest spread declined by 7 basis points. The decline can be attributed to the Australian business, offset by solid spread growth in New Zealand and an improving spread in other overseas businesses.

Interest spreads in the New Zealand business were substantially higher year on year, helped significantly by a continued focus on pricing for risk and net interest income hedging.

The Group's interest margin fell by 17 basis points. 10 basis points was attributable to lower earnings on lower non-interest bearing liability outstandings, especially as a result of the Group's share buy-back activities. During the year Westpac repurchased 87.7m shares.

#### **Australia**

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

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

The industry wide shift from bank deposits toward unit trust and superannuation products has necessitated increased reliance on wholesale markets in order to fund the asset growth achieved. This dynamic has been mitigated by the success of the funds management business in capturing retail savings flows. This has been reflected in the 17.6% growth in funds under management and a growing contribution to the non interest income line.

Westpac expects competitive forces to continue to place pressure on spreads in Australia going forward. However, given our strong track record, we expect to be able to manage the impact of these forces at least as well as our peers.

#### **New Zealand**

In an environment where interest rates declined by over 450 basis points during the period from June 1998 to December 1998, New Zealand has improved their interest spread by 30 basis points since September 1998, primarily through careful application of net interest income hedging strategies.

This also translated directly into a 30 basis point increase in interest margin from 2.82% to 3.12%.

## 2.5 NON-INTEREST INCOME ANALYSIS

\$m	Six months to		Twelve months to		% Mov't Sept 98- Sept 99
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998	
<b>Fees and commissions</b>					
Lending fees	270	242	512	508	0.8
Transaction fees and commissions received	338	307	645	533	21.0
Other non-risk fee income	157	161	318	335	(5.1)
	<b>765</b>	<b>710</b>	<b>1,475</b>	<b>1,376</b>	<b>7.2</b>
<b>Financial markets income</b>					
Foreign exchange	127	119	246	295	(16.6)
Other	6	32	38	115	(67.0)
	<b>133</b>	<b>151</b>	<b>284</b>	<b>410</b>	<b>(30.7)</b>
<b>General and life insurance income</b>					
Westpac Life MOS <sup>(1)</sup>	63	61	124	90	37.8
Insurance commissions and premiums (net of claims paid)	7	23	30	44	(31.8)
	<b>70</b>	<b>84</b>	<b>154</b>	<b>134</b>	<b>14.9</b>
<b>Other income</b>					
Dividends received	18	17	35	15	133.3
Lease rentals	5	5	10	12	(16.7)
Cost of hedging overseas operations	11	3	14	(13)	207.7
Service and management fees	6	1	7	2	250.0
Net profit on sale of premises and investments	41	31	72	34	111.8
Other	52	36	88	33	166.7
	<b>133</b>	<b>93</b>	<b>226</b>	<b>83</b>	<b>172.3</b>
<b>Non-interest income</b>	<b>1,101</b>	<b>1,038</b>	<b>2,139</b>	<b>2,003</b>	<b>6.8</b>
<b>Non-interest income/total operating income</b>	<b>37.9%</b>	<b>36.4%</b>	<b>37.1%</b>	<b>35.6%</b>	

<sup>(1)</sup> *The Margin on Services (MOS) profits have been determined in accordance with the 'margin on services' methodology for the valuation of policy liabilities under professional standard 201, 'Determination of Life Insurance Policy Liabilities' of the Institute of Actuaries of Australia. The result has been grossed up to a pre tax figure with the tax component included within tax expense.*

## Commentary on Non-Interest Income<sup>1</sup>

- Continued growth in core businesses, including non-risk fee activity in financial services, saw non-interest income increase \$136 million (6.8%), which now accounts for 37.1% of total operating income, up from 35.6%.
- Lending fees comprise loan fees, other risk fees and acceptance fees. Loan fees increased \$43.1 million or 13.9% due to an increase in loan volumes, particularly housing. This was slightly offset by a decline in acceptance fees of \$23.7 million, due largely to the transfer from a cash to an accruals basis and in other risk fees of \$15.2 million.
- Transaction fees and commissions received increased strongly, with transaction fees up \$70.9 million or 19.4%, and commission received up \$40.3 million or 23.9%. Major components of these increases include:
  - \$20 million due to fee increases in New Zealand from November 1998;
  - \$9 million in account keeping fees from Classic and Classic plus accounts due to increased activity (\$6 million) and increased fees (\$3 million);
  - \$12 million in additional fees from foreign ATMs;
  - net \$26 million in card fee income, being interchange and fee income from increased cardholder spending (up \$3.2 billion) and card turnover on Westpac merchants (up \$2.9 billion), resulting in higher net merchant service fees;
  - \$13 million in increased investment and insurance advisory services; and
  - \$20 million reclassification in commission income, offset in other non-risk fees income.
- The non-interest income component of financial markets trading and foreign exchange income is down \$126 million or 30.7%. However, the most appropriate measure of the performance of the financial markets business is total financial markets revenue, including net interest income. Total financial markets revenue decreased \$61 million or 13.2%, principally attributable to lower market volatility in the current year.

\$m	1999	1998	% movement
Foreign exchange income	246	295	(16.6)
Trade securities income	32	34	(5.9)
Other financial markets income	6	81	(92.6)
	<b>284</b>	<b>410</b>	<b>(30.7)</b>
Other non-interest income	54	32	68.8
Net interest income	69	27	155.6
Total Financial Markets income	<b>407</b>	<b>469</b>	<b>(13.2)</b>

- General and life insurance income continues to perform solidly, up \$20 million or 14.9% due to increased sales. Home and contents insurance was up 21%, consumer credit insurance was up 45% and lenders mortgage insurance was up 81%. The decline in net insurance commissions and premiums over 1998 and the first half of 1999 is due to the reclassification of claims from other expenses.
- Other income increased \$143 million, reflecting improvements across several key areas including dividend income from the structured finance business. Items which could be termed 'one-offs' will continue to occur as part of the normal course of business and will vary in nature and amount. In 1999 these items included the sale of Data Advantage \$49 million, and the profit on sale of the French Territories \$16 million. In 1998 these items included the sale of properties of \$33 million.

<sup>1</sup> Comparatives in this section are with the full year ended 30 September 1998 unless otherwise stated.

## 2.6 NON-INTEREST EXPENSE ANALYSIS

\$m	Six months to		Twelve months to		% Mov't Sept 98- Sept 99
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998	
<b>Salaries and other staff expenses</b>					
Salaries and wages	688	709	1,397	1,350	3.5
Other staff expenses	227	206	433	354	22.3
	<b>915</b>	<b>915</b>	<b>1,830</b>	<b>1,704</b>	<b>7.4</b>
<b>Equipment and occupancy expenses</b>					
Operating lease rentals	124	120	244	279	(12.5)
Depreciation and amortisation:					
Premises	6	6	12	14	(14.3)
Leasehold improvements	8	9	17	25	(32.0)
Furniture and equipment	22	23	45	47	(4.3)
Technology	86	77	163	158	3.2
Electricity, water, rates and land tax	17	16	33	36	(8.3)
Other equipment and occupancy expenses	40	48	88	82	7.3
	<b>303</b>	<b>299</b>	<b>602</b>	<b>641</b>	<b>(6.1)</b>
<b>Other expenses</b>					
Amortisation of intangibles	50	50	100	106	(5.7)
Amortisation of deferred expenditure	5	13	18	24	(25.0)
Non-lending losses	13	17	30	25	20.0
Consultancy fees, computer software maintenance and other professional services	161	148	309	318	(2.8)
Stationery	42	52	94	91	3.3
Postage and telecommunications	100	101	201	203	(1.0)
Insurance	5	6	11	12	(8.3)
Advertising	53	47	100	99	1.0
Transaction taxes	5	5	10	12	(16.7)
Training	13	10	23	21	9.5
Travel	28	27	55	61	(9.8)
Other expenses	17	34	51	75	(32.0)
	<b>492</b>	<b>510</b>	<b>1,002</b>	<b>1,047</b>	<b>(4.3)</b>
<b>Non-interest expenses</b>	<b>1,710</b>	<b>1,724</b>	<b>3,434</b>	<b>3,392</b>	<b>1.2</b>
Productivity ratio <sup>(1)</sup>	3.21	3.13	3.17	3.30	
Expense/income ratio before intangibles	57.1%	58.7%	57.9%	58.4%	
Total non-interest expenses per average implied FTE (\$000)	101	99	100	95	

<sup>(1)</sup> Operating income/salaries and other staff expenses (excluding restructuring costs)

## Commentary on Expenses<sup>1</sup>

- Prima facie, non-interest expenses have increased \$42 million or 1.2%. The 1998 result included a one-off \$35 million write back (see below). Adjusting for this item, non-interest expenses have increased by \$7 million or 0.2%.
- Expense containment has been a key priority. This is evident in the reductions in discretionary spending and in the improvement in the expense to income ratio in the second half of 1999 to 57.1% from 58.7% in the first half.

Salaries and wages increased by \$47 million or 3.5%, largely reflecting award increases. In both 1999 and 1998, the salaries and wages line benefits from the superannuation surplus which offsets Westpac's superannuation charge. The amount is comparable in both periods.

- Progress has occurred in the second half of the year in the containment of salaries and other staff expenses, with these costs remaining flat half on half.
- Other staff expenses comprise superannuation expense, payroll tax, fringe benefits tax, temporary staff and other staff expenses. 1998 was favourably impacted by the write back of \$35 million of the Group retirement allowance, due to the benefit being provided by the superannuation plan. Adjusting for this one-off item in the prior period other staff expenses increased by 11.3%, which is due to the employment of temporary staff for Y2K projects and a change in mix of computer system development and integration activities, resulting in the impact of the Group policy on capitalisation of software development being greater in 1998 than in the current year.
- Equipment and occupancy expenses decreased \$39 million or 6.1%, reflecting merger synergy benefits and a reduction of other premises costs within the regional bank network.
- Other expenses have decreased by \$45 million or 4.3%. Fully amortising the goodwill relating to AGC in 1998 (\$12 million), reduced travel expenditure, as travel activity associated with the mergers has now ceased (\$6 million) and a decrease in the use of consultancy and purchased services (\$11 million), were the major contributors.

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<sup>1</sup> Comparatives in this section are with the full year ended 30 September 1998 unless otherwise stated.

## 2.7 INCOME TAX

\$m	Six months to/ as at		Twelve months to/as at	
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998
<b>Income tax reconciliation</b>				
Operating profit before abnormal items and before income tax (excluding gross up)	1,055	971	2,026	1,935
Fully taxable equivalent gross up	68	59	127	128
Operating profit before income tax (including gross up)	1,123	1,030	2,153	2,063
Prima facie tax on operating profit before income tax (excluding gross up) based on the company tax rate in Australia of 36%	380	349	729	697
Add/(deduct) reconciling items expressed on a tax effected basis:				
Rebateable and exempt dividends	(55)	(29)	(84)	(72)
Tax losses now tax effected	(1)	(9)	(10)	(30)
Timing differences not tax effected	(8)	6	(2)	29
Non-assessable items	(37)	(31)	(68)	(57)
Non-deductible items	39	31	70	77
Other permanent differences	(8)	(5)	(13)	(29)
Adjustment for overseas tax rates	4	(16)	(12)	(14)
Prior period adjustments <sup>(1)</sup>	(14)	(29)	(43)	(12)
	(80)	(82)	(162)	(108)
Total income tax expense attributable to operating profit	<b>300</b>	<b>267</b>	<b>567</b>	<b>589</b>
Fully taxable equivalent gross up	68	59	127	128
<b>Total income tax charge (including gross up)</b>	<b>368</b>	<b>326</b>	<b>694</b>	<b>717</b>
<b>Effective tax rate (including gross up)</b>	<b>32.8%</b>	<b>31.7%</b>	<b>32.2%</b>	<b>34.8%</b>

<sup>(1)</sup> The 1999 tax expense includes settlement of outstanding tax claims of \$33 million from a prior period.

### 3 BALANCE SHEET

#### 3.1 BALANCE SHEETS

(Based on results that have been subject to audit by Westpac's auditors)

\$m	30 Sept	31 March	30 Sept	% Mov't	% Mov't
As at:	1999	1999	1998	Mar 99- Sept 99	Sept 98- Sept 99
<b>Assets</b>					
Cash and balances with central banks	345	443	403	(22.1)	(14.4)
Regulatory deposits	398	1,157	1,196	(65.6)	(66.7)
Due from other financial institutions	4,006	3,083	3,290	29.9	21.8
<i>Trading securities</i>	9,057	8,004	6,826	13.2	32.7
<i>Investment securities</i>	2,208	2,282	2,168	(3.2)	1.8
<i>Securities sold not yet delivered</i>	3,650	2,132	1,527	71.2	139.0
<i>Securities purchased under agreements to resell</i>	174	353	370	(50.7)	(53.0)
<i>Other financial markets assets</i>	5,992	7,991	13,007	(25.0)	(53.9)
Total securities and financial markets assets	21,081	20,762	23,898	1.5	(11.8)
<i>Productive loans</i>	98,588	96,320	92,522	2.4	6.6
<i>Acceptances</i>	10,249	11,041	10,325	(7.2)	(0.7)
<i>Impaired loans</i>	628	698	816	(10.0)	(23.0)
<i>Less: provisions for bad and doubtful debts</i>	(1,500)	(1,582)	(1,600)	(5.2)	(6.3)
Net loans and acceptances	107,965	106,477	102,063	1.4	5.8
Fixed assets	1,527	1,633	1,599	(6.5)	(4.5)
Intangible assets	1,665	1,747	1,788	(4.7)	(6.9)
Other assets	3,233	3,234	3,082	(0.0)	4.9
<b>Total assets</b>	<b>140,220</b>	<b>138,536</b>	<b>137,319</b>	<b>1.2</b>	<b>2.1</b>
<b>Liabilities and equity</b>					
Deposits	79,687	78,910	77,479	1.0	2.8
Public borrowings	5,859	5,717	5,685	2.5	3.1
Bonds, notes and commercial paper	14,910	12,998	10,580	14.7	40.9
Acceptances of customers	10,249	11,041	10,325	(7.2)	(0.7)
Securities liabilities	4,649	3,673	2,329	26.6	99.6
Due to other financial institutions	3,562	4,129	4,343	(13.7)	(18.0)
Other financial markets liabilities	5,523	7,029	11,486	(21.4)	(51.9)
Other liabilities	4,092	3,608	3,958	13.4	3.4
<b>Total liabilities excluding loan capital</b>	<b>128,531</b>	<b>127,105</b>	<b>126,185</b>	<b>1.1</b>	<b>1.9</b>
Subordinated bonds, notes and debentures	2,030	2,016	1,778	0.7	14.2
Subordinated perpetual notes	662	687	745	(3.6)	(11.1)
<b>Total loan capital</b>	<b>2,692</b>	<b>2,703</b>	<b>2,523</b>	<b>(0.4)</b>	<b>6.7</b>
<b>Total liabilities</b>	<b>131,223</b>	<b>129,808</b>	<b>128,708</b>	<b>1.1</b>	<b>2.0</b>
<b>Net assets</b>	<b>8,997</b>	<b>8,728</b>	<b>8,611</b>	<b>3.1</b>	<b>4.5</b>
<b>Equity</b>					
Share capital	1,853	1,891	1,899	(2.0)	(2.4)
Exchangeable trust originated preferred securities (TOPRS <sup>SM</sup> )	465	-	-	-	-
Reserves	3,888	4,329	4,466	(10.2)	(12.9)
Retained profits	2,788	2,503	2,241	11.4	24.4
Outside equity interests	3	5	5	(40.0)	(40.0)
<b>Total equity</b>	<b>8,997</b>	<b>8,728</b>	<b>8,611</b>	<b>3.1</b>	<b>4.5</b>

### 3.1.1 Loans

\$m As at:	30 Sept 1999	31 March 1999	30 Sept 1998	% Mov't Mar 99- Sept 99	% Mov't Sept98- Sept 99
<b>Australia</b>					
Overdrafts	2,802	2,595	2,664	8.0	5.2
Credit card outstandings	3,750	3,349	2,952	12.0	27.0
Overnight and call money market loans	102	181	86	(43.6)	18.6
Own acceptances discounted	1,957	1,855	2,498	5.5	(21.7)
Term loans:					
Housing	40,544	37,934	35,378	6.9	14.6
Non-housing	22,465	21,342	19,920	5.3	12.8
Finance leases	2,359	2,275	2,216	3.7	6.5
Investments in leveraged lease and equity lease partnerships	285	295	306	(3.4)	(6.9)
Redeemable preference share finance	1,096	1,136	1,175	(3.5)	(6.7)
Other	2,614	2,939	3,134	(11.1)	(16.6)
<b>Total - Australia</b>	<b>77,974</b>	<b>73,901</b>	<b>70,329</b>	<b>5.5</b>	<b>10.9</b>
<b>New Zealand</b>					
Overdrafts	744	796	1,019	(6.5)	(27.0)
Credit card outstandings	520	532	503	(2.3)	3.4
Overnight and call money market loans	443	437	388	1.4	14.2
Own acceptances discounted	1	1	29	-	(96.6)
Term loans:					
Housing	9,845	10,756	10,396	(8.5)	(5.3)
Non-housing	5,758	5,912	6,084	(2.6)	(5.4)
Finance leases	25	26	23	(3.8)	8.7
Redeemable preference share finance	1,003	489	379	105.1	164.6
Other	522	533	110	(2.1)	374.5
<b>Total - New Zealand</b>	<b>18,861</b>	<b>19,482</b>	<b>18,931</b>	<b>(3.2)</b>	<b>(0.4)</b>
<b>Other Overseas</b>					
Overdrafts	102	184	188	(44.6)	(45.7)
Term loans:					
Housing	264	685	911	(61.5)	(71.0)
Non-housing	1,256	1,884	1,983	(33.3)	(36.7)
Finance leases	33	85	104	(61.2)	(68.3)
Other	726	797	892	(8.9)	(18.6)
<b>Total - Other Overseas</b>	<b>2,381</b>	<b>3,635</b>	<b>4,078</b>	<b>(34.5)</b>	<b>(41.6)</b>
<b>Total gross loans</b>	<b>99,216</b>	<b>97,018</b>	<b>93,338</b>	<b>2.3</b>	<b>6.3</b>
Provisions for bad and doubtful debts	(1,500)	(1,582)	(1,600)	(5.2)	(6.3)
<b>Total net loans</b>	<b>97,716</b>	<b>95,436</b>	<b>91,738</b>	<b>2.4</b>	<b>6.5</b>
<b>Securitised loans<sup>(1)</sup></b>	<b>6,420</b>	<b>5,230</b>	<b>5,639</b>	<b>22.8</b>	<b>13.8</b>

<sup>(1)</sup> Net of amortisation in initial loans securitised



### 3.1.2 Deposits and Public Borrowings

\$m As at:	30 Sept 1999	31 March 1999	30 Sept 1998
<b>DEPOSITS</b>			
<b>Australia</b>			
Non-interest bearing	3,522	3,221	3,663
Certificates of deposit	6,010	4,420	3,588
Other interest bearing			
At call	28,163	27,302	25,602
Term	18,058	18,615	18,870
<b>Total deposits in Australia</b>	<b>55,753</b>	<b>53,558</b>	<b>51,723</b>
<b>New Zealand</b>			
Non-interest bearing	771	795	657
Certificates of deposit	2,046	2,008	1,836
Other interest bearing			
At call	4,412	4,774	5,920
Term	8,014	8,424	7,790
<b>Total deposits in New Zealand</b>	<b>15,243</b>	<b>16,001</b>	<b>16,203</b>
<b>Other Overseas</b>			
Non-interest bearing	185	495	519
Certificates of deposit	2,771	2,385	1,522
Other interest bearing			
At call	321	615	670
Term	5,414	5,856	6,842
<b>Total deposits Other Overseas</b>	<b>8,691</b>	<b>9,351</b>	<b>9,553</b>
<b>Total deposits</b>	<b>79,687</b>	<b>78,910</b>	<b>77,479</b>
<b>PUBLIC BORROWINGS BY SUBSIDIARY BORROWING CORPORATIONS</b>			
<b>Australia</b>			
Secured	3,631	3,672	3,851
Unsecured	2,129	1,765	1,479
<b>Total public borrowings in Australia</b>	<b>5,760</b>	<b>5,437</b>	<b>5,330</b>
<b>New Zealand</b>			
Secured	99	238	347
Unsecured	-	42	8
<b>Total public borrowings in New Zealand</b>	<b>99</b>	<b>280</b>	<b>355</b>
<b>Total public borrowings by subsidiary borrowing corporations</b>	<b>5,859</b>	<b>5,717</b>	<b>5,685</b>

## 3.2 BALANCE SHEET ANALYSIS<sup>1</sup>

### Assets

- In **Australia**, gross loans increased strongly by \$4 billion since 31 March 1999 and \$7.6 billion for the full year. This is an **increase of 10.9%** on 30 September 1998 levels.
  - **Housing loans increased \$5.2 billion** after taking into account the fact that \$1.9 billion of housing loans were securitised during the year.
  - **Credit card outstandings increased \$0.8 billion** (up 27.0%), due to the continued strong marketing of credit card products.
- In **New Zealand**, in AUD terms, gross loans have remained flat year on year, but have decreased \$0.6 billion since 31 March 1999 due to exchange rate movements. Gross loans increased by NZ\$1.3 billion for the full year, after the securitisation of \$0.7 billion of New Zealand mortgages in July 1999.
- **Other financial markets assets** reduced significantly, primarily due to a decrease in the volume and revaluation of offshore balance sheet instruments, driven by the strengthening of the AUD against the USD during the period. Contracts undertaken during a period of AUD/USD volatility in the prior period have since run off.
- In the Pacific region, the sale of the French Territories on 31 March 1999 reduced gross loans by \$0.9 billion.

### Liabilities

- The growth in the loan portfolio has been partly funded by increased wholesale liabilities, reflected in the \$4.3 billion increase in bonds, notes and commercial paper, and also by the \$3.9 billion increase in certificates of deposit.
- The **10.0% increase in call deposits** in Australia reflected continued underlying growth in core transaction and savings accounts and the benefits of marketing and promotions such as the Harvest Deposit and Bonus Saver campaigns.
- New Zealand deposits have remained flat in local currency terms, reflecting the switch by retail customers from deposits to managed fund products, in line with a reduction in interest rates. The impact of exchange rates resulted in the \$1.0 billion decrease.
- Securities liabilities (securities short sold and securities purchased not yet delivered) increased by \$2.3 billion and normally fluctuate from period to period.
- Other financial markets liabilities fell significantly, due to a decrease in the volume and revaluation of off-balance sheet instruments in line with the reduction in other financial markets assets above.

### Equity

- Shareholder's equity increased by \$0.4 billion. This reflects the Tier 1 issue made to US investors plus accumulated earnings, partially offset by the net of impact of share buy-backs and dividends in the period.

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<sup>1</sup> Comparatives in this section are with the full year ended 30 September 1998 unless otherwise stated.

## 4 ASSET QUALITY

### 4.1 IMPAIRED ASSETS

Continued improvement in asset quality reflects the strong credit culture throughout the Westpac Group.

Proactive management of deteriorating exposures has resulted in a lower level of assets converting to impaired assets. \$124 million of the reduction in non-accrual assets was due to Australian Retail Financial Services successfully focusing on improving the quality of its balance sheet.

Total impaired assets of \$644 million represent 0.6% of gross loans and acceptances compared with 0.7% at March 1999 and 0.8% at September 1998.

In addition, the past due 90 days balance declined by 46% to \$190 million from \$352 million in the period.

\$m As at	30 September 1999			31 March 1999			30 September 1998		
	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net	Gross	Specific Prov'n	Net
<b>Non-accrual assets</b>									
Australia	347	(149)	198	413	(170)	243	457	(176)	281
New Zealand	100	(32)	68	110	(43)	67	121	(42)	79
Other Overseas	172	(144)	28	195	(132)	63	206	(130)	76
<b>Total</b>	<b>619</b>	<b>(325)</b>	<b>294</b>	<b>718</b>	<b>(345)</b>	<b>373</b>	<b>784</b>	<b>(348)</b>	<b>436</b>
<b>Restructured assets</b>									
Australia	13	(1)	12	15	(2)	13	39	(9)	30
New Zealand	1	-	1	3	-	3	8	(1)	7
Other Overseas	11	(4)	7	16	(3)	13	21	(4)	17
<b>Total</b>	<b>25</b>	<b>(5)</b>	<b>20</b>	<b>34</b>	<b>(5)</b>	<b>29</b>	<b>68</b>	<b>(14)</b>	<b>54</b>
<b>Total impaired assets<sup>(1)</sup></b>	<b>644</b>	<b>(330)</b>	<b>314</b>	<b>752</b>	<b>(350)</b>	<b>402</b>	<b>852</b>	<b>(362)</b>	<b>490</b>

<sup>(1)</sup> Includes off-balance sheet impaired items of \$16 million (\$54 million as at 31 March 1999, \$36 million as at 30 September 1998)

## 4.2 ITEMS PAST DUE 90 DAYS BUT WELL SECURED <sup>(1)</sup>

\$m As at	30 Sept 1999	31 March 1999	30 Sept 1998
Australia			
Housing products	96	94	107
Other products	60	82	74
<b>Total</b>	<b>156</b>	<b>176</b>	<b>181</b>
New Zealand			
Housing products	25	36	35
Other products	5	30	31
Other Overseas	4	4	105
<b>Total</b>	<b>34</b>	<b>70</b>	<b>171</b>
<b>Total</b>	<b>190</b>	<b>246</b>	<b>352</b>

<sup>(1)</sup> Under the Australian Prudential Regulatory Authority (APRA) guidelines, loans which are 90 or more days past due are not classified as impaired assets where the estimated net realisable value of the security is sufficient to cover the repayment of all principal, interest amounts due and an additional six months interest. These loans need to be reported as a memorandum item only, and are reported separately above.

No losses are anticipated from these loans as they are well secured, primarily by residential property, and are spread across a range of customer and product groups, including housing, overdraft and bill acceptance facilities.

## 4.3 INCOME ON NON-ACCRUAL AND RESTRUCTURED ASSETS

\$m	Twelve months to September 1999	Twelve months to September 1998
Interest received on non-accrual and restructured assets	22	22
Estimated interest forgone on non-accrual and restructured assets	40	64
Interest yield on average non-accrual and restructured assets	2.9%	2.7%

#### 4.4 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

\$m	Six months to/ as at		Twelve months to/as at	
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998
<b>General provision</b>				
Balance at beginning of period	1,232	1,238	1,238	1,249
Exchange rate and other adjustments	(1)	(11)	(12)	-
Provisions of controlled entities acquired/(disposed)	(14)	-	(14)	60
Charge to operating profit	44	75	119	84
Recoveries of debts previously written off	37	38	75	89
Write-offs	(128)	(108)	(236)	(244)
Balance at period end	1,170	1,232	1,170	1,238
<b>Specific provisions</b>				
Balance at beginning of period	350	362	362	339
Exchange rate and other adjustments	(7)	(1)	(8)	(11)
Provisions of controlled entities acquired/(disposed)	(10)	-	(10)	17
New specific provisions	87	78	165	225
Specific provisions no longer required	(59)	(54)	(113)	(141)
Write-offs <sup>(1)</sup>	(31)	(35)	(66)	(67)
Balance at period end	330	350	330	362
<b>Total provisions</b>	<b>1,500</b>	<b>1,582</b>	<b>1,500</b>	<b>1,600</b>
<b>(1) Write-offs from specific provisions comprised:</b>				
Australian Retail Financial Services	14	24	38	34
Institutional Banking	8	3	11	14
WestpacTrust and Pacific Regional Banking	9	8	17	19
	31	35	66	67

#### 4.5 IMPAIRED ASSETS AND RATIOS

As at %	30 Sept 1999	31 March 1999	30 Sept 1998
Impaired assets to total loans and acceptances	0.6	0.7	0.8
Specific provisions to total impaired assets	51.2	46.5	42.5
Total provisions to total impaired assets	233	210	188
Total provisions to total loans and acceptances	1.4	1.5	1.5
Total impaired assets to equity and total provisions	6.1	7.3	8.3
Net impaired assets to equity and general provisions	3.1	4.0	5.0

#### 4.6 CHARGE FOR BAD AND DOUBTFUL DEBTS

\$m	Six months to/ as at		Twelve months to/as at	
	30 Sept 1999	31 March 1999	30 Sept 1999	30 Sept 1998
<b>SPECIFIC PROVISIONS:</b>				
<b>New provisions</b>				
Australian Retail Financial Services	25	26	51	68
Institutional Banking	46	35	81	114
WestpacTrust and Pacific Regional Banking	16	17	33	43
	<u>87</u>	<u>78</u>	<u>165</u>	<u>225</u>
<b>No longer required</b>				
Australian Retail Financial Services	(28)	(30)	(58)	(58)
Institutional Banking	(19)	(8)	(27)	(28)
WestpacTrust and Pacific Regional Banking	(12)	(16)	(28)	(55)
	<u>(59)</u>	<u>(54)</u>	<u>(113)</u>	<u>(141)</u>
<b>Specific provisions (net)</b>	<u>28</u>	<u>24</u>	<u>52</u>	<u>84</u>
<b>GENERAL PROVISION:</b>				
<b>Write-off direct against profit</b>				
Australian Retail Financial Services	110	97	207	204
Institutional Banking	1	-	1	9
WestpacTrust and Pacific Regional Banking	17	11	28	31
	<u>128</u>	<u>108</u>	<u>236</u>	<u>244</u>
<b>Recoveries of debts previously written off</b>				
Australian Retail Financial Services	(30)	(32)	(62)	(67)
Institutional Banking	(2)	(1)	(3)	(11)
WestpacTrust and Pacific Regional Banking	(5)	(5)	(10)	(11)
	<u>(37)</u>	<u>(38)</u>	<u>(75)</u>	<u>(89)</u>
Dynamic provisioning debit/(credit)	<u>(47)</u>	<u>5</u>	<u>(42)</u>	<u>(71)</u>
<b>General provision (net)</b>	<u>44</u>	<u>75</u>	<u>119</u>	<u>84</u>
<b>Charge for bad and doubtful debts</b>	<u>72</u>	<u>99</u>	<u>171</u>	<u>168</u>
Bad and doubtful debts charge to average loans and acceptances annualised(%)	0.14	0.18	0.16	0.16

#### 4.7 ASIAN AND EMERGING MARKETS EXPOSURE

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

Emerging markets exposure in Asia (Indonesia, South Korea, Thailand, Malaysia and the Philippines) was \$458 million (1998 - \$741 million).

Total Asian exposure was \$3,312 million (1998 - \$6,874 million).

**Asian and Emerging Markets Committed Exposure by Customer Type**

As at	30 Sept 1998	30 September 1999				30 Sept 1999
		Government	Banks & NBFIs <sup>(1)</sup>	Corporate	Project Finance/Retail/ Trade	
\$AUDm	Total					Total
<b>Asia</b>						
Indonesia	197	23	15	14	90	142
South Korea	356	-	-	62	99	161
Thailand	80	-	15	15	25	55
Malaysia	106	-	-	100	-	100
Philippines	2	-	-	-	-	-
<b>Sub-total</b>	<b>741</b>	<b>23</b>	<b>30</b>	<b>191</b>	<b>214</b>	<b>458</b>
China	132	-	58	4	7	69
Hong Kong	991	-	201	258	25	484
Taiwan	44	-	22	8	-	30
Singapore	855	39	374	205	36	654
Japan	4,097	-	957	653	6	1,616
Other	14	-	-	1	-	1
<b>Total Asia</b>	<b>6,874</b>	<b>62</b>	<b>1,642</b>	<b>1,320</b>	<b>288</b>	<b>3,312</b>
<b>Emerging markets (ex Asia)</b>						
Eastern Europe	7	-	-	-	3	3
Latin America	10	-	-	-	9	9
Middle East/Other	34	-	15	10	4	29
<b>Total emerging markets</b>	<b>51</b>	<b>-</b>	<b>15</b>	<b>10</b>	<b>16</b>	<b>41</b>

<sup>(1)</sup> NBFIs - non-bank financial institutions

**Asian and Emerging Markets Committed Exposure by Category**

As at	30 Sept 1998	30 September 1999				30 Sept 1999
		On-balance sheet loans	Off-balance sheet outstandings	Pre- settlement risk	Undrawn commitment	
\$AUDm	Total					Total
<b>Asia</b>						
Indonesia	197	79	34	-	29	142
South Korea	356	111	13	1	36	161
Thailand	80	55	-	-	-	55
Malaysia	106	25	29	-	46	100
Philippines	2	-	-	-	-	-
<b>Sub-total</b>	<b>741</b>	<b>270</b>	<b>76</b>	<b>1</b>	<b>111</b>	<b>458</b>
China	132	14	4	47	4	69
Hong Kong	991	423	10	11	40	484
Taiwan	44	7	3	1	19	30
Singapore	855	488	31	110	25	654
Japan	4,097	437	75	676	428	1,616
Other	14	-	1	-	-	1
<b>Total Asia</b>	<b>6,874</b>	<b>1,639</b>	<b>200</b>	<b>846</b>	<b>627</b>	<b>3,312</b>
<b>Emerging markets (ex Asia)</b>						
Eastern Europe	7	3	-	-	-	3
Latin America	10	9	-	-	-	9
Middle East/Other	34	24	1	3	1	29
<b>Total emerging markets</b>	<b>51</b>	<b>36</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>41</b>

## 5 CAPITAL

### 5.1 CAPITAL ADEQUACY

As at \$m	30 Sept 1999	31 March 1999	30 Sept 1998
<b>Tier 1 capital</b>			
Total equity	8,997	8,728	8,611
Asset revaluation reserves	(113)	(135)	(144)
Intangible assets	(1,665)	(1,747)	(1,788)
Future income tax benefit net of deferred tax liability	-	-	(24)
<b>Total tier 1 capital</b>	<b>7,219</b>	<b>6,846</b>	<b>6,655</b>
<b>Tier 2 capital</b>			
Asset revaluation reserves	113	135	144
Subordinated undated capital notes	662	687	745
General provision for doubtful debts	1,170	1,232	1,238
Future income tax benefit related to general provision	(421)	(444)	(446)
Eligible subordinated bonds, notes and debentures	1,536	1,525	1,390
<b>Total tier 2 capital</b>	<b>3,060</b>	<b>3,135</b>	<b>3,071</b>
<b>Tier 1 and tier 2 capital</b>	<b>10,279</b>	<b>9,981</b>	<b>9,726</b>
Deductions:			
Other banks' capital instruments	(9)	(9)	(9)
Investment in controlled entities or associates <sup>(1)</sup>	(419)	(392)	(379)
Capital in funds management and securitisation activities <sup>(2)</sup>	(371)	(352)	(277)
<b>Net qualifying capital</b>	<b>9,480</b>	<b>9,228</b>	<b>9,061</b>
<b>Risk adjusted assets</b>	<b>102,592</b>	<b>101,289</b>	<b>97,430</b>
Tier 1 capital ratio	7.0%	6.8%	6.8%
Tier 2 capital ratio	3.0%	3.1%	3.2%
Deductions	(0.8)%	(0.8)%	(0.7)%
<b>Net capital ratio</b>	<b>9.2%</b>	<b>9.1%</b>	<b>9.3%</b>

<sup>(1)</sup> This deduction represents the Group's investment in Westpac Life Insurance Services.

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



## 5.2 CAPITAL MANAGEMENT

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

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

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

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

- USD322.5 million of redeemable trust originated preferred securities ('TOPrS<sup>SM</sup>') were issued to US retail investors in July 1999. While qualifying as equity for regulatory and reporting purposes, this form of equity comes at a significantly lower cost than ordinary equity.
- In September 1999, Westpac launched a public offer of NZ Class Shares issued by a subsidiary company, WestpacTrust Investments Ltd. The offer was completed in early October 1999 and was successful in raising NZD 650 million in equity.

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

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

The Group's active approach to capital management will continue to improve the efficiency of the capital base.

### *Dividends*

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

As foreshadowed at the time the interim results were released, the final dividend is unfranked (for further detail see section 1.2). This is a one-off event resulting from accelerating booked, but unrealised Australian tax losses, so as to capture the full value of those losses before changes in the corporate tax rate take effect.

### **5.3 SECURITISATION**

Asset securitisation is a key capital and liability management tool utilised by Westpac to increase its competitiveness. This involves the sale of loans, principally mortgages, to investors, thereby removing lower return assets from the balance sheet and releasing capital for either share buy-backs or redeployment within the Group.

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

After allowing for the amortisation of the initial loans securitised, outstanding securitised loans were \$6.4 billion as at 30 September 1999 versus \$5.6 billion at 30 September 1998. Westpac will continue to securitise its mortgages when it is in the interest of its shareholders.

## **6 BUSINESS GROUP RESULTS**

To enable a more detailed analysis of Westpac's results the following business group results have been presented on a management reporting basis. Internal charges and transfer pricing adjustments have been reflected in the performance of each business group reflecting the management of the business within the Westpac Group, rather than the legal structure of the Group. Therefore these results cannot be compared directly to public disclosure of the performance of individual legal entities within Westpac.

The following business results highlight the key business units and do not add to the total Group result. The remainder of the business result includes among other things the general provision charge. Where the management reporting structure has changed or where accounting re-classifications have been made, comparatives have been restated and therefore differ from results previously reported.

## 6.1 AUSTRALIAN RETAIL FINANCIAL SERVICES

Australian Retail Financial Services represents the combined results of Westpac's regional banks, Australian Guarantee Corporation (AGC) and Westpac Financial Services.

<b>\$m</b>	<b>12 months to/as at 30 Sept 99</b>	<b>12 months to/as at 30 Sept 98</b>	<b>% Mov't Sept 98 - Sept 99</b>
Net interest income	2,585	2,545	1.6
Non-interest income	1,180	970	21.6
Operating income	3,765	3,515	7.1
Provision for bad and doubtful debts	(137)	(135)	1.5
Operating income net of provisions for bad and doubtful debts	3,628	3,380	7.3
Non-interest expenses	(2,378)	(2,253)	5.5
Operating profit before tax	1,250	1,127	10.9
Tax and outside equity interests	(432)	(386)	11.9
Profit on operations	818	741	10.4
	<b>\$bn</b>	<b>\$bn</b>	
Deposits and other public borrowings	42.2	41.9	0.7
Net loans and acceptances	72.6	65.7	10.5
Total assets	80.2	72.1	11.2
Funds under management	22.7	19.3	17.6
Core Earnings \$m	1,450	1,324	9.5
Intangibles \$m	63	62	
Expense/income (before intangibles)	61.5%	62.3%	
Productivity ratio	2.92	2.93	
Non-interest income/operating income	31.3%	27.6%	

### Financial Performance

#### Net interest income

- Lending volumes have risen over the year reflecting both market growth and improved market share. Total lending grew by a net \$7 billion. After taking into account the securitisation of \$1.9 billion of Australian mortgages during the year, Westpac's Australian on-balance sheet housing outstandings increased by a net \$5.4 billion or approximately 15% in the year to 30 September 1999.
- Credit card outstandings rose over the period by 32% to \$2.4 billion at 30 September 1999.
- Despite this balance sheet growth, net interest income only grew by 1.6% as margins continued to decline through competitive pressures, especially in the home lending market.
- The low level of interest rates has made it impossible to pass on the full impact of official interest rate cuts to a large portion of Westpac's deposit portfolio, resulting in declining deposit margins overall.

Non-interest income continues to grow both in absolute terms (up 21.6%) and as a percentage of total income (from 27.6% to 31.3%). Major contributors have been the growth in funds under

management, insurance product sales (both life and general insurance), credit cards and increased home loan establishment fees due to higher volumes.

Non-interest expenses have grown 5.5%, primarily due to business growth in key areas such as financial services and cards, one-off costs associated with the Sydney 2000 Olympic Games (to be repeated next year), and Year 2000 remediation work. Westpac completed a rationalisation and realignment of its sales force that has achieved annualised savings of \$8 million and reviewed its requirements for valuations based on revised risk assessments which is achieving annualised savings of \$12 million.

## **Business Developments**

The primary focus of Australian Retail Financial Services units remains to grow the number of customers who have significant, multi-product relationships with Westpac. The strategy was implemented last year through a variety of packaged solutions, designed to meet the needs of various customer segments.

### Housing

By combining package offerings, e.g. Professional Connections Package, with innovative product features such as SmartPay, and a more effective distribution from the realignment of Westpac's sales force and the use of brokers, Westpac wrote over 20% of all new home loans in Australia and grew the value of housing loans on the balance sheet by 15%. In addition to growing volumes, the quality of the revenue streams improved. Westpac has increased the proportion of higher margin, variable rate loans being written from 73% of sales in 1998 to 86% of sales in 1999.

### Credit Cards

Continued success of the Global Rewards product, both on a stand alone basis and when linked through product packages, is evidenced by a 10.7% increase in the number of card holders, a 53.2% increase in the value of turnover, and a 32% increase in the level of outstandings.

### Funds Under Management and Insurance

Westpac has continued to grow its funds management business by increasing the number of planners and advisers by 15%, while maintaining productivity levels. Funds under management grew by 17.6% during 1999. The combination of direct selling and increased focus on cross selling by sales staff, have contributed to a 45% growth in the number of new policies written during 1999. Renewal retention rates for home and contents insurance have also improved, increasing by 13%. Direct sales now account for 25% of all home and contents policy sales.

### Business Banking

Westpac has focused on improving service to its business customers, by realigning its customer base to the most appropriate delivery channel, streamlining credit and other back office functions, and introducing package offerings, e.g. Business Advantage and Business Advantage Plus. There has been an improvement in customer satisfaction ranking, in both the small business and middle market, from fourth to second as measured by Greenwich Associates. Business lending rose by 6.3% and business deposits by 10.0% for the year.

### Integration of Regional Banks – Bank of Melbourne

The integration of Bank of Melbourne has been successful with Westpac (trading as Bank of Melbourne in Victoria) increasing the number of customers and increasing market share of home loan sales. Sales of credit cards and investment and insurance products also increased, where penetration of these products was lower than for the rest of Westpac. Growth in credit card outstandings increased by 46% in Victoria against a national average of 32%. This is mirrored in sales of investment and insurance products with a lift of 19% in Victoria, against the national average of 18%.

### Integration of Regional Banks – Challenge Bank

By introducing the Westpac sales model to Challenge Bank customers, after the merger, Westpac (trading as Challenge Bank in Western Australia) increased the number of customers and market share of home loan sales. Sales of credit cards and investment and insurance products also increased, where penetration of these products was lower than for the rest of Westpac. Growth in credit card outstandings increased by 43% in Western Australia against a national average of 32%. This is mirrored in sales of investment and insurance products with a lift of 23% in Western Australia, against the national average of 18%.

### Expense Initiatives

Westpac announced a major branch refurbishment programme over the next three years in November 1998. Implementation is underway with 13 refurbishments, 22 amalgamations and 6 relocations completed and 30 in-store branches currently operating. This includes four towns where Westpac was not previously represented, demonstrating our commitment to providing face-to-face banking services to rural and regional Australia. In the coming year, the programme will be accelerated, with new initiatives including the introduction of a common service operating model across the whole branch network, cash handling initiatives for business customers, and a greater emphasis on educating our customers on how to reduce their banking costs, by their use of more convenient electronic channels. It is expected that these initiatives will reduce expenses in 2000 by around \$40 million.

Further initiatives underway to reduce expenses include, reduction in regional overheads, centralisation of operation centres, rationalisation of call centres and productivity improvements in The Mortgage Company. These initiatives are expected to reduce expenses in 2000 by around \$20 million.

### Peer and Industry Recognition

Westpac was named 'Online Bank of the Year' in the 1999 *Personal Investor* 'Bank of the Year' awards. Additionally, Westpac's Internet site was named the 'Best Corporate Site' at the 1999 *Australian Financial Review/Telstra* Australian Internet Awards, the first financial institution to win such an award in Australia. During August, fifteen months after the service was launched, Westpac registered its 100,000<sup>th</sup> online banking customer and by October 1999 this has grown to over 125,000. Our research shows customer satisfaction levels with the Westpac Internet Online Banking service at 94%. Some 97% of our customers have or are likely to recommend the service to their friends and family.

In August 1999, The Mortgage Company received the highest Servicer Evaluation of 'Strong/Stable outlook - Residential Loan Servicer - International (Australia)' from Standard & Poor's, a first for Australia. The 'strong' rating demonstrates the highest degree of ability, efficiency and competence through a proven track record, strong and stable management, a highly effective internal training programme, superior computer technology and internal controls and procedures that extend beyond industry and regulatory standards.

Westpac has lifted and maintained its retail customer satisfaction ranking against the four major banks from last to first, based on independent retail surveys. This ranking has been achieved, in part, through improved staff morale levels, which remain high, with external benchmarks confirming Westpac's position in the top quartile of Australian companies. Programmes to improve staff morale have been geared towards leveraging off Westpac's Sydney 2000 Olympic Games sponsorship.

## 6.2 WESTPAC INSTITUTIONAL BANK

Westpac Institutional Bank provides commercial and investment banking products and services to corporate and institutional customers either based, or with significant operations or interests in Australia and New Zealand, in the areas of financing, financial markets, corporate real estate and corporate finance. Westpac Institutional Bank also supplies products to the middle market business customer and consumer segment within Australian Retail Financial Services, which provide 10% of Westpac Institutional Bank's revenue.

<b>\$m</b>	<b>12 months to/as at 30 Sept 99</b>	<b>12 months to/as at 30 Sept 98</b>	<b>% Mov't Sept 98 - Sept 99</b>
Net interest income	321	240	33.8
Non-interest income	359	431	(16.7)
Operating income	680	671	1.3
Provision for bad and doubtful debts	(11)	(85)	87.1
Operating income net of provisions for bad and doubtful debts	669	586	14.2
Non-interest expenses	(292)	(294)	(0.7)
Operating profit before tax	377	292	29.1
Tax and outside equity interests	(134)	(115)	16.5
Profit on operations	243	177	37.3
	<b>\$bn</b>	<b>\$bn</b>	
Deposits and other public borrowings	7.1	12.7	(44.1)
Net loans and acceptances	18.2	17.1	6.4
Total assets	36.2	40.8	(11.3)
Core Earnings \$m	388	377	2.9
Intangibles \$m	-	-	
Expense/income (before intangibles)	42.9%	43.8%	
Productivity ratio	4.20	4.33	
Non-interest income/operating income	52.8%	64.2%	

### Financial Performance

During the year, Westpac Institutional Bank continued its drive to improve shareholder value. An economic profit framework was introduced to assist in the pricing of corporate loans. As a consequence, lending revenue increased 13% year on year with minimal volume growth i.e. margins increased.

In the previous year, Westpac Institutional Bank's revenue was attributable, in part, to Westpac Institutional Bank's financial markets ability to capitalise on volatile conditions in world capital markets during the Asian crisis. Despite a return to more normal conditions, Westpac Institutional Bank maintained, and even slightly improved, its year to year performance.

This demonstrates the underlying strength of Westpac Institutional Bank's portfolio of businesses and the sustainability of its customer intimacy strategy.

Expenses declined by approximately 1%. Significant expense initiatives and achievements undertaken include, completion of the rationalisation of Westpac Institutional Bank's Asian business, consolidation of customer delivery support services into a single unit and an extensive back office process reengineering drive.

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

### **Business Developments**

Westpac Institutional Bank's leadership is regularly recognised in independent surveys and awards. Highlights include Best Australian wholesale bank (*Euromoney* magazine annual awards) and the largest market share as principal corporate banker to Australia's top 500 companies (East & Partners, Australian corporate banking report).

A new sales model was implemented, aligning relationship and product sales team members. This enhances our ability to grow the customer base and deepen the penetration of existing customer relationships.

The introduction of Euro trading was successfully implemented in January 1999, with Westpac being one of the first banks in the world to deal in the new currency.



### 6.3 WESTPAC TRUST AND PACIFIC REGIONAL BANKING

WestpacTrust and Pacific Regional Banking provide retail financial services in New Zealand and the Pacific respectively.

<b>\$m</b>	<b>12 months to/as at 30 Sept 99</b>	<b>12 months to/as at 30 Sept 98</b>	<b>% Mov't Sept 98 - Sept 99</b>
Net interest income	744	789	(5.7)
Non-interest income	360	338	6.5
Operating income	1,104	1,127	(2.0)
Provision for bad and doubtful debts	14	(10)	(240.0)
Operating income net of provisions for bad and doubtful debts	1,118	1,117	0.1
Non-interest expenses	(620)	(691)	(10.3)
Operating profit before tax	498	426	16.9
Tax and outside equity interests	(172)	(142)	21.1
Profit on operations	326	284	14.8
	<b>\$bn</b>	<b>\$bn</b>	
Deposits and other public borrowings	11.9	14.0	(15.0)
Net loans and acceptances	15.4	17.1	(9.9)
Total assets	16.9	18.9	(10.6)
Funds under management	1.1	0.9	22.2
Core Earnings \$m	521	474	9.9
Intangibles \$m	37	38	
Expense/income (before intangibles)	52.8%	57.9%	
Productivity ratio	3.82	3.71	
Non-interest income/operating income	32.6%	30.0%	

#### **WestpacTrust**

##### **Financial Performance**

The overall result for WestpacTrust was impacted by movements in exchange rates, with the average AUD/NZD rate deteriorating compared to the prior period. In NZD terms, core earnings increased by 16% over the prior period.

Net interest income:

- Total loans grew strongly during the year, principally through growth in the housing loan portfolio. This has been supported by the introduction of new products to the market, and competitive offers to attract new customers, such as the first month zero interest rate home loan campaign. After taking account of the increased level of securitisation of housing loans, net loan growth was NZ\$100 million.
- A significant decrease in market interest rates from the prior period, and the inability to pass these on fully to all deposit products, has resulted in declining deposit margins overall, and a significant switching by customers into alternative investment products away from traditional

term deposit style products. This has unfavourably impacted net interest income in the current period.

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

Non-interest income has increased by 12% in NZD terms, with strong growth in funds under management through the WestpacTrust Financial Services managed fund products, continued refinement of fee structures on transaction products, and growth in credit cards.

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

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

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

## **Business Developments**

WestpacTrust's strategy remains centred on building its customer focus capability and the delivery of a customer experience supportive of its desired brand attributes (close, capable and community). WestpacTrust continues to focus on growing the level of business it has with its customers, in particular leveraging the sales of financial services products.

### Funds under Management

WestpacTrust Financial Services performed well during the year, recording the highest net inflow of retail funds for any provider in New Zealand in the June 1999 quarter the second highest inflow for the year ended 30 June 1999 (Source: IPAC), and the highest sales of term insurance policies to June 1999 (Source: Investment Savings and Insurance Association of New Zealand). The product range continued to be rationalised to achieve savings and to allow delivery to customers of a core suite of products.

### Housing Loan Products

There has been a strong emphasis on home loans over the past 12 months, supported by targeted advertising and competitive offers to attract customers, such as a first month zero interest rate home loan campaign and a legal fee contribution offer. As a result, home loans grew 9%.

Two additional products have been added to the product suite, with a capped rate home loan introduced that allows customers to manage their exposure to potential interest rate increases, and the introduction of the "Choices" home loan that provides customers with full, transactional access redraw on their home loan. These have assisted in increasing the proportion of higher margin variable rate loans in the portfolio to 44% of sales in 1999 from 40% of sales in 1998.

### Credit Cards

The new credit card loyalty scheme was launched during the year. This scheme is unique in that membership is available to the broad range of WestpacTrust credit cards and customers are able to redeem their points at a variety of different suppliers for as little as a \$20 voucher. The scheme has proved very popular, meeting 85% of the first year target in the five months that it has been operational.

### Service Delivery

In response to changing demands from customers, WestpacTrust has increased its number of ATMs by more than 20% and now has the largest ATM network in New Zealand. This has resulted in WestpacTrust recording a positive interchange contribution in 1999.

### Community Activities

WestpacTrust continued to provide a wide range of community sponsorships during the period, including supporting the rescue helicopters and Life Education Trust. We have the rights to run the Team New Zealand Support Crew programme for the defence of the America's Cup. A number of campaigns and product initiatives have been structured around this relationship, with a high level of staff involvement through the Staff Crew Club.

### Expense Initiatives

Further initiatives are underway to leverage WestpacTrust's supplier networks and rationalise its support functions and delivery mechanisms, to achieve future savings on expenditure. It is expected that these will result in savings in the order of NZ\$30 million annually.

## **Pacific Regional Bank**

### **Financial Performance**

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

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

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

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

### **Business Developments**

Westpac's operations in the French Territories, which included branches in New Caledonia and French Polynesia and two finance companies, were sold to Societe Generale. This impacts upon direct comparisons of the financial performance between 1999 and 1998.

## 7 DERIVATIVES

### Derivatives Outstandings

As at \$bn	30 September 1999	Notional amount <sup>(1)</sup>	Regulatory credit equivalent <sup>(2)</sup>	Positive mark- to-market (replacement cost) <sup>(3)</sup>	Negative mark-to- market <sup>(4)</sup>
<b>1999</b>					
<b>Interest rate</b>					
Futures		29.1	-	-	-
Forwards		32.8	-	-	-
Swaps		140.4	2.5	1.9	1.3
Purchased options		15.9	-	-	-
Sold options		3.9	-	-	-
<b>Foreign exchange</b>					
Forwards		211.7	4.8	2.4	2.4
Swaps		25.9	1.9	0.7	1.9
Purchased options		11.5	0.5	0.3	-
Sold options		12.2	-	-	0.2
<b>Commodities</b>					
		1.1	0.1	-	-
<b>Equities</b>					
		0.7	0.1	-	-
<b>Total derivatives</b>		<b>485.2</b>	<b>9.9</b>	<b>5.3</b>	<b>5.8</b>
<b>As at</b>	<b>31 March 1999</b>	<b>435.2</b>	<b>11.4</b>	<b>7.0</b>	<b>7.1</b>
<b>As at</b>	<b>30 September 1998</b>	<b>533.8</b>	<b>18.4</b>	<b>12.4</b>	<b>11.6</b>

<sup>(1)</sup> **Notional amount** refers to the face value or the amount upon which cash flows are calculated.

<sup>(2)</sup> **Regulatory credit equivalent** is calculated using APRA guidelines for capital adequacy requirements.

<sup>(3)</sup> **Positive mark-to-market or replacement cost** is the cost of replacing all transactions in a gain position. This measure is the industry standard for the calculation of current credit risk.

<sup>(4)</sup> **Negative mark-to-market** represents the cost to Westpac's counterparties of replacing all transactions in a loss position.

## Maturity profile of derivatives outstandings in replacement cost terms

As at 30 September 1999	Less than 3 months \$bn	Over 3 months to 6 months \$bn	Over 6 months to 1 year \$bn	Over 1 year to 2 years \$bn	Over 2 years to 5 years \$bn	Over 5 years \$bn	Total
<b>\$bn</b>							
<b>Interest rate</b>							
Swaps	0.1	0.1	0.1	0.4	0.8	0.4	1.9
<b>Foreign exchange</b>							
Forwards	1.4	0.5	0.3	0.1	0.1	-	2.4
Swaps	0.1	0.1	0.1	0.1	0.3	-	0.7
Purchased options	0.2	-	-	0.1	-	-	0.3
<b>Total derivatives</b>	<b>1.8</b>	<b>0.7</b>	<b>0.5</b>	<b>0.7</b>	<b>1.2</b>	<b>0.4</b>	<b>5.3</b>

- 56% of credit risk matures within one year and 69% within two years.
- 97% of credit exposure was to investment grade customers.

### Daily earnings at risk

Westpac's trading risk strategies, which focus on servicing our Australian and New Zealand customer franchise, are reflected in the stable average earnings at risk numbers.

\$m	High	Low	Average
Six months ended 30 September 1999	10.74	3.20	6.29
Six months ended 31 March 1999	10.44	4.10	6.38
Six months ended 30 September 1998	9.24	3.98	6.27

The following table depicts the average EAR by risk types for the last three half years.

**Average Earnings at Risk by Risk Type**

\$m	Average for the Six Months ended 30 September 1999	Average for the Six Months ended 31 March 1999	Average for the Six Months ended 30 September 1998
Interest rate risk	4.51	3.30	1.90
Foreign exchange risk	1.86	2.47	1.90
Volatility risk	0.51	0.50	0.37
Other market risk <sup>1</sup>	1.66	2.80	2.10
Diversification benefit <sup>2</sup>	(2.25)	(2.69)	-
Aggregate market risk	6.29	6.38	6.27

<sup>1</sup> Commodity, equity, prepayment, specific issuer, capital markets underwriting

<sup>2</sup> Diversification benefit was allocated across risk types for previous half year

## 8 CREDIT RATINGS\*

Rating agency	Long term senior	Short term/ commercial paper
Fitch IBCA	AA-	A1+
Moody's	Aa3	P-1
Standard & Poor's	AA-	A-1+

\* No changes from prior period.

## 9 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the full year ended 30 September 1999.

### Life Insurance Business

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

## 10 EXCHANGE RATES

Six month to/as at Currency	30 September 1999		31 March 1999		30 September 1998	
	Average	Spot	Average	Spot	Average	Spot
USD	0.6402	0.6533	0.6285	0.6294	0.6469	0.5940
GBP	0.3932	0.3972	0.3799	0.3906	0.3913	0.3480
NZD	1.2015	1.2617	1.1814	1.1824	1.1577	1.1859

## 11 STATEMENTS OF CASH FLOWS

\$m	Twelve months to	
	30 Sept 1999	30 Sept 1998
<b>Cash flows from operating activities</b>		
Interest received	8,345	9,035
Interest paid	(5,018)	(5,161)
Dividends received	35	15
Other non-interest income received	2,954	747
Non-interest expenses paid	(3,091)	(2,772)
(Increase)/decrease in trading securities	(2,204)	484
Income taxes paid	(520)	(360)
<b>Net cash provided by operating activities</b>	<b>501</b>	<b>1,988</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investment securities	147	928
Proceeds from matured investment securities	148	52
Purchase of investment securities	(444)	(656)
Proceeds from securitised loans	2,568	3,190
Net (increase)/decrease in:		
loans	(11,124)	(7,811)
due from other financial institutions	(898)	960
regulatory deposits	752	(106)
other assets	(554)	1,191
Purchase of fixed assets	(362)	(398)
Proceeds from disposal of fixed assets	119	273
Controlled entities acquired/disposed (net of cash held)	58	(174)
<b>Net cash used in investing activities</b>	<b>(9,590)</b>	<b>(2,551)</b>
<b>Cash flows from financing activities</b>		
Issue of loan capital	460	350
Redemption of loan capital	(147)	(94)
Proceeds from issue of shares	95	89
Buyback of shares	(933)	(1,306)
Proceeds from issue of exchangeable trust originated preferred securities, net of issue costs paid of \$20m	465	-
Net increase/(decrease) in:		
due to other financial institutions	(266)	(800)
deposits and public borrowings	5,113	1,131
other liabilities	419	(126)
bonds, notes and commercial paper	4,450	2,109
Payment of distributions and dividends	(627)	(708)
Payment of dividends to outside equity interests	(4)	(1)
<b>Net cash provided by financing activities</b>	<b>9,025</b>	<b>644</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(64)</b>	<b>81</b>
Effect of exchange rate changes on cash and cash equivalents	6	1
Cash and cash equivalents at the beginning of the financial period <sup>(1)</sup>	403	321
<b>Cash and cash equivalents at the end of the financial period</b>	<b>345</b>	<b>403</b>

<sup>(1)</sup> Cash and cash equivalents comprise cash and balances with central banks as shown in the balance sheet



## 11 STATEMENTS OF CASH FLOWS (Cont'd)

\$m	Twelve months to	
	30 Sept 1999	30 Sept 1998
<b>Reconciliation of net cash provided by operating activities to operating profit after income tax</b>		
Operating profit after income tax	1,456	1,272
<b>Adjustments:</b>		
Outside equity interests	3	4
Depreciation	237	244
Sundry provisions and other non-cash items	(177)	961
Bad and doubtful debts	246	257
(Increase)/decrease in other financial market items	1,052	(1,427)
(Increase)/decrease in trading securities	(2,204)	484
(Increase)/decrease in accrued interest receivable	(3)	11
Increase/(decrease) in accrued interest payable	(162)	243
Increase/(decrease) in provision for income tax	(3)	57
Increase/(decrease) in provision for deferred income tax	(19)	(113)
(Increase)/decrease in future income tax benefits	202	106
Amounts paid out of sundry provisions	(127)	(111)
<b>Total adjustments</b>	<b>(955)</b>	<b>716</b>
<b>Net cash provided by/(used in) operating activities</b>	<b>501</b>	<b>1,988</b>
<b>Non-cash operating, investing and financing activities</b>		
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	-	<b>(1,169)</b>
<b>Details of assets and liabilities of controlled entities acquired are as follows:</b>		
<b>Acquisitions</b>		
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)
Intangible assets	-	913
	-	1,381
Integration costs provided, net of tax benefit	-	(63)
	-	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>	<b>-</b>	<b>174</b>

## 11 STATEMENTS OF CASH FLOWS (Cont'd)

<b>\$m</b>	<b>30 Sept 1999</b>	<b>30 Sept 1998</b>
<b>Disposals</b>		
Due from other banks	15	-
Statutory deposits	14	-
Loans	785	-
Due from Westpac Group	33	-
Fixed assets	38	-
Other assets	23	-
Deposits and public borrowings	(815)	-
Due to other banks	(20)	-
Other liabilities	(31)	-
Net assets of entities and businesses disposed	42	-
Gain/(loss) on disposal	16	-
Cash consideration	58	-

## 12 GROUP FINANCIAL INFORMATION FOR US INVESTORS

Group operating profit and shareholders' equity adjusted to comply with United States generally accepted accounting principles (US GAAP) are:

Twelve months to:	30 Sept	30 Sept	30 Sept	30 Sept
\$m	1999	1998	1999	1998
	* USD	*USD	AUD	AUD
<b>Net profit as reported</b>	<b>950</b>	823	<b>1,456</b>	1,272
Depreciation on buildings	4	5	7	8
Gain on sale of properties (including amortisation of gains on sale of properties subject to lease back arrangements)	9	(7)	13	(11)
Amortisation of goodwill not recognised based on 20 year life	(19)	(9)	(28)	(15)
Superannuation (pension) expense adjustment	2	3	2	6
Adjustment re provision for employee redundancy benefits	(21)	21	(33)	33
Life insurance adjustment (net of tax)	-	5	-	8
TOPrS distribution	(5)	-	(8)	-
<b>Adjusted US GAAP net profit</b>	<b>920</b>	841	<b>1,409</b>	1,301
<b>Other comprehensive income</b>				
Foreign currency translation reserve	(9)	(10)	(13)	(15)
Unrealised net gain/(loss) on available for sale securities	(18)	3	(28)	4
<b>Total other comprehensive income</b>	<b>(27)</b>	(7)	<b>(41)</b>	(11)
<b>Total comprehensive income according to US GAAP</b>	<b>893</b>	834	<b>1,368</b>	1,290

\*USD amounts are calculated using the following average exchange rates:

Year ended 30 September 1999: AUD1 = USD0.6528

Year ended 30 September 1998: AUD1 = USD0.6469

As at:	30 Sept	30 Sept	30 Sept	30 Sept
\$m	1999	1998	1999	1998
<b>Equity as reported</b>	<b>5,872</b>	5,112	<b>8,994</b>	8,606
Elimination of asset revaluation reserve	(74)	(86)	(113)	(144)
Depreciation on buildings	36	29	55	48
Deferred gains on sale of properties subject to lease back arrangements	(35)	(46)	(54)	(76)
Adjustment re provision for employee redundancy benefits	-	19	-	33
Goodwill not recognised on acquisitions	8	24	13	40
Restoration of previously deducted goodwill less amortisation and amounts written-off	2	2	4	5
Life insurance adjustment (net of tax)	(5)	2	(8)	4
Investment securities fair value adjustment (including life company investment)	(16)	2	(25)	3
Superannuation (pension) expense adjustment	(63)	(58)	(95)	(97)
Final dividend provided	290	249	445	418
TOPrS	(303)	-	(465)	-
<b>Adjusted US GAAP equity</b>	<b>5,712</b>	5,249	<b>8,751</b>	8,840

\*USD amounts are calculated using the following spot exchange rates:

Year ended 30 September 1999: AUD1 = USD0.6528

Year ended 30 September 1998: AUD1 = USD0.5940

There is no material difference between the level of assets at 30 September 1999 and 30 September 1998 as reported and the level of assets determined as at these dates in accordance US GAAP.

## 13 SHAREHOLDER CALENDAR

Westpac ordinary shares are listed on the Stock Exchanges in Australia, New Zealand, New York and Tokyo.

### Record date:

#### Australian and New Zealand Registers

At 5.00pm, 8 December 1999 (Sydney time) at:

Computershare Registry Services Pty Limited, Level 3, 60 Carrington Street, Sydney, NSW 2000

(Dividends payable to shareholders on the New Zealand register will be converted to local currency at the ruling buying rate for telegraphic transfers at 11.00am on 8 December 1999.)

#### New York

For American Depository Receipts, at 5.00pm, 7 December 1999 (New York time) at:

Morgan Guaranty Trust Company, 60 Wall Street, New York, NY 10260-0060, USA

(Dividends will be converted to local currency at the rate ruling on the date of payment of dividend.)

#### Tokyo

At 3.00pm, 8 December 1999 (Tokyo time), for shares registered in the books of Tokyo Stock Exchange Members' securities companies.

(Dividends will be converted to local currency at the rate ruling on date of receipt of the funds by the paying agent, The Mitsubishi Trust and Banking Corporation, 1-7-7, Nishi-Ikebukuro, Toshima-ku, Tokyo, 171, Japan.)

**Ex-dividend date: 2 December 1999**

**Dividend payment date: 4 January 2000**

BA McNee  
Group Secretary and General Counsel

5 November 1999

For further information contact:

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