WESTPAC BANKING CORP
Form 20-F
November 13, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

o	**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
Or	
x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2012	
Or	
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Or	
o	**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 1-10167

WESTPAC BANKING CORPORATION

Australian Business Number 33 007 457 141
(Exact name of Registrant as specified in its charter)

New South Wales, Australia
(Jurisdiction of incorporation or organization)

275 Kent Street, Sydney, NSW 2000, Australia
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary shares	Listed on the New York Stock Exchange, not for trading, but only in connection with the registration of related American Depositary Shares, pursuant to the requirements of the New York Stock Exchange.
American Depositary Shares, each representing the right to receive five ordinary shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **2.25% Notes due November 19, 2012, 2.10% Notes due August 2, 2013, 1.85% Notes due December 9, 2013, Floating Rate Notes due 2013, 4.20% Notes due February 27, 2015, 3.00% Notes due August 4, 2015, 1.125% Notes due September 2015, Floating Rate Notes due September 2015, 3.0% Notes due December 9, 2015, 2.0% Notes due August 2017, 4.625% Subordinated Notes due 2018, 4.875% Notes due November 19, 2019 and notes issued from time to time under our Retail Medium-Term Notes program (Registration Statement No. 333-172579)**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares	**3,080,192,894 fully paid**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No x (not currently applicable to registrant)

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer x   Accelerated Filer o   Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP o   International Financial Reporting Standards as issued by the International Accounting Standards Board x

Other o

If this is an annual report, indicate by check mark whether the registrant is a shell company.

Yes o   No x

WESTPAC GROUP

2012 ANNUAL REPORT

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In this Annual Report a reference to Westpac , Group , Westpac Group , we , us and our is to Westpac Banking Corporation ABN 33 007 457 141 and its subsidiaries unless it clearly means just Westpac Banking Corporation.

For certain information about the basis of preparing the financial information in this Annual Report see Reading this report in Section 2. In addition, this Annual Report contains statements that constitute forward-looking statements within the meaning of section 21E of the US Securities Exchange Act of 1934. For an explanation of forward-looking statements and the risks, uncertainties and assumptions to which they are subject, see Reading this report in Section 2.

Information contained in or accessible through the websites mentioned in this Annual Report does not form part of this report unless we specifically state that it is incorporated by reference and forms part of this report. All references in this report to websites are inactive textual references and are for information only.

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(for the purpose of filing with the United States Securities and Exchange Commission)

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INFORMATION ON WESTPAC

CORPORATE GOVERNANCE

DIRECTORS REPORT

REMUNERATION REPORT

INFORMATION ON WESTPAC

Westpac is one of the four major banking organisations in Australia and one of the largest banking organisations in New Zealand. We provide a broad range of banking and financial services in these markets, including retail, business and institutional banking and wealth management services.

We have branches, affiliates and controlled entities1 throughout Australia, New Zealand and the Pacific region, and maintain branches and offices in some of the key financial centres around the world2.

We were founded in 1817 and were the first bank established in Australia. In 1850 we were incorporated as the Bank of New South Wales by an Act of the New South Wales Parliament. In 1982 we changed our name to Westpac Banking Corporation following our merger with the Commercial Bank of Australia. On 23 August 2002, we were registered as a public company limited by shares under the Australian *Corporations Act 2001* (Cth) (Corporations Act).

As at 30 September 2012, our market capitalisation was $76.5 billion3 and we had total assets of $675 billion.

Business strategy

Westpac s **vision** is To be one of the world s great companies, helping our customers, communities and people to prosper and grow .

Our strategy seeks to deliver on this vision by providing superior returns for our shareholders, building deep and enduring customer relationships, being a leader in the community and being a place where the best people want to work.

In delivering on our strategy we are focused on our core markets of Australia, New Zealand and the near Pacific, where we provide a comprehensive range of financial products and services that assist us in meeting all the financial services needs of our customers. With our strong position in these markets, and nearly 12 million customers, our focus is on organic growth, growing customer numbers in our chosen segments and building stronger and deeper customer relationships.

A key element of this approach is our portfolio of financial services brands which enables us to appeal to a broader range of customers, and provides us with the strategic flexibility to offer solutions that better meet individual customer needs.

In implementing this strategy, we seek to grow customer numbers in chosen segments and increase the number of products per customer with a specific focus on deposits, and wealth and insurance cross sell.

Asia is an important market for us and we are progressively building our presence and capability across the region to better support Australian and New Zealand customers operating, trading and transacting in the region, along with Asian customers seeking financial solutions and services in Australia and New Zealand.

While continuing to build the business, the more challenging financial services environment has required us to focus on strengthening our financial position while at the same time improving efficiency. This strengthening has involved lifting the level and quality of our capital, improving our funding and liquidity position and maintaining a high level of asset quality and provisioning.

While we currently have a relatively low cost to income ratio, we continue to seek opportunities to streamline and simplify our business, to improve the quality of experience for customers and reduce our unit costs.

Our sustainability strategy supports this approach by anticipating and shaping the most pressing emerging social issues where we have the skills and experience to make a meaningful difference and drive business value. These areas are:

§ anticipating the big shifts of demographic and cultural change and their impact on our workplace and customers;

§ creating economic solutions to environmental challenges; and

§ helping customers achieve sustainable financial futures in a changed landscape.

Our approach seeks to make sustainability part of the way we do business, embedded in our strategy, values, culture and processes.

We believe that successful execution of our strategy will lead to higher revenue per customer and strong credit quality (because we know our customers very well) and a superior cost profile.

Supporting our customer focused strategy is a strong set of company-wide **values**, which are well embedded in our culture. These are:

§ delighting customers;

§ working as one team, valuing each other;

§ acting with integrity;

§ having the courage to deal with change; and

§ achievement.

1 Refer to Note 38 to the financial statements for a list of our controlled entities as at 30 September 2012.

2 Contact details for our head office, major businesses and offshore locations can be found on the inside back cover.

3 Based on the closing share price of our ordinary shares on the ASX as at 28 September 2012.

INFORMATION ON WESTPAC

Strategic priorities

To meet the challenges of the current environment, and deliver on our strategy, we have a set of strategic priorities that are reviewed and refreshed each year. We will continue to manage these priorities in a balanced way with an appropriate mix of growth, return, risk and productivity. Our current strategic priorities are to:

a) Maintain a strong company

§ maintain strong levels of capital, to meet the needs of all our stakeholders and regulators;

§ further strengthen our funding and liquidity position, including increasing the proportion of customer deposits in our funding base;

§ maintain a high quality portfolio of assets, coupled with strong provisioning; and

§ maintain a strong reputation and sustainability leadership.

b) Reorient the business to higher growth/higher return sectors and segments

§ targeted investment in higher growth sectors and segments, including deposits, the pre-retiree/retiree segment, along with the resources, trade, agribusiness and small business sectors;

§ increase investment in our wealth businesses, including development of a new next generation funds platform; and

§ building the reach and capability of our Asian network.

c) Continue building deeper customer relationships

§ place customers at the centre of everything we do, with a focus on meeting their total financial needs, throughout their lives;

§ drive a deposits first culture and further building the connectivity between wealth/insurance and banking;

§ strengthen the skills of our people, to better support customers and their complete financial services needs; and

§ drive digital innovation to better meet customer demands for more banking on the move.

d) Materially simplify products and processes

§ complete the investment and implementation of the strategic investment priorities and the supplier programs;

§ continue to enhance our digital offers to support more customers online and assist the Group in the move to smaller, more flexible and agile branch formats;

§ simplify our products and processes and continue to drive continuous improvement; and

§ focus on both revenue and cost productivity.

e) Strengthen our one team approach

§ continuing the drive to a customer centred, high performance workforce and culture;

§ strengthening the skills of our people, to better support customers complete financial services needs;

§ empowering innovation and responsiveness to change; and

§ continuing to enhance the diversity of our workforce.

Organisational structure

Our operations comprise the following key customer-facing business divisions operating under multiple brands serving around 12 million customers1.

§ **Australian Financial Services** (AFS) is responsible for the Westpac Group s Australian retail banking, business banking and wealth operations. AFS also includes the product and risk responsibilities for Australian Banking. It incorporates the operations of Westpac Retail & Business Banking (Westpac RBB), St.George Banking Group (St.George) and BT Financial Group Australia (BTFG), as follows:

Westpac RBB is responsible for sales and service for our consumer, small-to-medium enterprise (SME) customers and commercial customers (typically with turnover of up to $100 million) in Australia under the Westpac brand. Activities are conducted through Westpac RBB s network of branches, business banking centres, and specialised consumer and business relationship managers, with the support of cash flow, financial markets and wealth specialists, customer service centres, automatic teller machines (ATMs) and internet channels;

St.George is responsible for sales and service for our consumer, business and corporate customers in Australia under the St.George, BankSA, Bank of Melbourne and RAMS brands. RAMS is a financial service group specialising in mortgages. Consumer activities are conducted through a network of branches, third-party distributors, call centres, ATMs, EFTPOS terminals and internet banking services. Business and corporate customers (businesses with facilities typically up to $150 million) are provided with a wide range of banking and financial products and services including specialist advice for cash flow finance, trade finance, automotive and equipment finance, property finance, transaction banking and treasury services. Sales and service activities for business and corporate customers are conducted by relationship managers via business banking centres, internet and customer service centre channels; and

1 All customers, primary and secondary, with an active relationship (excludes channel only and potential relationships) as at 30 September 2012.

BTFG is Westpac s Australian wealth management division. BTFG s funds management operations include the manufacturing and distribution of investment, superannuation and retirement products; investment platforms such as Wrap and master trusts; and private banking and financial planning. BTFG s insurance solutions cover the manufacturing and distribution of life, general and lenders mortgage insurance. BTFG s brands include Advance Asset Management, Ascalon, Asgard, BT, BT Investment Management (64.5% owned by Westpac and consolidated in BTFG s Funds Management business), BT Select, Licensee Select, Magnitude, Securitor and the advice, private banking and insurance operations of Bank of Melbourne, BankSA, St.George and Westpac.

§ **Westpac Institutional Bank (WIB)** delivers a broad range of financial services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand. WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in transactional banking, financial and debt capital markets, specialised capital and alternative investment solutions. Customers are supported through branches and subsidiaries located in Australia, New Zealand, the United States, United Kingdom and Asia.

§ **Westpac New Zealand** is responsible for the sales and service of banking, wealth and insurance products for consumers, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks in New Zealand; Westpac New Zealand Limited, which is incorporated in New Zealand and Westpac Banking Corporation (NZ Division) 5, which is incorporated in Australia. Westpac New Zealand operates via an extensive network of branches and ATMs across both the North and South Islands. Business and institutional customers are also served through relationship and specialist products teams. Banking products are provided under the Westpac and WIB brands, while insurance and wealth products are provided under Westpac Life and BT brands respectively.

Other divisions in the Group include:

§ Pacific Banking, which provides banking services for retail and business customers in seven Pacific Island Nations. Branches, ATMs, telephone banking and internet banking channels are used to deliver business activities in Fiji, Papua New Guinea (PNG), Vanuatu, Cook Islands, Tonga, Solomon Islands and Samoa. Pacific Banking s financial products include personal savings accounts, business transactional accounts, personal and business lending products, business services and a range of international products;

§ Group Services, encompassing technology, banking operations, legal and property services;

§ Treasury, which is primarily focused on the management of the Group s interest rate risk and funding requirements; and

§ Core Support, which comprises those functions performed centrally including finance, risk and human resources.

These businesses are described in more detail in Section 2, including a summary of net profit and total assets by business division, and management s discussion and analysis of business division performance.

1 On 1 November 2011, various business activities of Westpac Banking Corporation (NZ Division) were transferred to Westpac New Zealand Limited. See New Zealand Transfer of additional banking operations to Westpac New Zealand Limited on 1 November 2011 in Significant developments .

INFORMATION ON WESTPAC

Westpac s approach to sustainability

As an acknowledged global leader in sustainability we continue to adapt our approach and actions to fit the changing world within which we live.

Our sustainability strategy is based upon the use of the widely accepted global standard for Corporate Responsibility and Sustainable Development (AA10001).

Our sustainability principles

In line with the global standard, we have adopted the standard s three key principles. These are:

1. Involving all stakeholders upon whom we have an impact in developing our strategy **Inclusivity**;

2. Evaluating all issues identified to determine the impact they may have on our stakeholders and ourselves **Sustainability materiality**; and

3. Ensuring that our decisions, actions and performance, as well as our communication with stakeholders, are responsive to the issues identified with our stakeholders **Responsiveness**.

Inclusivity

Key components of our approach to inclusivity during 2012 have included:

§ continued work to understand and address customer concerns;

§ collaborating with key external stakeholders in order to inform our approach;

§ consulting with employees so as to better understand the drivers of strong employee engagement;

§ ongoing monitoring of our reputation across a wide range of mediums; and

§ a close working relationship with numerous community organisations through employee volunteering, workplace giving and community support.

Sustainability materiality

As part of our materiality review we identify, prioritise and define issues according to their impact on our stakeholders and our business. These issues are reviewed externally and internally before being assured by KPMG.

Significant sustainability issues identified in 2012 include:

§ financial literacy and inclusion;

§ managing regulation;

§ responsible lending and investment;

§ diversity, flexibility and participation;

§ customer relationships;

§ digitisation;

§ climate change;

§ providing social outcomes;

§ workforce restructuring;

§ the global financial crisis;

- wealth management;
- reputation; and
- attracting and retaining talent.

Responsiveness

The issues identified feed directly into the development of our sustainability strategy, objectives setting and performance measures.

In 2008, we set ourselves a number of objectives for completion between 2011 and 2014, and we have achieved good progress in most areas.

Details of our current performance are provided on the following pages.

In December 2011, the Board endorsed a refreshed sustainability strategy which is to anticipate and respond to the most pressing emerging societal issues where we have the skills and experience to make a meaningful, positive impact.

This new strategy and supporting objectives are discussed in greater detail in the Business Strategy section of this report.

1 AA1000 is a voluntary framework developed by the AccountAbility organisation using a multi-stakeholder consultation process. This standard provides a framework for identifying, prioritising and responding to sustainability challenges.

The following table sets out our performance against financial year sustainability objectives from 2008 to 2013.

Customer	
To be ranked as 1 and 2 for Net Promoter Score (NPS) 1 in Australia amongst the major banks and St.George Banking Group.	Partially achieved St.George continues to be ranked 1 for NPS amongst the major banks for business customers, while Westpac is currently ranked 3. St.George and Westpac also hold these ranks in the SME business segment, while in the Commercial business segment St.George and Westpac are currently ranked 1 and 4 respectively amongst the major banks. In the Affluent segment, Westpac holds 5th place. Next year we will adopt Growth in MyBank Customers as a more appropriate measure to assess our progress on driving deep and enduring customer relationships (one of our key strategic objectives). MyBank customers have a quality and frequent transaction relationship with us and at least two additional quality financial needs met.
To achieve Net Promoter Scores of +1 for retail and 12 for business in Westpac New Zealand.	Not achieved While the NZ retail NPS has steadily improved the target has not yet been met. The target has been revised from 2011, as we are now using a business unit NPS measure.
To be a top 3 regional player in carbon related markets by 2013.	Achieved Westpac Institutional Bank offers a full range of financial solutions across regional carbon markets. Westpac has traded in the European carbon market since 2006 and is the largest financial intermediary and the principal New Zealand unit price maker in the domestic currency. Westpac s capabilities in carbon markets are well positioned for the introduction of the Australian Carbon Price Mechanism and its future linkage with the EU Emissions Trading Scheme.
Employee	
To increase the percentage of Women in Leadership roles to 40% by the end of 2014.	Due 2014 As at 30 September 2012, 40% of leadership roles were filled by women against our Full Year 2012 target of 38.5% and from a base of 33% early in 2010.
To implement initiatives to address the outcomes of our Diversity Audit.	Achieved We continue to build momentum in our broader Diversity Program including: establishing a roadmap for embedding more flexible ways to work as a key focus for 2013; continuing our commitment to Indigenous communities in Australia, New Zealand and the Pacific; building strength in making our workplace accessible to all, including people with disabilities; refreshing our mature age strategy to further cement Westpac Group s position as an employer of choice; and supporting greater inclusion of people of all sexualities through the establishment of an Employee Action Group (EAG) and extending the range of the EAG.
Community	
To reduce Scope 1 and 22 emissions by 30% on 2008 baseline3 by 2013.	Due 2013 Emissions are currently tracking below pre-2008 levels but are above the levels required to meet the 2013 five-year target.
To embed Organisational Mentoring into operational processes by 2013.	Achieved Organisational mentoring is now fully embedded into operational processes. In Full Year 2012, there were 75 active participants supporting approximately 33 not-for-profit organisations, social enterprises and social sector projects. Organisational mentoring is also being utilised by employees as a unique development opportunity in addition to providing meaningful community support.
To provide the Managing Your Money program to 45,000 New Zealanders by 2013; and implement financial literacy education for SME customers in New Zealand.	Achieved Since launching the Managing Your Money program in 2006 over 63,000 New Zealanders have participated in the workshops and online tutorials, and 137 employees have been trained to deliver the program. Building on this success, Westpac launched a new program in Full Year 2012 catering for the SME market.
To launch a major initiative to help address social disadvantage.	Achieved In its second year, the Group s partnership with Mission Australia provided funding for specific projects to help address family homelessness in Australia including: a national research project with the goal to enhance the wellbeing of homeless children; and a new Mission Australia Centre in Kingswood (NSW), which will provide accommodation options and support services for families in need.

1 An explanation of NPS is provided in footnote 5 to the Five Year Non-Financial Summary.

2 Scope 1 emissions are all direct greenhouse gas (GHG) emissions generated by the organisation. Scope 2 emissions are GHG emissions from energy (typically electricity) purchased by the organisation.

3 The 2008 baseline has been adjusted to include St.George Banking Group on a pro forma basis.

INFORMATION ON WESTPAC

Business	
Consideration of Environmental, Social and Governance (ESG) issues incorporated into relevant risk management policies, practices and decision making processes by 2013.	Achieved The Group s ESG Risk Management Framework, ESG Credit Risk Policy and suite of position statements were reviewed and updated during Full Year 2012 to ensure that ESG considerations are embedded more consistently across the Group s activities. ESG risk management training sessions were also conducted for risk and credit managers.
Responsible lending and investment practices embedded in key processes by 2013.	Due 2013 In Full Year 2012, BTFG participated in a voluntary pilot of the United Nations Principles of Responsible Investment s new reporting framework. Advance Asset Management also developed an ESG Research Framework to further embed ESG factors into the investment process.

FIVE YEAR NON-FINANCIAL SUMMARY

Non-financial information as at 30 September unless indicated otherwise1	2012	2011	2010	2009	2008
Customer					
Total customers (millions)2	11.8	11.5	11.3	10.6	6.9
Total online customers active registrations (millions)3	4.0	3.7	3.4	4.3	3.3
Number of points of bank representation	1,538	1,532	1,517	1,491	1,089
Number of ATMs	3,639	3,544	3,625	3,540	2,285
Percentage of Talking ATMs (%)4	91	88			
NPS5 Westpac Australia affluent6	(18)	(17)	(24)	(16)	
NPS Westpac Australia commercial7	(4)	3	(7)	(5)	
NPS Westpac Australia SME7	(17)	(10)	(21)	(24)	
NPS St.George8 consumer6	-	(2)	(4)	(9)	(13)
NPS St.George8 business7	1	(5)	3	(21)	
Social Sector Banking Footings ($m)9	11,490	8,210	7,101	6,072	
Responsible Investment Funds Under Management ($m)10	981	644	891	717	513
Employees					
Total core full time equivalent staff (number at financial year end)	33,418	33,898	35,055	34,189	26,717
Employee Engagement (%)11	84	81	80	81	78
Employee Voluntary Attrition (%)12	9.9	11.5	11.8		
New Starter Retention (%)13	84.8	83.8			
High Performer Retention (%)14	95.9	95.3	94.3		
Lost Time Injury Frequency Ratio (LTIFR)15	1.9	2.5	2.6	2.6	3.4
Women as a percentage of the total workforce (%)	61	61	61	62	63
Women in Leadership (%)16	40	38	35		
Environment					
Total Scope 1 and 2 emissions Aust and NZ (tonnes CO2-e)17	185,534	184,124	189,425	187,239	197,002
Total Scope 3 emissions Aust and NZ (tonnes CO2-e)18	51,369	57,163	70,457	61,846	47,694
Total paper usage Aust and NZ (tonnes)19	6,030	6,262	6,655	7,146	8,791
Proportion of infrastructure and utilities financing in renewables and hydro Aust and NZ (%)20	52	45	52	51	56
Finance assessed under the Equator Principles Group ($m)21	1,140	383	364	1,292	1,315
Social					
Community investment ($m)22	133	155	116	84	64
Community investment as a percentage of pre-tax profits (%)23	1.50	1.82	1.44	1.38	1.22
Community investment as a percentage of operating profit before income tax (Cash Earnings basis)24	1.41	1.72	1.37	1.24	1.20
Financial education (number of attendees)25	36,182	42,109			
Financial education (number of hours)26	73,301	85,194			

Supply chain						
Total supply chain spend	Aust ($bn)27	4.22	4.61	4.39	4.17	2.70
Percentage of top 150 suppliers ($ invoiced) screened for sustainability	Aust (%)28	94	92	86	99	99

1 Unless otherwise stated, all data from 2009 includes St.George Banking Group. Dark grey shading indicates information was not collected in the relevant year.

2 All customers, primary and secondary, with an active relationship (excludes channel only and potential relationships).

3 Refers to the number of customers registered for online banking that have signed in within the last 90 days as at 30 September.

4 ATMs with an additional functionality to allow users to plug in an earpiece for oral instruction to provide additional assistance for visually impaired users.

5 Refers to Net Promoter Score to determine the net percentage of customers who would recommend their Main Financial Institution to a friend or colleague. Net Promoter ScoreSM is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.

6 Source: Roy Morgan Research, 6MMA (six month moving average).

7 Sources: DBM Consultants Business Financial Service Monitor, September 2011 2012, 6MMA; TNS Business Financial Monitor September 2008-2009, 6MMA.

8 NPS consumer and business scores are for the St.George Banking Group. NPS Business Score for 2010 restated from TNS Business Finance Monitor to DBM Business Financial Services Monitor in order to align with metrics reported by Westpac RBB.

9 Data refers to the total of assets (loans), liabilities (deposits) and funds under management (FUM) of the Westpac RBB business unit dedicated to social sector customers. Social sector customers are categorised according to specific criteria, including organisation structure, account types held, key words and special condition groups. 2010 revised to include footings as at 30 September 2010.

10 Refers to FUM which are managed using sustainable and/or ethical investment processes.

11 Employee engagement score is determined through a voluntary employee survey conducted internally using Towers Watson s licensed survey methodology and is a score of employee engagement levels at the time the survey is administered. 2011 data excludes Pacific Banking.

12 Employee Voluntary Attrition refers to the total voluntary separation of permanent employees / 12 month average total permanent headcount (full time, part time and maximum term employees). Excludes Pacific Banking.

13 Total New Starter retention / 12 month rolling New Starter headcount for the period (includes full time and part time permanent employees). Excludes Pacific Banking.

14 Total High Performer Retention / 12 month rolling High Performer headcount for the period (includes full time, part time permanent and maximum term employees). Excludes Pacific Banking.

15 Lost Time Injury Frequency Rate (LTIFR) measures the number of injuries or illnesses resulting in an employee being unable to work for a full scheduled day (or shift) where work was a significant factor, per one million hours worked. Excludes Pacific Banking.

16 Women in Leadership refers to the proportion of women (permanent and maximum term employees) in people leadership roles or senior roles of influence as at 30 September as a proportion of all leaders across the Group. Includes CEO, Executive Team, General Managers, Senior Managers refers to direct reports to General Managers and the next two levels of management. Aligned to the Equal Opportunity for Women in the Workplace Agency (EOWA) standard. Excludes Pacific Banking.

17 Refers to Scope 1 and 2 emissions in Australia and New Zealand. Amounts are reported for the period 1 July to 30 June. Prepared in line with the Greenhouse Gas Protocol, ISO 14064-1 standard, the *National Greenhouse and Energy Reporting Act 2007* for Australia, and the Certified Emissions Measurement and Reduction Scheme (CEMARS) for New Zealand. Total Scope 1 and 2 emissions data for 2012 includes refrigerant data for the first time in line with the National Carbon Offset Standard. Total Scope 1 and 2 emissions data for 2012 excluding refrigerant data is 182,840 tonnes CO2-e.

18 Refers to Scope 3 emissions in Australia and New Zealand. Amounts are reported for the period 1 July to 30 June. Prepared in line with the Greenhouse Gas Protocol.

19 Total paper consumed (in tonnes) by Westpac Group as reported by its suppliers. Amounts are reported for the 12 months ended 30 June. Includes copy paper and printed materials, including direct mail and marketing documents. Australian figure also includes stationery and kitchen and bathroom products.

20 Refers to aggregate committed exposures, as per APRA reporting standards.

21 The Equator Principles are a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing.

22 2008 was previously disclosed for Australia only and has been revised to include the Group total. Community investment information has been restated for 2010 and 2011 in accordance with the Global Reporting Initiative G3 Sustainability Reporting Guidelines - Financial Sector Services Supplement and in alignment with the Westpac Group Annual Review and Sustainability Report.

23 2008 was previously disclosed for Australia only and has been revised to include the Group total.

24 The 2008 ratio is on reported (not pro forma) Cash Earnings.

25 Refers to the number of attendees (staff, customers and general public) at a financial education course offered by the Westpac Group. Excludes internet based courses and keynote presentations offered by the Davidson Institute.

26 Refers to the number of hours of financial education received by staff, customers and general public, offered by the Westpac Group. Excludes internet based courses and keynote presentations offered by the Davidson Institute.

27 Refers to the total dollars spent in AUD with external suppliers during the reporting period.

28 Refers to the percentage of top 150 suppliers by spend that have provided a self assessment against the Sustainable Supply Chain Management (SSCM) Code of Conduct and/or SSCM Questionnaire since the introduction of SSCM in 2003.

INFORMATION ON WESTPAC

Competition

The Westpac Group operates in a highly competitive environment across the regions in which we do business.

We serve the banking and wealth needs of customer segments from small businesses to large corporate and institutional clients in our business segments and across all consumer segments. The Westpac Group competes with other industry players for customers covering their needs of transacting, saving, investing, protecting and borrowing with a wide set of products and services. Our competitors range from large global organisations with broad offerings to entities more focused on specific regions or products. Our competitors include financial services and advisory companies such as banks, investment banks, credit unions, building societies, mortgage originators, credit card issuers, brokerage firms, fund and asset management companies, insurance companies and internet-based financial services providers.

Our competitive position across customer segments, products and geographies is determined by a variety of factors. These factors include:

§ the type of customer served;

§ customer service quality and convenience;

§ the effectiveness of, and access to, distribution channels;

§ brand reputation and preference;

§ the quality, range, innovation and pricing of products and services offered;

§ technology solutions; and

§ the talent and experience of our employees.

In Australia, we have seen intense competition for deposits continue to be driven in part by clearer global regulatory requirements for liquidity management and balance sheet composition. Banks and other financial institutions also seek to achieve a higher proportion of deposit funding as credit rating agencies and debt investors look for strong balance sheet positions in their assessment of quality institutions.

We expect competition for lending to also remain high, with slower credit growth compared to the significant credit expansion Australia experienced over the majority of the last two decades. Businesses and consumers are cautious about the global outlook and continue to trim back debt. In mortgages, this lower growth and the desire of some players to maintain or expand their market share using price has seen strong competition over the last year. This is expected to continue, particularly if lending growth remains modest. Serving business customers transaction and trade financing needs has been at the centre of competitive activity as customer expectations increase.

In our wealth business, we expect competition to increase as financial institutions and industry funds move to capture a greater share of this fast growing market, particularly in superannuation (or pensions) and financial advice as the market responds to regulatory changes.

The New Zealand market is experiencing strong competition as banks vie for new customers. The home lending market is particularly competitive on price and switching incentives.

Outlook1

Australian economic indicators have, in aggregate, remained relatively robust throughout much of 2012 with moderate growth, low unemployment and benign inflation. Despite these strengths, the experience across sectors has been diverse, business and consumer confidence remained soft, and a loss of momentum emerged as the year progressed. The mining sector has continued to be the growth driver of the economy, with other sectors experiencing more challenging conditions given consumer caution and ongoing strains from the high Australian dollar.

Conditions globally have also remained challenging. World growth lost momentum in 2012. Europe is in recession, US growth is moderate and China s economy has cooled as a result of past policy tightening. Policy makers in the major economies are now responding to these developments with more aggressive stimulus measures. This is likely to lead to a gradual strengthening of activity. However, the outlook remains uncertain. Europe may continue to contract and the pace of recovery elsewhere in the developed world will be constrained by fiscal consolidation, excessive household debt and weak financial systems. Prospects for the developing economies are likely to improve as those regions have ample scope for effective policy stimulus.

The Reserve Bank of Australia (RBA) has resumed the monetary policy easing cycle in response to global and domestic developments and given the scope provided by a benign inflation environment. The stance of monetary policy is now expansionary, with additional policy easing widely expected.

Given this backdrop, in 2013 we expect Australia s economic fundamentals to remain stronger and more stable than other developed nations. GDP growth is forecast to be around 3% for 2013, inflation is likely to remain benign and unemployment, while edging higher, is forecast to remain below 6%. Economic growth is likely to become more broadly based as the lower interest rate environment supports conditions in the broader economy. The mining investment boom is set to transition to a mining export upswing over the next two to three years as additional capacity comes on stream and given likely strong demand for commodities from the Asian region, boosted by a cyclical recovery in China.

For banking, we expect that demand for credit will improve a little, but growth is likely to remain modest, while we expect deposits to expand at a relatively strong rate.

1 All data and opinions under Outlook are generated by our internal economists and management.

With a solid operating performance across all divisions in Full Year 2012, combined with a further strengthening of the balance sheet, Westpac believes it is well positioned to respond to this challenging operating environment. Particular areas of focus will include:

- continuing to improve productivity, including completion of the new supplier arrangements commenced in early 2012;
- continued strengthening of the balance sheet with a particular focus on improving the asset/liability mix; and
- responding pro-actively and in a disciplined way to the increased regulatory agenda.

The Group will also continue to invest in the year ahead with our approach remaining highly targeted to areas where the greatest opportunities exist. These include the build-out of Bank of Melbourne, and commencing the development of a new wealth platform. The Group will also continue to build its capacity and capability in Asia via an increased network and by further building relationships with strategic partners. Our SIPs investment program is also a key element of investment that we expect to continue to enhance and strengthen our technology infrastructure, particularly in online and mobile banking.

Given our strong starting position, and the momentum we carried into the final part of the 2012 financial year, we believe that Westpac is well placed to continue delivering sound, high quality returns for shareholders.

Significant developments

Commencement of new Chairman

On 14 December 2011, Lindsay Maxsted became Chairman of Westpac Banking Corporation following the retirement of Ted Evans AC. Mr Maxsted joined the Board in 2008 as an independent Director and Chairman of the Audit Committee.

New organisational structure

On 24 November 2011 Westpac announced a new organisational structure for the Westpac Group creating two new divisions:

- AFS which encompasses Westpac RBB, St.George, BTFG, and Banking Products and Risk Management; and
- Group Services encompassing Technology, Banking Operations, Property Services and Legal.

Consolidation of office space in Sydney and Melbourne

On 22 June 2012 Westpac announced that it had committed to a long-term lease at Sydney s Barangaroo development, which is expected to be completed in 2015. Westpac will lease approximately 60,000 square metres at Barangaroo. The developer, Lend Lease, has also agreed to purchase two Westpac-owned buildings at 182 George Street and 33-35 Pitt Street. Once completed, it is expected that the new site will enable the Group to consolidate into two locations in the Sydney CBD its existing head office at 275 Kent Street and Barangaroo.

On 9 December 2011 Westpac announced that it had committed to consolidate its Melbourne city office space from 360 and 367 Collins Street to a new building at 150 Collins Street, a joint development by APN Property Group and Grocon.

Liquidity

On 16 December 2010, the Basel Committee on Banking Supervision (BCBS) released the final text of the Basel III liquidity framework. The framework introduces two new liquidity measures; the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

The LCR requires banks to hold sufficient high-quality liquid assets, as defined, to withstand 30 days under an acute stress scenario. Since there are insufficient Government bonds available in the Australian marketplace to allow institutions to meet the LCR, the Reserve Bank of Australia (RBA) has announced, jointly with the Australian Prudential Regulation Authority (APRA), that it will make available to Australian institutions a committed secured liquidity facility that can be used to meet the LCR requirement.

The timetable for implementing the liquidity standard schedules the LCR to be introduced from 1 January 2015 and the NSFR from 1 January 2018. Both liquidity measures are subject to an observation and review period prior to implementation and as such are potentially subject to modification.

In November 2011, APRA released for consultation a discussion paper outlining its proposed implementation of the Basel III liquidity reforms in Australia. However, until the final Australian standards are released, the full extent of the impact on the Westpac Group is uncertain.

Capital

On 16 December 2010, the BCBS released the final text of the Basel III capital framework. The framework was revised in June 2011 and incorporates higher global minimum capital requirements and the introduction of two new capital buffers. The framework includes:

§ an increase in the minimum common equity requirement from 2.0% to 4.5%;

§ an increase in the minimum Tier 1 capital requirement from 4.0% to 6.0%;

§ a capital conservation buffer at 2.5%, to be met with common equity; and

§ a countercyclical buffer of between 0% to 2.5% to be met with common equity or other fully loss absorbing capital (subject to further BCBS guidance). The buffer is intended to be applied during times of excess credit growth.

The framework includes a compliance timetable, with phase-in arrangements starting from 1 January 2013 and some elements not becoming fully effective until 1 January 2019.

On 28 September 2012, APRA released the four final revised capital adequacy standards that will govern the implementation of the Basel III capital framework in Australia. APRA is requiring Australian ADIs to meet the new minimum capital requirements from 1 January 2013 and has proposed that the capital conservation buffer apply in full from its introduction date of 1 January 2016. Westpac believes it is well placed to meet the new capital requirements within the timeframes proposed.

INFORMATION ON WESTPAC

Westpac Convertible Preference Shares

On 23 March 2012, Westpac issued approximately $1.19 billion of new Tier 1 hybrid securities known as Westpac Convertible Preference Shares (Westpac CPS), which qualify as Non-innovative Residual Tier 1 capital of Westpac for regulatory capital purposes. Westpac CPS will also be eligible for transitional treatment as Additional Tier 1 capital under APRA s Basel III capital adequacy framework.

Credit ratings

On 1 December 2011, Standard & Poor s announced that, following changes to its criteria for assessing bank credit ratings globally, the ratings of the major Australian banks, including Westpac, were lowered by one notch. As a result, Westpac s long-term, senior unsecured credit rating was assessed as AA- down from AA. The outlook for the rating is stable. Westpac s short-term credit rating was affirmed at A1+.

On 24 February 2012, Fitch Ratings advised that Westpac, along with the other major Australian banks, had its long-term senior unsecured issuer default rating downgraded to AA- down from AA. The outlook for the rating is stable. Westpac s short-term issuer default rating was affirmed at F1+.

Systemically Important Financial Institutions (SIFIs)

In November 2011, the BCBS published Global systemically important banks: Assessment methodology and the additional loss absorbency requirement . This document announced the final methodology for determining Global Systemically Important Banks (G-SIBs), and the Financial Stability Board (FSB) named 29 G-SIBs that would be subject to higher capital requirements and greater oversight. No Australian bank has been named as a G-SIB based on the current methodology and data.

The G20 also directed the FSB to consider how to extend the framework to a broader set of SIFIs, including Domestic Systemically Important Banks (D-SIBs), and to make recommendations to the G20. On 12 October 2012, the BCBS issued the paper A framework for dealing with domestic systemically important banks . The paper sets out a principles based framework for regulating D-SIBs. However, until APRA develops the rules for implementing the framework in Australia, any impact on Westpac cannot be determined.

Recovery and resolution planning

In November 2011, the FSB finalised a comprehensive package of policy measures to improve the capacity of authorities to resolve failing SIFIs, without systemic disruption and without exposing taxpayers to risk of loss. As part of the package, a Recovery and Resolution Plan is required for any firm deemed by its home authority to have systemic importance to the domestic economy. In addition, SIFIs will be subject to resolvability assessments to ensure they may be resolved without severe systemic disruption and taxpayer loss while at the same time protecting systemically important functions. APRA has undertaken a pilot Recovery Planning project applying to Australia s largest banks, with final plans delivered to APRA in mid-2012. APRA has indicated that it intends to extend its recovery planning program once the results of the pilot program have been analysed. The final form of any resulting requirements, the implications, and the timing for Westpac are at this stage unknown.

OTC derivatives reform

The over-the-counter (OTC) derivatives market is undergoing significant regulatory reform globally. The reforms aim to improve transparency, mitigate systemic risk and protect against market abuse in the OTC derivatives market by encouraging clearing through central counterparties, reporting to trade repositories, exchange trading where appropriate, and imposing higher capital requirements on non-cleared contracts.

Locally, the Council of Financial Regulators (APRA, ASIC, RBA and the Australian Treasury) issued a report on OTC Derivatives Market Reform Considerations in March 2012, which was followed by the release of a joint report on the Australian OTC Derivatives Market by APRA, ASIC and the RBA in October 2012. In addition, the Australian Government has introduced into Parliament the Corporations Legislation Amendment (Derivatives Transactions) Bill 2012, which creates a framework to allow the Minister for Financial Services and Superannuation to determine that mandatory obligations should apply to certain classes of OTC derivatives, requiring those classes to be reported, centrally cleared, and traded on suitable trading platforms.

Westpac is closely monitoring the local and international OTC derivatives reforms including regulatory changes being implemented by the US Commodity Futures Trading Commission under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and is actively engaging with regulators, trade associations, banks and clearing houses. Westpac is developing clearing, reporting and trade processing solutions to ensure that it is compliant with applicable global regulations within the required timeframes, including any foreign registration obligations. As both the international and local reforms are yet to be finalised, the full extent of the impact on the Westpac Group s operations remains unclear.

Exception fees class action

On 16 December 2011 a class action was commenced against Westpac in the Federal Court of Australia on behalf of certain customers of Westpac. A second class action against Westpac, brought on behalf of certain customers of St.George Bank and BankSA, was commenced on 1 February 2012. The claims in both class actions allege that certain exception fees charged by Westpac prior to October 2009 were unlawful. The claims against Westpac form part of a series of class actions against a number of Australian banks initiated by the litigation funding company IMF (Australia) Ltd. Westpac intends to defend the proceedings. By agreement between the parties, the proceedings against Westpac are on hold until at least December 2012, pending developments in a related class action against another Australian bank.

Bell litigation

Westpac was one of 20 defendant banks named in proceedings concerning the Bell Group of companies. The proceedings were brought by the liquidators of several Bell Group companies who challenged the defendant banks entitlement to receive the proceeds of realisation of Bell Group assets in the early 1990s. Judgment was delivered on 28 October 2008 and final orders were handed down on 30 April 2009.

Westpac, along with the other defendant banks, was found liable to repay its share of the monies received from the Bell Group plus interest. The defendant banks appealed the decision. Judgment was handed down by the Court of Appeal of the Supreme Court of Western Australia on 17 August 2012. By a majority decision, the defendant banks were unsuccessful in the appeal and the amount of interest payable was increased. The defendant banks have applied for special leave to appeal to the High Court of Australia.

Tax developments

Following the Tax Forum conducted by the Australian Federal Government in Canberra on 4 and 5 October 2011, to discuss tax reform following the report from Australia s Future Tax System Review (the Henry Review), the Deputy Prime Minister and Treasurer announced the appointment of a business tax working group to look at how the Australian tax system could be improved. Measures considered by this working group include the carry back of tax losses and the possible reduction of the corporate tax rate where it is funded by the business tax base broadening. The working group released a draft final report on 24 October 2012. The working group concluded that while there could be benefits associated with a cut in the company tax rate, they declined to make a recommendation as to how such a cut could be undertaken in a revenue neutral manner. This was based on a conclusion by the working group that there was a lack of agreement in the business community as to how to fund such a reduction in the corporate tax rate.

On 30 March 2011, the Assistant Treasurer announced a review of the tax consolidation provisions dealing with rights to future income and the residual tax cost setting rules. The consideration was whether these rules needed to be amended, and, if so, whether any amendments will take effect retrospectively. The residual tax cost setting rules are the provisions under which amounts were allocated to the St.George in the money derivatives in the tax consolidation process (and from which deductions are claimed by Westpac under the general taxing provisions).

In June 2012, the Government passed new legislation (*Tax Laws Amendment (2012 Measures No.2) Act*) that introduced a number of changes to the income tax law as it applied to the Taxation of Financial Arrangements (TOFA) and tax consolidated groups. The new legislation:

§ confirmed the tax treatment adopted by Westpac for the derivative assets and liabilities consolidated as part of the St.George Bank merger. This gave rise to a reduction in income tax expense of approximately $685 million for the 2010 financial year and approximately $1,110 million for the 2011 financial year, as previously announced in October 2010 and March 2011; and

§ applied retrospective amendments to TOFA that applied to certain liabilities consolidated as part of the St.George Bank merger. This gave rise to an additional income tax expense of approximately $165 million for the 2012 financial year, as reported on 27 June 2012.

Changes to accounting standards

In continuing response to the global financial crisis, governments, regulators and accounting standard setters are working to revise certain accounting standards. The objective is to achieve convergence towards a single set of high-quality, global and independent accounting standards. The specific areas that have been targeted include accounting for financial instruments, provisioning for loan impairment charges, off-balance sheet exposures and the impairment and valuation of financial assets and lease accounting. The Group expects that there will be a number of new standards issued in the next three years that will require changes to our current accounting approaches.

United States

There are a number of significant regulatory reforms currently occurring in the United States (US). These include:

Dodd-Frank Act

In response to the global financial crisis, legislation designed to reform the system for supervision and regulation of financial firms in the US was signed into law on 21 July 2010. The Dodd-Frank Act contains a wide range of provisions that will affect financial institutions operating in the US, including foreign banks like Westpac. Included among its provisions are reforms designed to reduce systemic risk presented by very large financial institutions, promote enhanced supervision, regulation, and prudential standards for financial institutions, establish comprehensive supervision of financial markets, impose new limitations on permissible financial institution activities and investments, expand regulation of the derivatives markets, protect consumers and investors from financial abuse, and provide the US Government with the tools needed to manage a financial crisis. Many of the provisions of the Dodd-Frank Act require extensive rulemaking by US regulatory agencies before the provisions become effective. The issuance of final rules under the Dodd-Frank Act remains far from complete, with the process continuing. Aside from the observations regarding OTC derivatives reform above, until there is greater clarity regarding the final forms of the rules and their extra-territorial application, it is not possible to assess the full impact of the law and the regulations on our operations. However in the event that some of the rules are implemented in or close to the current draft, significant investment in compliance and reporting programs and changes to business activities are likely to be required.

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Foreign Account Tax Compliance Act (FATCA)

Legislation incorporating provisions referred to as FATCA was passed in the US on 18 March 2010. The legislation and subsequent guidance require Foreign Financial Institutions (FFIs) such as Westpac to enter into an FFI agreement under which they agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and US owned foreign entities, or otherwise face 30% withholding tax on certain payments made to the FFI. In addition, FFIs that have entered into an FFI agreement will be required to withhold on certain payments made to FFIs that have not entered into an FFI agreement and account holders who do not respond to requests to confirm their US person status and/or do not agree to the FFI reporting certain account related information to the IRS. This description is based on guidance issued to date by the IRS, including proposed regulations. Future guidance may affect the application of FATCA to Westpac. Given Westpac s expectation that the FATCA provisions will be implemented in or near to their current form, substantial investment will be required to ensure that Westpac will be able to adhere to the FATCA requirements from a compliance and reporting perspective across all jurisdictions in which Westpac operates.

The IRS has published a Model Intergovernmental Agreement (the Model IGA) in connection with the implementation of FATCA. The Australian Government is currently exploring the feasibility of entering into such an Intergovernmental Agreement (IGA) with the US. If the Australian Government does enter into an IGA with the US, based on the Model IGA, Westpac would likely be able to report the required information relating to its Australian branches to the Australian Taxation Office (ATO), which would provide such information to the IRS under existing Exchange of Information protocols. Further, Westpac s Australian branches/affiliates would be relieved of the requirements to enter into an FFI Agreement with the IRS and to withhold from payments to, or close the accounts of, certain account holders at such branches/affiliates but will still be required to identify certain US accounts. While it is anticipated that such an IGA would reduce the compliance costs and operational burdens of FATCA for Westpac, there is no certainty that Australia will enter into an IGA with the US. Moreover, even if such an IGA is entered into, Westpac currently expects that it will enter into an FFI agreement, as described above, with respect to its branches and affiliated FFIs not located in Australia or another country that has entered into an IGA.

New Zealand

Regulatory reforms and significant developments in New Zealand include:

Transfer of additional banking operations to Westpac New Zealand Limited on 1 November 2011

Until 1 November 2006, Westpac conducted its banking operations within New Zealand through a branch structure. On that date, and after extensive consultation with the Reserve Bank of New Zealand (RBNZ), Westpac adopted a dual registration operating model comprised of a locally incorporated subsidiary, WNZL, to conduct its consumer and business banking operations in New Zealand, and a branch, Westpac s NZ Branch (NZ Branch), to conduct its institutional and financial markets operations.

Following an independent review of the structure of the operating model of Westpac s business in New Zealand, the RBNZ, WNZL and Westpac reached agreement on changes to the operating model. As a result, and pursuant to the *Westpac New Zealand Act 2011*, the following assets and liabilities associated with certain business activities and associated employees were transferred from the NZ Branch to WNZL on 1 November 2011:

§ institutional customer deposits;

§ institutional customer transactional banking;

§ institutional customer lending other than trade financing activities;

§ debt capital markets activities carried out in assisting corporates to obtain funding, such as customer loan syndication and securitisation arrangements, but excluding the debt securities team activities, such as arrangement of commercial paper and bond program;

§ corporate advisory; and

§ institutional customer foreign currency accounts.

The NZ Branch has retained its financial markets operations for external customers, including sales and trading of capital markets products and foreign exchange for corporate and institutional customers, pricing and risk management for interest rate, foreign exchange and commodity products for retail, business and institutional customers of WNZL and trading of capital markets products and foreign exchange as principal. In addition, the NZ Branch has retained its global intra-group financing functions, correspondent bank relationships, debt securities team activities, such as arrangement of commercial paper and bond programs, and international business (including trade finance activities but excluding customer foreign currency accounts).

Open Bank Resolution (OBR)

The RBNZ released a consultation paper on OBR in March 2011. OBR contemplates a bank being open for business on the next business day following an insolvency event or event that triggered putting it under statutory management. The RBNZ s consultation paper recommended that all locally incorporated banks with retail funding over NZ$1 billion participate in a pre-positioning process and therefore the policy will apply to WNZL. In the event of failure, a bank must be able to achieve certain outcomes which include being able to freeze accounts and process pending payments, determine customers account balances on a per account basis, set aside a proportion of account balances that have been frozen, and resume customers access to their transaction and other accounts on the next business day following the bank s closure. Banks were required to submit detailed implementation plans to the RBNZ by 29 February 2012 and the RBNZ is requiring that they be fully pre-positioned for OBR by 30 June 2013. A new condition of registration to formally impose the OBR requirements is expected to be in place by the end of the calendar year and take effect from 1 July 2013.

Basel III

The RBNZ is adopting the core Basel III capital measures relating to new capital ratios, including the conservation buffer, and most of the recommendations relating to the definition of capital. Total Tier 1 capital will increase to 6.0% plus the conservation buffer of 2.5%. Tier 1 capital will need to include common equity of 7.0% (Tier 1 ratio of 4.5% and the conservation buffer). The countercyclical capital buffer is also being adopted and will be imposed when the RBNZ judges that excess private sector credit growth or rapid growth in asset prices is leading to a build-up of system-wide risk. The RBNZ is not specifying any upper limit on the countercyclical buffer. The leverage ratio is not being adopted. The RBNZ is implementing Basel III ahead of the Basel Committee on Banking Supervision s (BCBS) and APRA s timetable. The new capital ratios will come into effect on 1 January 2013. The conservation buffer will be implemented in full from 1 January 2014, in contrast to the BCBS s framework, which proposes that the buffer be implemented over a three year period (from 2016). The countercyclical capital buffer will be able to be deployed from 1 January 2014.

Financial Markets Conduct Bill (FMCB)

The FMCB was introduced into the New Zealand Parliament in October 2011 and was reported back from Select Committee in early September 2012. It is expected to be passed in the first half of 2013. The FMCB represents an overhaul of the existing securities law regime in New Zealand and will impact various aspects of the wider Westpac New Zealand business. It introduces changes to product disclosure and governance, and introduces new licensing and registration requirements. The new regime will do away with the existing prospectus/investment statement dual disclosure model and introduce a single product disclosure statement, supported by an online register of other material documentation. Much of the detail from the Bill has been left to be prescribed in regulations.

Credit law reform/responsible lending

The New Zealand Government is proposing to amend the *Credit Contracts and Consumer Finance Act 2003* (CCCFA) by introducing a duty to lend responsibly. An exposure draft of the amendment Bill was released in April 2012. The Bill will provide for a regulatory responsible lending code and will strengthen existing consumer protections by changing current CCCFA provisions on disclosure, fees, hardship and oppressive contracts .

Reserve Bank of New Zealand (Covered Bonds) Amendment Bill

A bill that provides a legislative framework for the issuance of covered bonds by New Zealand registered banks was introduced into Parliament in May 2012 and is expected to be passed this year. New Zealand registered banks are currently permitted by the RBNZ to issue covered bonds and have conditions of registration which impose a limit on this issuance of 10% of total assets. However, the legislation will provide certainty for investors that the cover pool assets will be disgorged from statutory management and liquidation regimes. The Bill will require the registration of covered bond programs and provides for a transition period for the registration of existing covered bond programs.

Other significant developments

The Australian Federal Government has embarked on a program of regulatory reform which will affect Westpac. This includes:

§ Credit law reform as part of the second phase of the credit law reforms, since 1 January 2012, credit providers have been required to produce Key Facts Sheets for standard home loans. Further reforms relating to credit cards commenced on 1 July 2012. These reforms include a credit card Key Facts Sheet, a minimum repayment warning on statements, a mandatory order of application of payments, over the limit notifications and a requirement for consent before sending written credit limit increase invitations. In addition, through the *Consumer Credit and Corporations Legislation Amendment (Enhancements) Act 2012*, amendments have been introduced to the regulation of reverse mortgages, hardship applications under the National Credit Code, short-term and small amount loans, consumer leases and other enhancements , most of which will commence 1 March 2013.

§ Superannuation changes the Government s response to the Super System (Cooper) Review will require introduction of a new MySuper product from 1 July 2013. MySuper is a low cost, simple superannuation product. A MySuper product will be the default investment option where investment choice is not elected by the member. Other legislative changes include enhanced trustee and director obligations as well as SuperStream , a measure to improve the efficiency of processing superannuation transactions through the use of technology. All legislation to execute this reform agenda should be in force by the end of 2012. A project team has been created to assess the impact of these changes to our existing superannuation products and to ensure compliance with the new requirements.

§ Financial advice changes on 27 June 2012 the Government s Future of Financial Advice (FOFA) reforms became law. Regulations were registered on 12 July 2012 and 2 October 2012, and further regulations are still expected. The FOFA reforms are aimed at improving consumer trust and confidence in, and the quality of, financial advice. The FOFA reforms include a ban on certain conflicted payments and soft dollar benefits, a ban on volume-based shelf space fees, a ban on the charging of asset-based fees on borrowed funds, a statutory best interests duty so that financial advisers must act in the best interests of their clients, and an adviser charging regime where the investor will be required to opt-in every two years to receive ongoing advice and where advisers will be required to give annual disclosure of ongoing fees and services to investors. The majority of the proposed reforms will commence for the Westpac Group on 1 July 2013. Certain aspects of the reforms, including an anti-avoidance provision and increased ASIC powers, commenced on 1 July 2012.

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§ Privacy law reform the *Privacy Act*, first introduced in Australia in 1988, regulates how personal information is collected, used, disclosed and maintained by organisations. It also grants rights to individuals to access and request the correction of their personal information. The Privacy Amendment (Enhancing Privacy Protection) Bill 2012 has been passed by the House of Representatives and is currently before the Senate. This Bill contains new Australian Privacy Principles to replace the current National Privacy Principles and amends, among other things, how credit reporting is conducted.

§ Proposed amendments to the Insurance Contracts Act on 21 March 2012, the *Insurance Contracts Amendment Bill 2011* was passed by the Australian Parliament, introducing a standardised definition of flood for home and contents insurance policies and establishing additional mandatory disclosure requirements for home and contents insurance policies. In addition to those changes, the Government is currently reviewing the availability and affordability of flood insurance, while amendments to the *Insurance Contracts Act 1984* (Cth) and related legislation may result in insurance contracts being subject to the unfair contracts regime, updated duties of disclosure being imposed upon insureds, and the option of providing notices and documents under the Act electronically.

§ The introduction of a new regulatory framework for personal property securities on 30 January 2012 the *Personal Property Securities Act* (PPSA) commenced. The PPSA is a national personal property securities regime involving a single register and a uniform set of rules that replaces a wide range of complex State and Territory based legislation and registers. The PPSA regime has introduced fundamental changes to the treatment of security interests in personal property in Australia.

§ Changes to APRA s crisis management powers on 12 September 2012 the Australian Federal Treasury released for public consultation a paper entitled Strengthening APRA s Crisis Management Powers which seeks comments on a series of reform proposals directed at strengthening APRA s crisis management powers. Proposals under consideration include providing APRA with the ability, in times of financial distress, to direct regulated entities (including Westpac) in relation to disclosure requirements and broadening APRA s powers to issue other directions to regulated entities. If implemented, these proposals could impact on the regulatory framework applying to Westpac and its controlled entities. However, until final proposals are published and implemented, the full extent of the impact on us is uncertain.

§ Covered bonds on 13 October 2011, the Australian Parliament passed an amendment to the *Banking Act 1959* permitting ADIs to issue covered bonds. Among other things, this legislation caps at 8% the value of an ADI s assets in Australia that can be included in a cover pool supporting covered bonds.

Westpac continues to review these developments, engage with Government, regulators and industry bodies as appropriate, and amend its systems, processes and operations to align with regulatory changes as they occur.

Supervision and regulation

Australia

Within Australia we are subject to supervision and regulation by six principal agencies: APRA; the Reserve Bank of Australia (RBA); the Australian Securities and Investments Commission (ASIC); the Australian Securities Exchange (ASX); the Australian Competition and Consumer Commission (ACCC); and the Australian Transaction Reports and Analysis Centre (AUSTRAC).

APRA is responsible for the prudential supervision of banks, credit unions, building societies, life and general insurance companies, friendly societies and most superannuation (pension) funds. APRA s roles include establishing and enforcing prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made to customers by the institutions it supervises are met.

As an ADI, we report prudential information to APRA including information in relation to capital adequacy, large exposures, credit quality and liquidity. Our controlled entities in Australia that are authorised insurers and trustees of superannuation funds are also subject to the APRA regulatory regime. Reporting is supplemented by consultations, on-site inspections and targeted reviews. Our external auditors also have an obligation to report on compliance with certain statutory and regulatory banking requirements and on any matters that in their opinion may have the potential to materially prejudice the interests of depositors and other stakeholders.

Australia s risk-based capital adequacy guidelines are generally consistent with the approach agreed upon by the Basel Committee on Banking Supervision. Refer to Capital resources Basel Capital Accord in Section 2.

The RBA is responsible for monetary policy, maintaining financial system stability and promoting the safety and efficiency of the payments system. The RBA is an active participant in the financial markets, manages Australia s foreign reserves, issues Australian currency notes and serves as banker to the Australian Government.

ASIC is the national regulator of Australian companies. Its primary responsibility is to regulate and enforce company, consumer credit, financial markets and financial services laws that protect consumers, investors and creditors. With respect to financial services, it promotes honesty and fairness by providing consumer protection, using regulatory powers to enforce laws relating to deposit-taking activities, general insurance, life insurance, superannuation, retirement savings accounts, securities (such as shares, debentures and managed investments) and futures contracts and financial advice. ASIC has responsibility for supervising trading on Australia s domestic licensed markets and of trading participants.

The ASX operates Australia s primary national market for trading of securities issued by listed companies. Some of our securities (including our ordinary shares) are listed on the ASX and we therefore have obligations to comply with the ASX Listing Rules, which have statutory backing under the Corporations Act. The ASX has responsibility for the oversight of listed entities under the ASX Listing Rules and for monitoring and enforcing compliance with the ASX Operating Rules by market, clearing and settlement participants.

The ACCC is an independent statutory authority responsible for the regulation and prohibition of anti-competitive and unfair market practices and mergers and acquisitions in Australia. Its broad objective is to administer the *Competition and Consumer Act 2010* and related legislation to bring greater competitiveness, fair trading, consumer protection and product safety to the Australian economy. The ACCC s role in consumer protection complements that of Australian state and territory consumer affairs agencies that administer the unfair trading legislation of their jurisdictions.

The Australian Government s present policy, known as the four pillars policy , is that there should be no fewer than four major banks to maintain appropriate levels of competition in the banking sector. Under the *Financial Sector (Shareholding) Act*, the Australian Government s Treasurer must approve an entity acquiring a stake of more than 15% in a financial sector company.

Proposals for foreign acquisitions of a stake in Australian banks are subject to the Australian Government s foreign investment policy and, where required, approval by the Australian Government under the *Australian Foreign Acquisitions and Takeovers Act 1975*. For further details refer to Limitations affecting security holders in Section 4.

AUSTRAC oversees the compliance of Australian reporting entities including Westpac, within the requirements under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and the *Financial Transaction Reports Act 1988*.

These requirements include:

§ implementing programs for identifying and monitoring customers, and for managing the risks of money laundering and terrorism financing;

§ reporting suspicious matters, threshold transactions and international funds transfer instructions; and

§ submitting an annual compliance report.

AUSTRAC provides financial information to state, territory and Australian federal law enforcement, security, social justice and revenue agencies, and certain international counterparts.

New Zealand

The RBNZ is responsible for supervising New Zealand registered banks. The New Zealand prudential supervision regime requires that registered banks publish quarterly disclosure statements, which contain information on financial performance and risk positions as well as attestations by the directors about the bank s compliance with its conditions of registration and certain other matters.

United States

Our New York branch is a US federally licensed branch and therefore is subject to supervision, examination and extensive regulation by the US Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System (the US Federal Reserve) under the

US International Banking Act of 1978 (IBA) and related regulations. Under the IBA, we may not open any branch, agency or representative office in the US or acquire more than 5% of the voting stock of any US bank without the prior approval of the US Federal Reserve.

A US federal branch must maintain, with a US Federal Reserve member bank, a capital equivalency deposit as prescribed by the US Comptroller of the Currency in an amount which is the greater of:

§ the amount of capital (but not surplus) that would be required of a national bank organised at the same location; or

§ 5% of its total liabilities (including acceptances, but excluding accrued expenses, and amounts due and other liabilities to other branches, agencies, and subsidiaries of the foreign bank).

In addition, a US federal branch is examined by the US Comptroller of the Currency at least once each calendar year. The examination covers risk management, operations, credit and asset quality, and compliance with the record-keeping and reporting requirements that apply to national banks, including the maintenance of its accounts and records separate from those of the foreign bank, and any additional requirements prescribed by the US Comptroller of the Currency.

A US federal branch of a foreign bank is, by virtue of the IBA, subject to the receivership powers exercisable by the US Comptroller of the Currency.

At this time we have not elected to become, and therefore we are not, a financial holding company as defined in the *Gramm-Leach-Bliley Act of 1999*.

INFORMATION ON WESTPAC

Anti-money laundering regulation

Australia

Westpac has a Group-wide program to manage its obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. We continue to actively engage with the regulator, AUSTRAC, on our activities.

United States

The *USA Patriot Act* requires US financial institutions, including the US branches of foreign banks, to take certain steps to prevent, detect and report individuals and entities involved in international money laundering and the financing of terrorism. The required actions include verifying the identity of financial institutions and other customers and counterparties, terminating correspondent accounts for foreign shell banks and obtaining information about the owners of foreign bank clients and the identity of the foreign bank s agent for service of process in the US. The anti-money laundering compliance requirements of the *USA Patriot Act* include requirements to adopt and implement an effective anti-money laundering program, report suspicious transactions or activities, and implement due diligence procedures for correspondent and other customer accounts.

Outsourcing contracts

Westpac s significant long-term contracts are summarised in Note 34 to the financial statements.

Legal proceedings

Our entities are defendants from time-to-time in legal proceedings arising from the conduct of our business and material legal proceedings, if any, are described in Note 36 to the financial statements. An assessment of likely losses is made on a case-by-case basis for the purposes of the financial statements.

Principal office

Our principal office is located at 275 Kent Street, Sydney, New South Wales, 2000, Australia. Our telephone number for calls within Australia is 132 032 and our international telephone number is (+61) 2 9293 9270.

CORPORATE GOVERNANCE

INTRODUCTION

This statement describes our corporate governance framework, policies and practices as at 5 November 2012.

Framework and approach

Our approach to corporate governance is based on a set of values and behaviours that underpin day-to-day activities, provide transparency and fair dealing, and seek to protect stakeholder interests.

This approach includes a commitment to excellence in governance standards, which Westpac sees as fundamental to the sustainability of our business and our performance. It includes monitoring local and global developments in corporate governance and assessing their implications.

Australia

We comply with the ASX Corporate Governance Principles and Recommendations (ASXCGC Recommendations) published by the ASX Corporate Governance Council (ASXCGC). We must also comply with the Corporations Act and as an ADI must comply with governance requirements prescribed by APRA under Prudential Standard CPS 510 Governance.

This statement addresses each of the eight ASXCGC Recommendations with an explanation of our corporate governance practices, demonstrating our compliance with each Recommendation. A checklist summarising our compliance is included at the end of this statement.

Further details about the ASXCGC Recommendations can be found on the ASX Limited (ASX) website www.asx.com.au.

New Zealand

Westpac also has ordinary shares quoted on the NZSX, which is the main board equity security market operated by NZX Limited (NZX). As an overseas listed issuer in New Zealand, we are deemed to satisfy and comply with the NZSX Listing Rules, provided that we remain listed on the ASX and comply with the ASX Listing Rules.

The ASX, through the ASXCGC Recommendations, and NZX have adopted a similar comply or explain general approach to corporate governance. However, the ASXCGC Recommendations may materially differ from the corporate governance rules and the principles of NZX s Corporate Governance Best Practice Code.

United States

Westpac has American Depositary Shares (ADS) representing its ordinary shares quoted on the New York Stock Exchange (NYSE). Under the NYSE Listing Rules, foreign private issuers are permitted to follow home country practice in respect of corporate governance in lieu of the NYSE Listing Rules. However, we are still required to comply with certain audit committee and additional notification requirements.

We comply in all material respects with all NYSE listing rules applicable to us.

Under the NYSE Listing Rules, foreign private issuers are required to disclose any significant ways in which their corporate governance practices differ from those followed by domestic US companies. We have compared our corporate governance practices to the corporate governance requirements of the NYSE Listing Rules and note the significant differences below.

The NYSE Listing Rules require that, subject to limited exceptions, shareholders be given the opportunity to vote on equity compensation plans and material revisions to those plans.

In Australia there are no laws or securities exchange listing rules that require shareholder approval of equity based incentive plans or individual grants under those plans (other than for Directors, including the Chief Executive Officer (CEO)).

Westpac s employee equity plans have been disclosed in the Remuneration report in Section 9 of the Directors report, which is subject to a non-binding shareholder vote at the Annual General Meeting (AGM) and grants to our CEO are approved by shareholders. The details of all grants under our equity-based incentive plans have been disclosed in Note 25 of our financial statements for the year ended 30 September 2012.

The NYSE Listing Rules provide that the Nominations Committee s responsibilities should include selecting, or recommending that the Board select, the Director nominees for the next annual meeting for shareholders, and overseeing the evaluation of the Board. The Board, rather than the Nominations Committee, reviews and recommends the Director nominees for election at the AGM and undertakes an annual review of its performance.

Websites

This statement and a range of documents referred to in it are available on our corporate governance website at www.westpac.com.au/corpgov. This website is regularly updated and contains copies and summaries of charters, principles and policies referred to in this statement.

CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

From time to time the Board may form other Committees or request Directors to undertake specific extra duties. In 2010, the Board introduced a temporary Committee to provide specific focus on Health, Safety and Wellbeing (HS&W) across the Group. By late 2011 the HS&W Committee considered the improvement program sufficiently implemented to warrant a recommendation to the Board that the committee be dissolved as of 1 January 2012. That recommendation was accepted and the Board is again responsible for the overall monitoring of HS&W across the Westpac Group.

Further, on 6 March 2012 the Board re-assumed responsibility for the oversight and monitoring of sustainability and dissolved the Sustainability Committee. This decision reflects that the Westpac Group s sustainability agenda is well embedded across the organisation, and with sustainability playing a core part in our overall approach to doing business, it is now appropriate for the Board to more directly play a larger role.

In addition, from time to time the Board participates (either directly or through representatives) in due diligence committees in relation to strategic decisions, capital and funding activities.

The Executive Team, Disclosure Committee and Executive Risk Committees are not Board Committees (that is, they have no delegation of authority from the Board) but sit beneath the CEO and the Board Committees to implement Board-approved strategies, policies and management of risk across the Group.

The key functions of the Board and each of the Board Committees are outlined in this corporate governance statement. All Board Committee Charters are available on our corporate governance website at www.westpac.com.au/corpgov.

BOARD, COMMITTEES AND OVERSIGHT OF MANAGEMENT

Board of Directors

Roles and responsibilities

The Board Charter outlines the roles and responsibilities of the Board. Key responsibilities in summary are:

§ approving the strategic direction of Westpac Group;

§ evaluating Board performance and determining Board size and composition;

§ considering and approving the Westpac Board Renewal Policy;

§ appointing and determining the duration, remuneration and other terms of appointment of the CEO and Chief Financial Officer (CFO);

§ evaluating the performance of the CEO, and monitoring the performance of other senior executives;

§ succession planning for the Board, CEO and Group Executives;

§ approving the appointment of Group Executives, General Manager Group Assurance and Group General Counsel and monitoring the performance of senior management;

§ approving the annual targets and financial statements and monitoring performance against forecast and prior periods;

§ determining our dividend policy;

§ determining our capital structure;

§ approving our risk management strategy and frameworks, and monitoring their effectiveness;

§ considering the social, ethical and environmental impact of our activities and monitoring compliance with our sustainability policies and practices;

§ monitoring Workplace Health and Safety (WH&S) issues in Westpac Group and considering appropriate WH&S reports and information;

§ maintaining an ongoing dialogue with Westpac s auditors and, where appropriate, principal regulators; and

§ internal governance including delegated authorities, policies for appointments to our controlled entity Boards and monitoring resources available to senior executives.

Delegated authority

The Constitution and the Board Charter enable the Board to delegate to Committees and management.

The roles and responsibilities delegated to the Board Committees are captured in the Charters of each of the five established Committees, namely:

§ Audit;

§ Risk Management;

§ Nominations;

§ Remuneration; and

§ Technology.

The Board Charter, Board Committee Charters and the Constitution are available on our corporate governance website www.westpac.com.au/corpgov.

The Delegated Authority Policy Framework outlines principles to govern decision-making within the Westpac Group, including appropriate escalation and reporting to the Board. The Board has also delegated to the CEO, and through the CEO to other executives, responsibility for the day-to-day management of our business. The scope of, and limitations to, management delegated authority is clearly documented and covers areas such as operating and capital expenditure, funding and securitisation, and lending. These delegations balance effective oversight with appropriate empowerment and accountability of management.

Independence

Together, the Board members have a broad range of relevant financial and other skills and knowledge, combined with the extensive experience necessary to guide our business. Details are set out in Section 1 of the Directors report.

All of our Non-executive Directors satisfy our criteria for independence, which align with the guidance provided in the ASXCGC Recommendations and the criteria applied by the NYSE.

The Board assesses the independence of our Directors on appointment and annually. Each Director provides an annual attestation of his or her interests and independence.

Directors are considered independent if they are independent of management and free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. Materiality is assessed on a case by case basis by reference to each Director s individual circumstances rather than by applying general materiality thresholds. The assessment has regard to the criteria applied by the NYSE and US Securities and Exchange Commission (SEC).

Each Director is expected to disclose any business or other relationship that he or she has directly, or as a partner, shareholder or officer of a company or other entity that has an interest with Westpac or a related entity. The Board considers information about any such interests or relationships, including any related financial or other details, when it assesses the Director s independence.

CORPORATE GOVERNANCE

Size and membership of Board Committees as at 30 September 2012

	Status	Board Audit Committee	Board Risk Management Committee	Board Nominations Committee	Board Remuneration Committee	Board Technology Committee
Lindsay Maxsted	Chairman, Non-executive, Independent	ü	ü	**Chair** ü		
John Curtis	Deputy Chairman, Non-executive, Independent		ü	ü	**Chair** ü	
Gail Kelly	CEO, Executive					ü
Elizabeth Bryan	Non-executive, Independent		**Chair** ü	ü	ü	ü
Gordon Cairns	Non-executive, Independent		ü		ü	
Robert Elstone	Non-executive, Independent	ü	ü			ü
Peter Hawkins	Non-executive, Independent	ü	ü	ü		**Chair** ü
Ann Pickard	Non-executive, Independent		ü		ü	
Peter Wilson	Non-executive, Independent	**Chair** ü	ü	ü		

This table shows membership of standing Committees of the Board.

The charts below demonstrate that our Board comprises a majority of independent Directors and show the tenure of our current Non-executive Directors.

Length of tenure of Non-executive Directors

Balance of Non-executive and Executive Directors

Chairman

The Board elects one of the independent Non-executive Directors as Chairman. Our current Chairman is Lindsay Maxsted, who became Chairman on 14 December 2011 following the retirement of Ted Evans at the AGM held on that day. The Chairman s role includes:

§ providing effective leadership to the Board in relation to all Board matters;

§ guiding the agenda and conducting all Board meetings;

§ in conjunction with the Company Secretaries, arranging regular Board meetings throughout the year, confirming that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;

§ overseeing the process for appraising Directors and the Board as a whole;

§ overseeing Board succession;

§ acting as a conduit between management and Board, and being the primary point of communication between the Board and CEO;

§ representing the views of the Board to the public; and

§ taking a leading role in creating and maintaining an effective corporate governance system.

Deputy Chairman

Our Deputy Chairman is John Curtis. The Deputy Chairman s role includes:

§ chairing Board and shareholder meetings when the Chairman is unable to do so; and

§ undertaking additional matters on the Chairman s behalf, as requested by the Chairman.

CEO

Our CEO is Gail Kelly. The CEO s role includes:

§ leadership of the management team;

§ developing strategic objectives for the business; and

§ the day-to-day management of the Westpac Group s operations.

Board meetings

The Board had nine scheduled meetings for the financial year ended 30 September 2012, with additional meetings held as required. In July each year the Board discusses our strategic plan and approves our overall strategic direction. The Board also conducts a half year review of our strategy. The Board conducts workshops on specific subjects relevant to our business throughout the year. Board meetings are characterised by robust exchanges of views, with Directors bringing their experience and independent judgment to bear on the issues and decisions at hand.

Non-executive Directors regularly meet without management present, so that they can discuss issues appropriate to such a forum. In all other respects, senior executives are invited, where considered appropriate, to participate in Board meetings. They also are available to be contacted by Directors between meetings.

Meetings attended by Directors for the financial year ended 30 September 2012 are reported in Section 8 of the Directors report.

Nomination and appointment

The Board Nominations Committee is responsible for:

§ developing and reviewing policies on Board composition, strategic function and size;

§ reviewing and making recommendations to the Board annually on diversity generally within the Westpac Group, measurable objectives for achieving diversity and progress in achieving those objectives;

§ planning succession of the Non-executive Directors;

§ developing and implementing induction programs for new Directors and ongoing education for existing Directors;

§ developing eligibility criteria for the appointment of Directors;

§ recommending appointment of Directors to the Board; and

§ considering and recommending candidates for appointment to the Boards of relevant subsidiaries.

Westpac seeks to maintain a Board of Directors with a broad range of financial and other skills, experience and knowledge necessary to guide the business of the Westpac Group.

The Board Nominations Committee considers and makes recommendations to the Board on candidates for appointment as Directors. Such recommendations pay particular attention to the mix of skills, experience, expertise, diversity and other qualities of existing Directors, and how the candidate s attributes will balance and complement those qualities. External consultants are used to access a wide base of potential Directors.

New Directors receive an induction pack which includes a letter of appointment setting out the expectations of the role, conditions of appointment including the expected term of appointment, and remuneration. This letter conforms to the ASXCGC Recommendations.

The attendance of Board Nominations Committee members at the Committee s meetings is set out in Section 8 of the Directors report.

Term of office

The Board may appoint a new Director, either to fill a casual vacancy or as an addition to the existing Directors, provided the total number of Directors does not exceed 15 Non-executive Directors and three Executive Directors. Except for the Managing Director, a Director appointed by the Board holds office only until the close of the next AGM but is eligible for election by shareholders at that meeting.

Our constitution states that at each AGM, one-third of eligible Directors, and any other Director who has held office for three or more years since their last election, must retire. In determining the number of Directors to retire by rotation, no account is to be taken of Directors holding casual vacancy positions or of the CEO. The Directors to retire by rotation are those who have been the longest in office. A retiring Director holds office until the conclusion of the meeting at which he or she retires but is eligible for re-election by shareholders at that meeting.

CORPORATE GOVERNANCE

The Board makes recommendations concerning the election or re-election of any Director by shareholders. In considering whether to support a candidate, the Board takes into account the results of the Board performance evaluation conducted during the year. In addition to information on the candidates provided to shareholders in the Notice of Meeting, the candidates are invited to give a short presentation at the AGM.

The Board has a Tenure Policy, which limits the maximum tenure of office that any Non-executive Director other than the Chairman may serve to nine years, from the date of first election by shareholders. The maximum tenure for the Chairman is 12 years (inclusive of any term as a Director prior to being elected as Chairman), from the date of first election by shareholders. The Board, on its initiative and on an exceptional basis, may exercise discretion to extend the maximum terms specified above where it considers that such an extension would benefit the Group. Such discretion will be exercised on an annual basis and the Director concerned will be required to stand for re-election annually.

Education

On appointment, all Directors are offered an induction program appropriate to their experience to familiarise them with our business, strategy and any current issues before the Board. The induction program includes meetings with the Chairman, the CEO, the Board Committee Chairs and each Group Executive.

The Board encourages Directors to continue their education by participating in workshops held throughout the year, attending relevant site visits and undertaking relevant external education.

Access to information and advice

All Directors have unrestricted access to company records and information, and receive regular detailed financial and operational reports from executive management. Each Director also enters into an access and indemnity agreement which, among other things, provides for access to documents for up to seven years after his or her retirement as a Director.

The Chairman and other Non-executive Directors regularly consult with the CEO, CFO and other senior executives, and may consult with, and request additional information from, any of our employees.

All Directors have access to advice from senior internal legal advisors including the Group General Counsel.

In addition, the Board collectively, and all Directors individually, have the right to seek independent professional advice, at our expense, to help them carry out their responsibilities. While the Chairman s prior approval is needed, it may not be unreasonably withheld.

Company Secretaries

We have two Company Secretaries appointed by the Board. The Senior Company Secretary, who is also Legal Counsel to the Board, attends Board and Board Committee meetings and is responsible for providing Directors with advice on legal and corporate governance issues together with the Group General Counsel. The Group Company Secretary attends Board and Board Committee meetings and is responsible for the operation of the secretariat function, including implementing our governance framework and, in conjunction with management, giving practical effect to the Board s decisions.

Profiles of our Company Secretaries are set out in Section 1 of the Directors report.

Board Committees

Composition and independence

Board Committee members are chosen for the skills and experience they can contribute to the respective Board Committees. All of the Board Committees are comprised of independent Non-executive Directors. The CEO is also a member of the Board Technology Committee.

Operation and reporting

Scheduled meetings of the Board Committees occur quarterly, with the exception of the Board Technology Committee which has scheduled meetings three times a year. All Board Committees are able to meet more frequently as necessary. Each Board Committee is entitled to the resources and information it requires and has direct access to our employees and advisers. The CEO attends all Board Committee meetings, except where she has a material personal interest in a matter being considered. Senior executives and other selected employees are invited to attend Board Committee meetings as required. All Directors can receive all Board Committee papers and can attend any Board Committee meeting, provided there is no conflict of interest.

Performance

Board, Board Committees and Directors

The Board undertakes ongoing self-assessment as well as commissioning an annual performance review by an independent consultant.

The review process includes an assessment of the performance of the Board, the Board Committees and each Director.

The performance review process conducted in 2012 included interviews by an independent consultant with Directors and certain senior executives. The review was wide-ranging, with outputs collected and analysed and presented to the Board. The Board discussed the results and agreed follow-up action on matters relating to Board composition, process and priorities.

The Chairman also discusses the results with individual Directors and Board Committee Chairs. The full Board (excluding the Chairman) reviews the results of the performance review of the Chairman and results are then privately discussed between the Chairman and Deputy Chairman.

Management

The Board, in conjunction with its Board Remuneration Committee, is responsible for approving the performance objectives and measures for the CEO and other senior executives, and providing input into the evaluation of performance against these objectives. The Board Risk Management Committee also refers to the Board Remuneration Committee any matters that come to its attention that are relevant with respect to remuneration policy or practices.

Management performance evaluations for the financial year ended 30 September 2012 will be conducted following the end of the financial year.

There is a further discussion on performance objectives and performance achieved in the Remuneration report in the Directors report.

All new senior executives are provided with extensive briefing on our strategies and operations, and the respective roles and responsibilities of the Board and senior management.

Advisory Boards

Each brand in our portfolio has its own unique identity and market position. Westpac maintains an Advisory Board for each of BankSA and Bank of Melbourne. Each assists in preserving the unique identity of these brands within the overall multi-brand strategy of the Westpac Group through oversight of management reports in relation to their brand health and positioning.

In particular, the Advisory Boards are responsible for:

§ overseeing management s strategies and initiatives to continue to strengthen the unique brand position and identity;

§ overseeing the management of the relevant brand so as to promote and preserve its distinct position and identity and align brand values with those of the relevant communities served;

§ considering and assessing reports provided by management on the health of the relevant brand;

§ acting as ambassadors for the relevant bank, including through supporting community and major corporate promotional events to assist in building relationships with the bank s customers, local communities and the business and government sector, and advising senior management on community matters relevant to the provision of financial services in the community it serves; and

§ alerting management to local market opportunities and issues of which Advisory Board members are aware that would enhance the provision of services to customers and potential customers and the position of the bank in its local communities.

ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct and Principles for Doing Business

Our Code of Conduct sets out six principles that we believe will maintain the trust and confidence placed in us by our customers, shareholders, suppliers and the community at large. We recognise that this trust can only be retained by acting ethically and responsibly in all our dealings and by seeking to continually improve in all that we do. The Code of Conduct applies to all of our employees and contractors and is supported by the Board. The six principles are:

§ we act with honesty and integrity;

§ we comply with laws and with our policies;

§ we respect confidentiality and do not misuse information;

§ we value and maintain our professionalism;

§ we work as a team; and

§ we manage conflicts of interest responsibly.

Our Principles for Doing Business (the Principles) set out how we aim to conduct ourselves across our business in the areas of:

§ governance and ethical practices;

§ customers;

§ employees;

- environment;
- community; and
- suppliers.

The Principles are also aligned with significant global initiatives that promote responsible business practices. Our Principles apply to all Directors and employees.

We also have a range of internal guidelines, communications and training processes and tools, including an online learning module entitled Doing the Right Thing , which apply to and support our Code of Conduct and the Principles.

Key policies

In addition to our Code of Conduct and the Principles, we have a number of key policies to manage our compliance and human resource requirements. We also voluntarily subscribe to a range of external industry codes, such as the Code of Banking Practice and the Electronic Funds Transfer Code of Conduct.

CORPORATE GOVERNANCE

Code of Ethics for Senior Finance Officers

The Code of Accounting Practice and Financial Reporting (the Code) complements our Code of Conduct. The Code is designed to assist the CEO, CFO and other principal financial officers in applying the highest ethical standards to the performance of their duties and responsibilities with respect to accounting practice and financial reporting. The Code requires that those officers:

§ act honestly and ethically, particularly with respect to conflicts of interest;

§ provide full, fair, accurate and timely disclosure in reporting and other communications;

§ comply with applicable laws, rules and regulations;

§ promptly report violations of the Code; and

§ be accountable for adherence to the Code.

Conflicts of interest

Westpac Group has a conflicts of interest framework, which includes a Group policy supported by more specific policies and guidelines aimed at recognising and managing potential conflicts.

The Board

All Directors are required to disclose any actual or potential conflict of interest upon appointment and are required to keep these disclosures to the Board up to date.

Any Director with a material personal interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, may not be present during the boardroom discussions or vote on the relevant matter.

Our employees

Our employees are not permitted to participate in activities that involve a conflict with their duties and responsibilities or which are prejudicial to our business. We expect our employees to:

- manage conflicts of interest;
- obtain consent from senior management before accepting a directorship on the board of a non Westpac Group company;
- disclose any material interests they have with our customers or suppliers to their manager and not be involved with customer relationships where they have such an interest;
- not participate in business activities outside their employment with us (whether as a principal, partner, director, agent, guarantor, investor or employee) without approval or when it could adversely affect their ability to carry out their duties and responsibilities; and
- not solicit, provide facilitation payments, accept or offer money, gifts, favours or entertainment which might influence, or might appear to influence, their business judgment.

Fit and Proper Person assessments

Our Fit and Proper Policy complies with the related APRA Prudential Standards and ASIC guidelines. In accordance with that policy, we assess the fitness and propriety of our Directors and also of employees who perform specified roles. The Chairman of the Board (and in the case of the Chairman, the Board) is responsible for assessing the main Board Directors, Non-executive Directors on subsidiary Boards and Group Executives. An executive Fit and Proper Committee assesses other employees. In all cases the individual is asked to provide a detailed declaration and background checks are undertaken. Assessments are performed upon appointment to the relevant position and are re-assessed annually.

Concern reporting and whistleblower protection

Under our Whistleblower Protection Policy, our employees are encouraged to raise any concerns about activities or behaviour that may be unlawful or unethical with management, the human resources team, the compliance team or the Financial Crime Management business unit. Concerns may include suspected breaches of the Code of Conduct, the Principles and any internal policy or regulatory requirement.

Employees can raise possible wrongdoings on an anonymous basis. Employees may choose to involve the Whistleblower Protection Officer, who is responsible for protecting the employee against disadvantage.

We investigate reported concerns in a manner that is fair and objective to all people involved. If the investigation shows that wrongdoing has occurred, we are committed to changing our processes and taking action in relation to employees who have behaved incorrectly. Where illegal conduct has occurred, this may involve reporting the matter to relevant authorities.

The concern reporting system meets all relevant Australian and New Zealand legislative requirements, including the Australian Standard AS8004 (Whistleblower Protection Programs for Entities), in addition to our obligations under the United States *Sarbanes-Oxley Act of 2002*. The system is monitored and reviewed annually and statistics about concerns raised are reported quarterly to both the Board Risk Management Committee and the Westpac Group Operational Risk & Compliance Committee.

Securities trading

Under the Westpac Group Securities Trading Policy, Directors and all Westpac employees are restricted from dealing in our shares and other financial products if they possess inside information. They are also prohibited from passing on inside information to others who may use that information to trade in securities. In addition, Directors and any employees who, because of their seniority or the nature of their position, may have access to material non-public information about Westpac (Prescribed Employees), are subject to further restrictions, including prohibitions on trading prior to and immediately following annual and half year profit announcements.

We manage and monitor our obligations through:

§ the insider trading provisions of our policy, which prohibit any dealing in any securities where a Director or employee has access to inside information that may affect the price of those securities;

§ the new issues provisions of our policy, which place limitations upon Directors and employees participating in a new product issue where their position puts them in a real or perceived position of conflict of interest;

§ restrictions limiting the periods in which the Directors and Prescribed Employees can trade in our shares or other company securities (Blackout Periods);

§ requiring Directors and Prescribed Employees to notify their intention to trade outside Blackout Periods and confirm that they have no inside information;

§ monitoring the trading of Westpac securities by Directors and Prescribed Employees;

§ maintaining a register of Prescribed Employees, which is regularly updated;

§ notifying ASX of trades by Directors of Westpac securities as required under the ASX Listing Rules; and

§ forbidding employees from entering into hedging arrangements in relation to their unvested employee shares or securities, whether directly or indirectly.

DIVERSITY

Westpac Group has a Group Diversity Policy that sets out the diversity initiatives for the Westpac Group. In this context, diversity covers gender, age, ethnicity, cultural background, sexual orientation and religious beliefs.

The objectives of the policy are to ensure that the Westpac Group:

§ has a workforce profile that delivers competitive advantage through the ability to garner a deep understanding of customer needs;

§ has a truly inclusive workplace where every individual can shine regardless of gender, cultural identity, age, work style or approach;

§ leverages the value of diversity for all our stakeholders to deliver the best customer experience, improved financial performance and a stronger corporate reputation; and

§ continues to take a leadership position on diversity practices and setting the agenda in the external community.

To achieve these objectives the Westpac Group:

§ has set Board determined, measurable objectives for achieving gender diversity. The Board assesses annually both the objectives and progress in achieving them;

§ assesses pay equity on an annual basis;

§ encourages and supports the application of flexibility policy into practice across the business;

§ meets our commitment to the Australian Employment Covenant to assist Indigenous Australians to access employment across our brands; and

§ implements our Accessibility Action Plan for employees and customers with a disability, including providing employment opportunities for people with disabilities.

The implementation of these objectives is overseen by the Westpac Group Diversity Council chaired by the CEO.

The Board, or an appropriate Committee of the Board, will receive regular updates from the Westpac Group Diversity Council on these diversity initiatives.

We will also continue to listen to the needs of our employees through our employee surveys and specific diversity focused surveys.

In October 2010, the Board set a measurable objective to increase the proportion of women in leadership roles (over 5,000 leaders from our executive team through to our bank managers) from 33% to 40% by 2014.

At 30 September 2012, the proportion of women employed by Westpac Group was as follows:

§ Board of Directors: 33%;

§ leadership1 roles: 40%; and

§ total Westpac workforce: 61%

CORPORATE SUSTAINABILITY

We view sustainable and responsible business practices as important for our business and to add shareholder value. This means conducting our business in a responsible, trustworthy and ethical manner, while accepting accountability for our impacts on society and the environment.

We are committed to transparency and fair dealing, treating employees and customers responsibly, and having solid links with the community.

Reporting

We report on our social, ethical and environmental performance as a part of the Annual Review and Sustainability Report and the full Annual Report, and provide additional detailed information on our website. Where appropriate, we include what we believe are the most material environmental, social and governance metrics within our financial results announcements.

Our management and our reporting of sustainability aim to address the issues that we believe are the most material for our business and stakeholders, now and in the future. We understand that this is an evolving agenda and seek to progressively embed the management of sustainability issues into business as usual practice. We also seek to anticipate and shape emerging social issues where we have the skills and experience to make a meaningful difference and drive business value.

We follow the Global Reporting Initiative reporting framework.

1 Women in leadership refers to the proportion of women (permanent and maximum term) in people leadership roles or senior roles of influence as a proportion of all leaders across the Group. It includes the CEO, Executive Team, General Managers, Senior Managers as direct reports to General Managers and the next two levels of management.

CORPORATE GOVERNANCE

The sustainability content of the Annual Review and Sustainability Report is independently assured against the AA1000 Assurance Standard and follows the Global Reporting Initiative framework. The assurance process not only tests the integrity of the data, but also tests the effectiveness of our underlying systems and processes, and the extent to which corporate responsibility and sustainability policies and processes are embedded across our organisation.

In addition, we actively participate in various independent external assessments by authoritative sustainability and governance rating organisations benchmarking us against the highest standards of governance.

Board Sustainability Committee

In recognition of the embedded nature of our approach to sustainability, the Board Sustainability Committee was dissolved in March 2012, with the full Board reassuming oversight and responsibility of the Group s sustainability activities.

FINANCIAL REPORTING

Approach to financial reporting

Our approach to financial reporting reflects three core principles:

§ that our financial reports present a true and fair view;

§ that our accounting methods comply with applicable accounting rules and policies; and

§ that our external auditor is independent and serves security holders interests.

The Board, through the Board Audit Committee, monitors Australian and international developments relevant to these principles, and reviews our practices accordingly.

The Board delegates oversight responsibility for risk management between the Board Audit Committee and the Board Risk Management Committee.

Board Audit Committee

As detailed in its charter, the Board Audit Committee has oversight of:

§ the integrity of the financial statements and financial reporting systems;

§ the external auditor s qualifications, performance, independence and fees;

§ performance of the internal audit function;

§ financial reporting and regulatory compliance with reference to the Board Risk Management Committee. This includes an oversight of regulatory and statutory reporting requirements; and

§ procedures for the receipt, retention and treatment of financial complaints, including accounting, internal controls or auditing matters, and the confidential reporting by employees of concerns regarding accounting or auditing matters.

The Board Audit Committee reviews and assesses:

§ any significant estimates and judgments in financial reports, and monitors the methods used to account for unusual transactions;

§ the processes used to monitor and comply with laws, regulations and other requirements relating to external reporting of financial and non-financial information;

§ the major financial risk exposures; and

§ the process surrounding the disclosures made by the CEO and CFO in connection with their personal certifications of the annual financial statements.

The Board Audit Committee conducts regular discussions with:

§ the Board Risk Management Committee, CFO, Chief Risk Officer (CRO), Group Assurance (our internal audit function), management and the external auditor, about our major financial risk exposures and the steps management has taken to monitor and control such exposures;

§ the external auditor concerning their audit and any significant findings, and the adequacy of management s responses;

§ management and the external auditor concerning the half year and annual financial statements;

§ management and the external auditor regarding any correspondence, with regulators or government agencies, and reports that raise issues of a material nature; and

§ the Legal Counsel to the Board and the Group General Legal Counsel regarding any legal matters that may have a material impact on, or require disclosure in, the financial statements.

Periodically, the Board Audit Committee consults with the external auditor without the presence of management about internal controls over financial information, reporting and disclosure and the fullness and accuracy of Westpac s financial statements. The Board Audit Committee also meets with the General Manager, Group Assurance without management being present.

Financial knowledge

The Board Audit Committee comprises four independent, Non-executive Directors and is chaired by Peter Wilson.

All Board Audit Committee members have appropriate financial experience, an understanding of the financial services industry and satisfy the independence requirements under the ASXCGC Recommendations, the United States *Securities Exchange Act of 1934* (as amended) and its related rules, and the NYSE Listing Rules.

The Board has determined that Lindsay Maxsted, member of the Board Audit Committee, is an audit committee financial expert and independent in accordance with US securities law.

The designation of Lindsay Maxsted as an audit committee financial expert does not impose duties, obligations or liability on him that are greater than those imposed on him as a Board Audit Committee member, and does not affect the duties, obligations or liability of any other Board Audit Committee member or Board member. Audit committee financial experts are not deemed as an expert for any other purpose.

The Board Audit Committee s membership is set out in the table entitled Size and membership of Board Committees as at 30 September 2012 . The full qualifications of the Audit Committee members and their attendance at Board Audit Committee meetings are set out in Section 1 and Section 8 of the Directors report.

External auditor

The role of the external auditor is to provide an independent opinion that our financial reports are true and fair, and comply with applicable regulations.

Our external auditor is PricewaterhouseCoopers (PwC), appointed by shareholders at the 2002 AGM. Our present PwC lead audit partner is Michael Codling and the review audit partner is Victor Clarke. Michael Codling and Victor Clarke assumed responsibility for these roles in December 2012 and December 2011 respectively.

The external auditor receives all Board Audit Committee papers, attends all Board Audit Committee meetings and is available to Board Audit Committee members at any time. The external auditor also attends the AGM to answer questions from shareholders regarding the conduct of its audit, the audit report and financial statements and its independence.

As our external auditor, PwC is required to confirm their independence and compliance with specified independence standards on a quarterly basis.

The roles of lead audit partner and review audit partner must be rotated every five years and cannot be resumed by the same person for a minimum of five years.

We strictly govern our relationship with the external auditor, including restrictions on employment, business relationships, financial interests and use of our financial products by the external auditor.

Engagement of the external auditor

To avoid possible independence or conflict issues, the external auditor is not permitted to carry out certain types of non-audit services for Westpac and may be limited as to the extent to which it can perform other non-audit services as specified in our Pre-approval of engagement of PwC for audit and non-audit services (the Guidelines). Use of the external audit firm for any non-audit services must be assessed and approved in accordance with the pre-approval process determined by the Board Audit Committee and set out in the Guidelines.

The breakdown of the aggregate fees billed by the external auditor in respect of each of the two most recent financial years for audit, audit-related, tax and other services is provided in Note 33 to our financial statements for the year ended 30 September 2012. A declaration regarding the Board s satisfaction that the provision of non-audit services by PwC is compatible with the general standards of auditor independence is provided in Section 10 of the Directors report.

Group Assurance (internal audit)

Group Assurance is Westpac s internal audit function providing the Board and Executive Management with an independent and objective evaluation of the adequacy and effectiveness of management s control over risk. Group Assurance covers the governance, risk management and internal control frameworks of Westpac and its wholly owned subsidiaries. It has access to all of our entities, and conducts audits and reviews following a risk-based planning approach.

Group Assurance provides regular reports to the Board Audit Committee and, as deemed appropriate, the Board Risk Management Committee, and raises any significant issues with those Committees. The General Manager, Group Assurance has a reporting line to the Chairman of the Board Audit Committee.

MARKET DISCLOSURE

We maintain a level of disclosure that seeks to provide all investors with equal, timely, balanced and meaningful information. Consistent with these standards the Westpac Group maintains a Board approved Market Disclosure Policy, which governs how we communicate with our shareholders and the investment community.

The policy reflects the requirements of the ASX, NZX and other offshore stock exchanges where we have disclosure obligations, as well as relevant securities and corporations legislation. Under our policy, information that a reasonable person would expect to have a material effect on the price or value of our securities must first be disclosed via the ASX unless an exception applies under regulatory requirements.

Our Disclosure Committee is responsible for determining what information should be disclosed publicly under the policy, and for assisting employees in understanding what information may require disclosure to the market on the basis that it is price sensitive. The Disclosure Committee is comprised of the CEO, the Executive Team, the Group General Counsel and the General Manager, Corporate Affairs and Sustainability.

The Chief Operating Officer is the Disclosure Officer. The Disclosure Officer is ultimately responsible for all communication with relevant stock exchanges and notifying regulators in any jurisdiction as a result of market disclosure.

Once relevant information is disclosed to the market and available to investors, it is also published on our website. This includes investor discussion packs, containing presentations on and explanations about our financial results. Our website information also includes Annual Review and Sustainability Reports, Annual Reports, profit announcements, CEO and executive briefings (including webcasts, recordings or transcripts of all major events), economic updates, notices of meetings and media releases.

CORPORATE GOVERNANCE

SHAREHOLDER COMMUNICATION AND PARTICIPATION

We seek to keep our shareholders fully informed through a variety of communication mediums. These are regularly reviewed to improve our communications and utilise new technologies. These approaches include:

- direct communications with shareholders via mail and email;
- the publication of all relevant company information in the Investor Centre section of our website; and
- access to all major market briefings and shareholder meetings via webcasts.

Shareholders are provided with advance notice of all major market briefings and shareholder meetings, through ASX announcements and/or the publication of an investor calendar of events on our website.

Shareholders are given the option to receive information in print or electronic format.

We regard the AGM as an important opportunity for engaging and communicating with shareholders. Shareholders are encouraged to attend and actively participate in our AGM, which is webcast and can also be viewed at a later time from our website. Shareholders who are unable to attend the AGM are able to lodge their proxies through a number of channels, including electronically via the internet. At the time of receiving the Notice of Meeting, shareholders are also invited to put forward questions they would like addressed at the AGM.

RISK MANAGEMENT

Roles and responsibilities

The Board is responsible for reviewing and approving our overall risk management strategy, including determining our appetite for risk. The Board has delegated to the Board Risk Management Committee responsibility for providing recommendations to the Board on Westpac Group s risk-reward strategy, setting risk appetite, approving frameworks, policies and processes for managing risk, and determining whether to accept risks beyond management s approval discretion.

The Board Risk Management Committee monitors the alignment of our risk profile with our risk appetite, which is defined in the Board Statement of Risk Appetite, and with our current and future capital requirements. The Board Risk Management Committee receives regular reports from management on the effectiveness of our management of Westpac s material business risks. More detail about the role of the Board Risk Management Committee is set out later in this section under Board Risk Management Committee .

The CEO and executive management team are responsible for implementing our risk management strategy and frameworks, and for developing policies, controls, processes and procedures for identifying and managing risk in all of Westpac s activities.

Our approach to risk management is that risk is everyone s business and that responsibility and accountability for risk begins with the business units that originate the risk.

The 1st Line of Defence Risk identification, risk management and self-assurance

Divisional business units are responsible for identifying, evaluating and managing the risks that they originate within approved risk appetite and policies. They are required to establish and maintain appropriate risk management controls, resources and self-assurance processes.

The 2nd Line of Defence Establishment of risk management frameworks and policies and risk management oversight

Our 2nd Line of Defence has three layers:

§ our executive risk committees lead the optimisation of risk-reward by overseeing the development of risk appetite statements, risk management frameworks, policies and risk concentration controls, and monitoring Westpac s risk profile for alignment with approved appetites and strategies;

§ our Group Risk function is independent from the business divisions, reports to the Chief Risk Officer (CRO), and establishes and maintains the Group-wide risk management frameworks, policies and concentration limits that are approved by the Board Risk Management Committee. It also reports on Westpac s risk profile to executive risk committees and the Board Risk Management Committee; and

§ divisional risk areas are responsible for developing division-specific risk appetite statements, policies, controls, procedures, monitoring and reporting capability, which align to the Board s Statement of Risk Appetite and the risk management frameworks approved by the Board Risk Management Committee. These risk areas are independent of the Divisions 1st Line business areas, with each divisional CRO having a direct reporting line to the CRO, as well as to their Division s Group Executive.

The 3rd Line of Defence Independent assurance

Our Group Assurance function independently evaluates the adequacy and effectiveness of the Group s overall risk management framework and controls.

Our overall risk management approach is summarised in the following diagram:

Our overall risk management governance structure is set out in more detail in the table   Risk Management Governance Structure   included in this statement.

Risk management approach

We regard managing the risks that affect our business as a fundamental activity, as they influence our performance, reputation and future success. Effective risk management involves taking an integrated and balanced approach to risk and reward, and enables us to both increase financial growth opportunities and mitigate potential loss or damage. Mitigation and optimisation strategies are of equal importance and need to be effectively aligned and integrated.

We distinguish five main types of risk:

§ credit risk the risk of financial loss where a customer or counterparty fails to meet their financial obligations;

§ liquidity risk the risk of not being able to fund our assets and meet obligations as they come due, without incurring unacceptable losses;

§ market risk the risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates, interest rates, commodity prices and equity prices. This includes interest rate risk in the banking book the risk to interest income from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities;

§ operational risk operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition is aligned to the regulatory (Basel II) definition, including legal and regulatory risk but excluding strategic and reputation risk; and

§ compliance risk the risk of legal or regulatory sanction, and financial or reputation loss, arising from our failure to abide by the compliance obligations required of us.

In addition to, and linked to, these five main types of risk, we also manage the following risks:

§ business risk the risk associated with the vulnerability of a line of business to changes in the business environment;

§ environmental, social and governance risks the risk of damage to the Group s reputation or financial performance due to failure to recognise or address material existing or emerging sustainability related environmental, social or governance issues;

§ equity risk the potential for financial loss arising from movements in the value of our direct and indirect equity investments;

§ insurance risk the risk of mis-estimation of the expected cost of insured events, volatility in the number or severity of insured events, and mis-estimation of the cost of incurred claims;

§ related entity (contagion) risk the risk that problems arising in other Westpac Group members compromise the financial and operational position of the authorised deposit-taking institutions in the Westpac Group; and

§ reputation risk the risk to earnings or capital arising from negative public opinion resulting from the loss of reputation or public trust and standing.

Westpac has received advanced accreditation from APRA and the RBNZ under the Basel II Capital Framework, and uses the Advanced Internal Ratings Based (AIRB) approach for credit risk and the Advanced Measurement Approach (AMA) for operational risk when calculating regulatory capital.

Board Risk Management Committee

The Board Risk Management Committee comprises all of Westpac s independent, Non-executive Directors and is chaired by Elizabeth Bryan.

As set out in its charter, the Board Risk Management Committee:

§ provides recommendations to the Board on Westpac Group s risk-reward strategy;

§ sets risk appetite;

§ reviews and approves the frameworks for managing risk, including capital, credit, liquidity, market, operational, compliance and reputation risk;

§ reviews and approves the limits and conditions that apply to the taking of risk, including the authority delegated by the Board to the CEO, CFO and CRO;

§ monitors the risk profile, performance, capital levels, exposures against limits and the management and control of our risks;

§ monitors changes anticipated in the economic and business environment and other factors considered relevant to our risk profile and risk appetite;

§ oversees the development and ongoing review of key policies that support our frameworks for managing risk; and

§ may approve accepting risks beyond management s approval discretion.

From the perspective of specific types of risk, the Board Risk Management Committee role includes:

§ capital approving the internal capital adequacy assessment process and in doing so reviewing the outcomes of enterprise wide stress testing, setting the target capital ranges for regulatory capital having regard to Westpac internal economic capital measures, and reviewing and monitoring capital levels for consistency with the Westpac Group s risk appetite;

§ credit risk approving key policies and limits supporting the credit risk management framework, and monitoring the risk profile, performance and management of our credit portfolio;

§ liquidity risk approving the internal liquidity assessment process, key policies and limits supporting the liquidity risk management framework, including our funding strategy and liquidity requirements, and monitoring the liquidity risk profile;

§ market risk approving key policies and limits supporting the market risk management framework, including the Value at Risk and Net Interest Income at Risk limits, and monitoring the market risk profile;

§ operational risk monitoring the operational risk profile, the performance of operational risk management and controls, and the development and ongoing review of operational risk policies; and

CORPORATE GOVERNANCE

§ compliance risk reviewing compliance risk processes and our compliance with applicable laws, regulations and regulatory requirements, discussing with management and the external auditor any material correspondence with regulators or government agencies and any published reports that raise material issues, and reviewing complaints and whistleblower concerns.

The Board Risk Management Committee also:

§ provides relevant periodic assurances to the Board Audit Committee regarding the operational integrity of the risk management framework; and

§ refers to other Board Committees any matters that come to the attention of the Board Risk Management Committee that are relevant for those respective Board Committees.

The Board Risk Management Committee s membership is set out in the table titled Size and membership of Board Committees as at 30 September 2012 . The full qualifications of Board Risk Management Committee members and their attendance at Board Risk Management Committee meetings are set out in Section 1 and Section 8 of the Directors report.

Compliance Management Framework

Westpac s Compliance Management Framework reflects the following core principles and practices:

§ complying with both the letter and spirit of regulatory standards is an essential part of our core values and is critical to our success;

§ regulatory standards are embedded into how we do business, how we conduct ourselves, how our systems and processes are designed and how they operate; and

§ compliance is the responsibility of everyone in every part of Westpac. Visibility and accountability of senior management encourages a strong compliance culture.

The mechanisms we use to implement these principles include:

§ maintaining a strong governance environment;

§ identifying obligations, developing and maintaining compliance plans and implementing change;

§ developing, implementing and testing compliance controls; and

§ monitoring and reporting incidents, issues and risks.

As with other forms of risk, business line management is primarily responsible for managing compliance risk. This is supported by a dedicated Compliance function covering the Group and each area of business activity. The Compliance function reports to the Chief Compliance Officer.

Regular reports are provided to the Operational Risk & Compliance Committee and the Board Risk Management Committee on the status of compliance across the Group.

CEO and CFO assurance

The Board receives regular reports from management about our financial condition and operational results, as well as that of our controlled entities. The CEO and the CFO annually provide formal statements to the Board, and have done so for the financial year ended 30 September 2012, that state in all material respects:

§ Westpac s financial records for the financial year have been properly maintained in that they:

correctly record and explain its transactions, and financial position and performance;

enable true and fair financial statements to be prepared and audited; and

are retained for seven years after the transactions covered by the records are completed;

§ the financial statements and notes required by the accounting standards for the financial year comply with the accounting standards;

§ the financial statements and notes for the financial year give a true and fair view of Westpac s and its consolidated entities financial position and of their performance;

§ any other matters that are prescribed by the Corporations Act and regulations as they relate to the financial statements and notes for the financial year are satisfied; and

§ the declarations provided in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

REMUNERATION

The Board Remuneration Committee assists the Board by ensuring that Westpac has coherent remuneration policies and practices that fairly and responsibly reward individuals having regard to performance, Westpac s risk management framework, the law and the highest standards of governance.

The Board Remuneration Committee has been in place for the whole of the financial year and is comprised of four independent non-executive directors and is chaired by John Curtis. All members of the Board Remuneration Committee are also members of the Board Risk Management Committee, which assists in the integration of effective risk management into the remuneration framework.

As set out in its charter, the Board Remuneration Committee:

§ reviews and makes recommendations to the Board in relation to the Westpac Group Remuneration Policy (Group Remuneration Policy) and assesses the Group Remuneration Policy s effectiveness and its compliance with prudential standards;

§ reviews and makes recommendations to the Board in relation to the individual remuneration levels of the CEO, Non-executive Directors, Group Executives, other Executives who report directly to the CEO, other persons whose activities in the Board s opinion affect the financial soundness of Westpac, any person specified by APRA, and any other person the Board determines;

§ reviews and makes recommendations to the Board in relation to the remuneration structures for each category of persons covered by the Group Remuneration Policy;

- reviews and makes recommendations to the Board on corporate goals and objectives relevant to the remuneration of the CEO, and the performance of the CEO in light of these objectives;
- reviews and makes recommendations to the Board on the short-term and long-term incentive plans for Group Executives;
- reviews and makes recommendations to the Board in relation to approving any and all equity based plans; and
- oversees general remuneration practices across the Group.

The Board Remuneration Committee reviews and recommends to the Board the size of variable reward pools each year based on consideration of pre-determined business performance indicators and the financial soundness of Westpac. The Board Remuneration Committee also approves remuneration arrangements outside of the Group Remuneration Policy relating to individuals or groups of individuals which are significant because of their sensitivity, precedent or disclosure implications. In addition, the Board Remuneration Committee considers and evaluates the performance of senior executives when making remuneration determinations and otherwise as required.

Independent remuneration consultants are engaged by the Board Remuneration Committee to provide information across a range of issues including remuneration benchmarking, market practices and emerging trends and regulatory reforms.

The Board Remuneration Committee s membership is set out in the table titled Size and membership of Board Committees as at 30 September 2012 . The full qualifications of Board Remuneration Committee members and their attendance at Board Remuneration Committee meetings are set out in Section 1 and Section 8 of the Directors report.

Further details of our remuneration framework are included in the Remuneration report in Section 9 of the Directors report.

Risk Management Governance Structure

Westpac s risk management governance structure is set out in the table below:

Board
§ reviews and approves our overall risk management strategy.

Board Risk Management Committee (BRMC)

§ provides recommendations to the Board on the Westpac Group s risk-reward strategy;

§ sets risk appetite;

§ approves frameworks and key policies for managing risk;

§ monitors our risk profile, performance, capital levels, exposures against limits and management and control of our risks;

§ monitors changes anticipated in the economic and business environment and other factors relevant to our risk profile;

§ oversees the development and ongoing review of key policies that support our frameworks for managing risk; and

§ determines whether to accept risks beyond the approval discretion provided to management.

Other Board Committees with a risk focus

Board Audit Committee
§ oversees the integrity of financial statements and financial reporting systems.

Board Remuneration Committee
§ reviews any matters raised by the BRMC with respect to risk-adjusted remuneration.
Board Technology Committee
§ oversees information technology strategy and implementation.

Executive Team

§ executes the Board-approved strategy;

§ assists with the development of the Board Statement of Risk Appetite;

§ delivers the Group s various strategic and performance goals within the approved risk appetite; and

§ monitors key risks within each business unit, capital adequacy and the Group s reputation.

Executive risk committees

Westpac Group Credit Risk Committee (CREDCO)

§ leads the optimisation of credit risk-reward across the Group;

§ oversees the credit risk management framework and key policies;

§ oversees our credit risk profile; and

§ identifies emerging credit risks and appropriate actions to address these.

Westpac Group Market Risk Committee (MARCO)

§ leads the optimisation of market risk-reward across the Group;

§ oversees the market risk management framework and key policies;

§ oversees our market risk profile; and

§ identifies emerging market risks and appropriate actions to address these.

CORPORATE GOVERNANCE

Risk Management Governance Structure (continued)

Executive risk committees (continued)

Westpac Group Asset & Liability Committee (ALCO)

§ leads the optimisation of funding and liquidity risk-reward across the Group;

§ oversees the liquidity risk management framework and key policies;

§ oversees the funding and liquidity risk profile and balance sheet risk profile; and

§ identifies emerging funding and liquidity risks and appropriate actions to address these.

Westpac Group Operational Risk & Compliance Committee (OPCO)

§ leads the optimisation of operational risk-reward across the Group;

§ oversees the operational risk management framework, the compliance management framework and key supporting policies;

§ oversees our operational risk and compliance profiles;

§ oversees the reputation risk and environmental, social and governance (ESG) risk management frameworks and key supporting policies; and

§ identifies emerging operational and compliance risks and appropriate actions to address these.

Westpac Group Remuneration Oversight Committee (ROC)

§ responsible for ensuring that risk is embedded in all key steps in our remuneration framework;

§ reviews and makes recommendations to the CEO for recommendation to the Board Remuneration Committee on the Group Remuneration Policy and provides assurance that remuneration arrangements across the Group encourage behaviour that supports Westpac s long-term financial soundness and the risk management framework;

§ reviews and monitors the remuneration arrangements (other than for Group Executives) for Responsible Persons (as defined in the Group s Statutory Officers Fit and Proper Policy), risk and financial control personnel, and all other employees for whom a significant portion of total remuneration is based on performance and whose activities, either individually or collectively, may affect the financial soundness of Westpac; and

§ reviews and recommends to the CEO for recommendation to the Board Remuneration Committee the criteria and rationale for determining the total quantum of the Group variable reward pool.

Group and divisional risk management

Group Risk

- develops the Group-level risk management frameworks for approval by the BRMC;
- directs the review and development of key policies supporting the risk management frameworks;
- establishes risk concentration limits and monitors risk concentrations; and
- monitors emerging risk issues.

Compliance Function

- develops the Group-level compliance framework for approval by the BRMC;
- directs the review and development of compliance policies, compliance plans, controls and procedures;
- monitors compliance and regulatory obligations and emerging regulatory developments; and
- reports on compliance standards.

Divisional risk management

- develops division-specific policies, risk appetite statements, controls, procedures, and monitoring and reporting capability that align to the frameworks approved by the BRMC.

Independent internal review

Group Assurance

- reviews the adequacy and effectiveness of management controls for risk.

Divisional business units

Business Units

- responsible for identifying, evaluating and managing the risks that they originate within approved risk appetite policies; and
- establish and maintain appropriate risk management controls, resources and self-assurance processes.

Checklist of Westpac s compliance with ASXCGC Recommendations

	ASXCGC Recommendations (with 2010 Amendments)	Reference	Compliance
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 24	Comply
1.2	Disclose the process for evaluating the performance of senior executives.	Page 28	Comply
1.3	Provide the information indicated in *Guide to reporting on Principle 1*.	Pages 24, 28	Comply
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the Board should be independent Directors.	Pages 24 25	Comply
2.2	The chair should be an independent Director.	Page 26	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Page 26	Comply
2.4	The Board should establish a nomination committee.	Page 26	Comply
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Pages 27 28	Comply
2.6	Provide the information indicated in *Guide to reporting on Principle 2*.	Pages 24 27	Comply
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: 3.1.1 the practices necessary to maintain confidence in the company s integrity 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Page 28	Comply
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	Page 30	Comply
3.3	Disclose the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Page 30	Comply
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Page 30	Comply
3.5	Provide the information indicated in *Guide to reporting on Principle 3*.	Pages 28, 30	Comply
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	Page 31	Comply
4.2	Structure the audit committee so that it: § consists only of Non-executive Directors; § consists of a majority of independent Directors; § is chaired by an independent chair, who is not chair of the Board; and § has at least three members.	Pages 25, 31	Comply
4.3	The audit committee should have a formal charter.	Page 31	Comply
4.4	Provide the information indicated in *Guide to reporting on Principle 4*.	Pages 25, 31 32	Comply

CORPORATE GOVERNANCE

	ASXCGC Recommendations (with 2010 Amendments)	Reference	Compliance
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 32	Comply
5.2	Provide the information indicated in *Guide to reporting on Principle 5*.	Page 32	Comply
Principle 6:	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Page 33	Comply
6.2	Provide the information indicated in *Guide to reporting on Principle 6*.	Page 33	Comply
Principle 7:	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Pages 33 37	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company s material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company s management of its material business risks.	Pages 33 37	Comply
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Page 35	Comply
7.4	Provide the information indicated in *Guide to reporting on Principle 7*.	Pages 33 37	Comply
Principle 8:	**Remunerate fairly and responsibly**		
8.1	Establish a remuneration committee.	Pages 35 36	Comply
8.2	The remuneration committee should be structured so that it: § consists of a majority of independent Directors; § is chaired by an independent chair; and § has at least three members.	Page 25	Comply
8.3	Clearly distinguish the structure of Non-executive Directors remuneration from that of executive Directors and senior executives.	Pages 35 36	Comply
8.4	Provide the information indicated in *Guide to reporting on Principle 8*.	Pages 30, 35 36	Comply

DIRECTORS REPORT

Our Directors present their report together with the financial statements of the Group for the financial year ended 30 September 2012.

1. DIRECTORS

The names of the persons who have been Directors, or appointed as Directors, during the period since 1 October 2011 and up to the date of this report are: Lindsay Philip Maxsted, Edward (Ted) Alfred Evans (retired as Director and Chairman on 14 December 2011), Gail Patricia Kelly, John Simon Curtis, Elizabeth Blomfield Bryan, Gordon McKellar Cairns, Robert George Elstone (Director from 1 February 2012), Peter John Oswin Hawkins, Carolyn Judith Hewson (retired as Director on 30 June 2012), Ann Darlene Pickard (Director from 1 December 2011), Graham John Reaney (retired as Director on 14 December 2011) and Peter David Wilson.

Particulars of the skills, experience, expertise and responsibilities of the Directors at the date of this report, including all directorships of other listed companies held by a Director at any time in the past three years immediately before 30 September 2012 and the period for which each directorship has been held, are set out below.

		Name: Lindsay Maxsted, DipBus (Gordon), FCA, FAICD **Age:** 58 **Term of office:** Director since March 2008 and Chairman since December 2011. **Date of next scheduled re-election:** December 2014. **Independent:** Yes. **Current directorships of listed entities and dates of office:** Director of Transurban Group (since March 2008, and Chairman since August 2010). Director of BHP Billiton Limited (since March 2011) and BHP Billiton plc (since March 2011).		**Other principal directorships:** Managing Director of Align Capital Pty Limited and Director of Baker IDI Heart & Diabetes Institute Holdings Limited. **Other interests:** Nil. **Other Westpac related entities directorships and period of office:** Nil. **Skills, experience and expertise:** Lindsay was the CEO of KPMG from January 2001 to December 2007 and was a partner of KPMG from July 1984 to February 2008. Lindsay s principal area of practice prior to becoming CEO was in the corporate recovery field managing a number of Australia s		largest insolvency / workout / turnaround engagements. At the request of the Victorian State Government, Lindsay was appointed to the Board of the Public Transport Corporation in December 1995 and was Chairman from 1997 to 2001. **Westpac Board Committee membership:** Chairman of the Board Nominations Committee. Member of each of the Board Audit and Board Risk Management Committees. **Directorships of other listed entities over the past three years and dates of office:** Nil.
		Name: Gail Kelly, HigherDipEd, BA, MBA with Distinction, HonDBus **Age:** 56 **Term of office:** Managing Director & Chief Executive Officer since February 2008.		**Other interests:** Director of the Australian Bankers Association. Member of the Global Board of Advisers at the US Council on Foreign Relations and is a member of the Sydney Cricket and Sports Ground Trust. **Other Westpac related entities directorships and dates of office:**		**Westpac Board Committee membership:** Member of the Board Technology Committee. **Directorships of other listed entities over the past three years and dates of office:** Nil.

		Date of next scheduled re-election: Not applicable. **Independent:** No. **Current directorships of listed entities and dates of office:** Nil. **Other principal directorships:** The Business Council of Australia and the Financial Markets Foundation for Children.		Nil. **Skills, experience and expertise:** Gail began her banking career in 1980, and by 2001 Gail had held various senior management roles in a broad range of areas including retail and commercial banking, strategy, marketing and human resources. Gail has spent the last ten years as CEO of two Australian banks, St.George Bank from 2002 to 2007 and Westpac from 1 February 2008 to date. Gail is Care Australia s Ambassador for Women s Empowerment.		

DIRECTORS REPORT

		Name: John Curtis AM, BA, LLB (Hons.) **Age:** 62 **Term of office:** Director and Deputy Chairman since December 2008. **Date of next scheduled re-election:** December 2014. **Independent:** Yes. **Current directorships of listed entities and dates of office:** Nil. **Other principal directorships:** Chairman of Allianz Australia Limited. **Other interests:** Nil. **Other Westpac related entities directorships:** Nil.		**Skills, experience and expertise:** For the past 25 years John has been a professional company director and has been chairman and director of a wide variety of public companies, government entities and foreign corporations. In more recent times he has been largely involved in the financial services sector with his current appointments as set out above and former appointments with Merrill Lynch, Perpetual Limited and First Data Corporation in Australia. Prior to 1987, John was a Director of Wormald International Limited and was responsible for its operations in Australia, Europe, Asia and the		Americas. During part of that time he was Chairman of the National Building and Construction Council, the peak industry body. **Westpac Board Committee membership:** Chairman of the Board Remuneration Committee. Member of each of the Board Nominations and Board Risk Management Committees. **Directorships of other listed entities over the past three years and dates of office:** Nil.
		Name: Elizabeth Bryan, BA (Econ.), MA (Econ.) **Age:** 66 **Term of office:** Director since November 2006. **Date of next scheduled re-election:** December 2013. **Independent:** Yes. **Current directorships of listed entities and dates of office:** Director of Caltex Australia Limited (since July 2002, and Chairman since October 2007). **Other principal directorships:** Nil.		**Other interests:** Member of the Takeovers Panel. **Other Westpac related entities directorships and dates of office:** Nil. **Skills, experience and expertise:** Elizabeth has over 32 years experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations. Prior to becoming a professional director she served for six years as Managing Director of Deutsche Asset Management and its		predecessor organisation, NSW State Superannuation Investment and Management Corporation. **Westpac Board Committee membership:** Chairman of the Board Risk Management Committee. Member of each of the Board Nominations, Board Remuneration and Board Technology Committees. **Directorships of other listed entities over the past three years and dates of office:** Nil.

		Name: Gordon Cairns, MA (Hons.) **Age:** 62 **Term of office:** Director since July 2004. **Date of next scheduled re-election:** December 2012. **Independent:** Yes. **Current directorships of listed entities and dates of office:** Director of Origin Energy Limited (since June 2007). **Other principal directorships:** World Education Australia Limited. Chairman of the Origin Foundation. Executive Chairman of Quick Service Restaurant Group Pty Limited.		**Other interests:** Senior Advisor to each of McKinsey & Company and Greenhill Australia (formerly Greenhill Caliburn). **Other Westpac related entities directorships and dates of office:** Nil. **Skills, experience and expertise:** Gordon has extensive Australian and international experience as a senior executive, most recently as CEO of Lion Nathan Limited. Gordon has also held a wide range of senior management positions in marketing and finance with PepsiCo, Cadbury Schweppes and Nestlé (Spillers).		**Westpac Board Committee membership:** Member of each of the Board Remuneration and Board Risk Management Committees. **Directorships of other listed entities over the past three years and dates of office:** Nil.

		Name: Robert Elstone BA (Hons.), MA (Econ.), MCom **Age:** 59 **Term of office:** Director since February 2012. **Date of next scheduled re-election:** December 2012. **Independent:** Yes. **Current directorships of listed entities and dates of office:** Nil. **Other principal directorships:** Nil. **Other interests:** Adjunct Professor in the School of Business at the University of Sydney.		**Other Westpac related entities directorships and dates of office:** Nil. **Skills, experience and expertise:** Robert has over 30 years experience in senior management roles spanning investment banking, corporate finance, wholesale financial markets and risk management. Most recently from 2006 to 2011, Robert was Managing Director and CEO of the Australian Securities Exchange, prior to which he was Managing Director and CEO of the Sydney Futures Exchange from 2000 to 2006 and, before that, Finance Director of Pioneer International from 1995 to 2000.		Robert was a Non-executive Director of the National Australia Bank from 2004 to 2006, an inaugural member of the Board of Guardians of the Future Fund from 2006 and was Chairman of the Financial Sector Advisory Council to the Federal Treasurer between 2007 and 2009. **Westpac Board Committee membership:** Member of each of the Board Audit, Board Technology and Board Risk Management Committees. **Directorships of other listed entities over the past three years and dates of office:** ASX Limited (July 2006 to October 2011).
		Name: Peter Hawkins, BCA (Hons.), SF Fin, FAIM, ACA (NZ), FAICD **Age:** 58 **Term of office:** Director since December 2008. **Date of next scheduled re-election:** December 2013. **Independent:** Yes. **Current directorships of listed entities and dates of office:** Mirvac Limited Group (since January 2006). **Other principal directorships:** Liberty Financial Pty Limited, Treasury Corporation of Victoria, Murray Goulburn Co-operative Company Limited and Clayton Utz.		**Other interests:** Nil. **Other Westpac related entities directorships and dates of office:** Member of the Bank of Melbourne Advisory Board since November 2010. **Skills, experience and expertise:** Peter s career in the banking and financial services industry spans over 41 years in Australia and overseas at both the highest levels of management and directorship of major organisations. Peter has held various senior management and directorship positions with Australia and New Zealand Banking Group Limited from 1971 to 2005, and was also a Director of BHP (NZ) Steel		Limited from 1990 to 1991, ING Australia Limited from 2002 to 2005 and Esanda Finance Corporation from 2002 to 2005. **Westpac Board Committee membership:** Chairman of the Board Technology Committee. Member of each of the Board Audit, Board Nominations and Board Risk Management Committees. **Directorships of other listed entities over the past three years and dates of office:** Nil.

		Name: Ann Pickard BA, MA **Age:** 57 **Term of office:** Director since December 2011. **Date of next scheduled re-election:** December 2014. **Independent:** Yes. **Current directorships of listed entities and dates of office:** Nil. **Other principal directorships:** Shell Energy Holdings Australia Limited, Arrow Energy Holdings Pty Limited and the Energy & Minerals Institute, University of Western Australia. **Other interests:** Nil.		**Other Westpac related entities directorships and dates of office:** Nil. **Skills, experience and expertise:** Ann has 25 years of international experience as a senior manager in large organisations, with responsibility for major corporate transformations, maximising return on assets in challenging environments, complex negotiations, large scale development projects and strategic planning. In March 2010, Ann became the Executive Vice President of Royal Dutch Shell s upstream business in Australia. In August 2010, her role was expanded to Country Chair of Shell in Australia.		Before her current role, Ann was Shell s Regional Executive Vice President for Sub Sahara Africa, overseeing the company s exploration and production, gas and LNG activities in the region. She has also held the position of Director - Global Businesses and Strategy and been a member of the Shell Gas & Power Executive Committee with responsibility for Global LNG, Power and Gas & Power Strategy. **Westpac Board Committee membership:** Member of each of the Board Risk Management and Board Remuneration Committees. **Directorships of other listed entities over the past three years and dates of office:** Nil.

DIRECTORS REPORT

Name: Peter Wilson, CA

Term of office: Director since October 2003.

Age: 71

Date of next scheduled re-election: Not applicable. Peter Wilson will retire following the 2012 AGM.

Independent: Yes.

Current directorships of listed entities and dates of office:

Chairman of New Zealand listed Augusta Capital Limited since October 2006 (formerly Kermadec Property Fund Limited).

Other principal directorships:

P F Olsen Limited and Farmlands Trading Society Limited. Deputy Chairman of Meridian Energy Limited.

Other interests: Member of the New Zealand Markets Disciplinary Tribunal and Chairman of the Special Division of that Tribunal.

Other Westpac related entities directorships and dates of office: Director of Westpac New Zealand Limited (since September 2006, and Chairman since January 2008).

Skills, experience and expertise:

Peter is a chartered accountant and a former partner at Ernst & Young, with extensive experience in banking, business establishment, problem resolution, asset sale and management of change functions. Peter was a Director, and from 1991, Chairman of Trust Bank New Zealand Limited which Westpac acquired in 1996.

Westpac Board Committee membership: Chairman of the Board Audit Committee. Member of each of the Board Risk Management and Board Nominations Committees.

Directorships of other listed entities over the past three years and dates of office: The Colonial Motor Company Limited (July 1998 to November 2011), listed in New Zealand.

Company Secretary

Our Company Secretaries as at 30 September 2012 were John Arthur and Tim Hartin.

John Arthur (LLB (Hons.)) was appointed Group Executive, Counsel & Secretariat and Company Secretary on 1 December 2008. On 24 November 2011, John was appointed Chief Operating Officer and continues to hold the position of Senior Company Secretary. Most recently prior to that appointment, John was Managing Director & Chief Executive of Investa Property Group until 2007. Previously, John has been a partner at Freehills and Group General Counsel of Lend Lease Limited. He also served as Chairman of legal firm Gilbert + Tobin and has had a distinguished career as legal partner, corporate executive and non-executive director.

Tim Hartin (LLB (Hons.)) was appointed Group Company Secretary on 9 November 2011. Prior to his appointment, Tim worked for a number of years as a transactional lawyer at Henderson Boyd Jackson W.S. in Scotland and in London in Herbert Smith s corporate and corporate finance division. Tim joined Gilbert + Tobin as a Consultant in 2004, where he provided corporate advisory services to ASX listed companies. Tim joined Westpac in 2006 as Counsel, Corporate Core and most recently was the Head of Legal - Risk Management & Workouts, Counsel & Secretariat.

2. EXECUTIVE TEAM

As at 30 September 2012 our Executive Team was:

Name	Position	Year Joined Group	Year Appointed to Position
Gail Kelly	Managing Director & Chief Executive Officer	2008	2008
John Arthur	Chief Operating Officer	2008	2011
Peter Clare	Chief Executive Officer, Westpac New Zealand Limited	2008	2012
Philip Coffey	Chief Financial Officer	1996	2005
Brad Cooper	Chief Executive Officer, BT Financial Group	2007	2010
George Frazis	Chief Executive Officer, St.George Banking Group	2009	2012
Brian Hartzer	Chief Executive, Australian Financial Services	2012	2012
Christine Parker	Group Executive, Human Resources & Corporate Affairs	2007	2011
Greg Targett	Chief Risk Officer	2008	2009
Rob Whitfield	Group Executive, Westpac Institutional Bank	1986	2009
Jason Yetton	Group Executive, Westpac Retail & Business Banking	1992	2011

There are no family relationships between or among any of our Directors or Executive Team members.

Gail Kelly HigherDipEd, BA, MBA with Distinction, HonDBus. Age 56
Managing Director & Chief Executive Officer

Gail began her banking career in 1980, and by 2001 she had held various senior management roles in a broad range of areas including retail and commercial banking, strategy, marketing and human resources. Gail has spent the last ten years as Chief Executive Officer of two Australian banks, St.George Bank from 2002 to 2007 and Westpac from 1 February 2008 to date.

Gail holds a Bachelor of Arts degree and Higher Diploma of Education from Cape Town University, an MBA with Distinction from the University of Witwatersrand, and an Honorary Doctorate of Business from Charles Sturt University.

Gail is a non-executive director of the Business Council of Australia, the Australian Bankers Association and the Financial Markets Foundation for Children. She sits on the Global Board of Advisers at the US Council on Foreign Relations and is a member of the Sydney Cricket and Sports Ground Trust. Gail is also Care Australia s Ambassador for Women s Empowerment.

John Arthur LLB (Hons.). Age 57
Chief Operating Officer

John was appointed Chief Operating Officer on 24 November 2011 with responsibility for Group Services, which encompasses technology, banking operations, property, compliance, legal and secretariat services. He joined Westpac as Group Executive, Counsel & Secretariat on 1 December 2008. Before that appointment, John was Managing Director & CEO of Investa Property Group.

Previously, John has been a partner at Freehills and Group General Counsel of Lend Lease Limited. He also served as Chairman of legal firm Gilbert + Tobin and has had a distinguished career as a legal partner, corporate executive and non-executive director.

Peter Clare BCom, MBA. Age 49
Chief Executive Officer, Westpac New Zealand Limited

Peter was appointed Chief Executive Officer, Westpac New Zealand Limited, in April 2012. Prior to this appointment, Peter held the role of Chief Operating Officer, Australian Financial Services from November 2011. Before that appointment, Peter held the role of Group Executive, Product & Operations from 17 July 2008. Peter joined Westpac as Group Executive, Consumer Financial Services in March 2008, with responsibility for sales, service, third-party consumer product relationships and product development for Westpac s consumer customers across Australia.

Prior to joining Westpac, Peter was Group Executive, Group Technology & Operations at St.George Bank Limited following five years as Group Executive, Strategy with St.George Bank Limited. Between 1997 and 2002, Peter worked for the Commonwealth Bank of Australia in a range of senior roles, covering strategy, merger programs, operations and performance improvement. He has also worked in management consultancy and accountancy roles.

Philip Coffey BEc (Hons.). Age 55
Chief Financial Officer

Philip was appointed Chief Financial Officer in December 2005, with responsibility for Westpac s strategy, finance, tax, treasury and investor relations functions. He joined Westpac in 1996, and was appointed Group Executive, Westpac Institutional Bank in 2002. He has extensive experience in financial markets, funds management and finance, firstly with the Reserve Bank of Australia, then Citicorp and AIDC Limited. He has held roles in the UK and New Zealand. Philip has an honours degree in economics and has completed the Executive Program at Stanford University Business School.

Brad Cooper DipBM, MBA. Age 50
Chief Executive Officer, BT Financial Group

Brad was appointed Chief Executive Officer, BT Financial Group on 1 February 2010. Brad initially joined Westpac in April 2007 as Chief Executive, Westpac New Zealand Limited and after successfully leading a change program in that market, moved to the role of Group Chief Transformation Officer leading the Westpac Group s St.George merger implementation. Prior to joining Westpac, Brad was Chairman of GE Capital Bank and CEO of GE Consumer Finance UK & Ireland. He drove GE s UK Six Sigma program and was certified as a Quality Leader (Black Belt) in December 2002. He was promoted to CEO of GE Consumer Finance UK in January 2003 and appointed Chairman of GE Capital Bank in April 2004.

DIRECTORS REPORT

George Frazis B Eng (Hons.), MBA (AGSM/Wharton). Age 48
Chief Executive Officer, St.George Banking Group

George was appointed Chief Executive Officer, St.George Banking Group in April 2012. Prior to this appointment, George joined the Westpac Group in March 2009 as Chief Executive, Westpac New Zealand Limited. George is highly experienced in the financial services industry. He was formerly Group Executive General Manager at National Australia Bank. Prior to that, George was a senior executive in Commonwealth Bank of Australia s Institutional Banking Division and has also been a partner with the Boston Consulting Group.

Brian Hartzer Age 45
Chief Executive, Australian Financial Services

Brian joined Westpac as Chief Executive, Australian Financial Services on 25 June 2012. Australian Financial Services comprises Westpac Retail & Business Banking, St.George Banking Group and BT Financial Group.

Prior to joining Westpac, Brian spent three years in the UK as CEO for Retail, Wealth and Ulster Bank at the Royal Bank of Scotland Group. Prior to that, he spent ten years with ANZ in Australia in a variety of roles, including his final role as CEO, Australia and Global Segment Lead for Retail and Wealth. Before joining ANZ, Brian spent ten years as a financial services consultant in New York, San Francisco, and Melbourne.

Brian graduated from Princeton University with a degree in European History and is a Chartered Financial Analyst.

Christine Parker BGDipBus (HRM). Age 52
Group Executive, Human Resources & Corporate Affairs

Christine was appointed Group Executive, Human Resources & Corporate Affairs on 1 October 2011, with responsibility for human resources strategy and management, including reward and recognition, safety, learning and development, careers and talent, employee relations and employment policy. She is also responsible for Corporate Affairs & Sustainability.

Prior to this appointment, she was Group General Manager, Human Resources, from March 2010, with responsibilities across the entire Westpac Group. Prior to that, Christine was General Manager, Human Resources, Westpac New Zealand Limited, when she joined Westpac in 2007.

Prior to joining Westpac, Christine was Group HR Director, Carter Holt Harvey, and from 1999 to 2004, she was Director of HR with Restaurant Brands New Zealand.

Greg Targett BEc, DipEd, F Fin, CFTP. Age 55
Chief Risk Officer

Greg was appointed Chief Risk Officer on 2 July 2009. Greg joined Westpac as Deputy Chief Risk Officer on 1 December 2008. Prior to the merger between Westpac and St.George Bank Limited, Greg was Chief Risk Officer of St.George Bank Limited and was a member of the St.George Bank Limited Executive Management Committee from 2006. He joined St.George Bank Limited in May 2003 from National Australia Bank where he held the role of General Manager, Wholesale and Business Banking Credit. During his 23 year career with National Australia Bank, Greg had a variety of senior roles in Australia and overseas in venture capital, planning and strategy, credit risk, corporate banking and retail banking.

Rob Whitfield BCom, GradDipBanking, GradDipFin, AMP (Harvard). Age 48
Group Executive, Westpac Institutional Bank

Rob was appointed Group Executive, Westpac Institutional Bank in July 2009. He has responsibility for Westpac s global relationships with corporate, institutional and government clients, and core product offerings across financial and capital markets, transactional banking and working capital and payments. In addition, Rob has responsibility for Hastings Funds Management Limited and Westpac s structured finance, global treasury, Asia and Pacific Island businesses. Rob joined Westpac as a graduate in 1986, where he gained broad financial markets experience. He joined Treasury in 1993 and was appointed Group Treasurer in 2000. In 2004, he became Chief Risk Officer and joined the Executive Team in December 2005. From April 2007, Rob undertook advisory work as a Group Executive for Westpac s CEO with responsibility for the oversight of the merger with St.George Bank Limited. He was appointed Group Executive, Risk Management in November 2008 prior to assuming his current role.

Jason Yetton BCom, GDAppFin, TGMP (Harvard). Age 42
Group Executive, Westpac Retail & Business Banking

Jason was appointed Group Executive, Westpac Retail & Business Banking on 24 November 2011. Prior to this appointment, he was General Manager, Retail and Regional Banking, Westpac Retail & Business Banking from 2010. Before that, Jason was General Manager, Retail Banking from 2008. During 2008, he was a member of the Group s 2017 strategy team. Prior to that role, Jason held a number of roles in BT Financial Group, including Head of Product, General Manager, Customer Solutions and CEO Commerce BT Unit Trust (based in Malaysia from 1997 to 1999). He joined BT as a graduate trainee in 1992.

3. REPORT ON THE BUSINESS

a) Principal activities

The principal activities of the Group during the financial year ended 30 September 2012 were the provision of financial services including lending, deposit taking, payments services, investment portfolio management and advice, superannuation and funds management, insurance services, leasing finance, general finance, foreign exchange and money market services.

There have been no significant changes in the nature of the principal activities of the Group during 2012.

b) Review of and results of operations and financial position

A review of the operations of the Group and its divisions and their results for the financial year ended 30 September 2012 is set out in Section 2 of the Annual Report under the sections Review of Group operations and Divisional performance , which form part of this report.

Further information about our financial position and financial results is included in the financial statements in Section 3 of the Annual Report, which form part of this report.

The net profit attributable to equity holders of Westpac for the financial year ended 30 September 2012 was $5,970 million.

c) Dividends

Since 30 September 2012, Westpac has announced a final dividend of 84 cents per ordinary share, totalling approximately $2,588 million for the year ended 30 September 2012 (2011 final dividend of 80 cents per Westpac ordinary share, totalling $2,425 million). The final dividend will be fully franked and will be paid on 20 December 2012.

An interim dividend for the current financial year of 82 cents per ordinary share, totalling $2,506 million, was paid as a fully franked dividend on 4 July 2012 (2011 interim dividend of 76 cents per ordinary share, totalling $2,288 million).

d) Significant changes in state of affairs and events during and after the end of 2012 financial year

Significant changes in the state of affairs of the Group during 2012 were:

§ the commencement of Lindsay Maxsted as the Chairman of Westpac on 14 December 2011;

§ the implementation of a new organisational structure for the Westpac Group with the creation of two divisions Australian Financial Services and Group Services;

§ a change to the operating model in New Zealand from 1 November 2011, which resulted in various business activities and associated employees being transferred from Westpac s NZ branch to WNZL;

§ the change to Westpac s long-term senior unsecured credit rating by Standard & Poor s and long-term senior unsecured issuer default rating by Fitch to AA- from AA, along with the other major Australian banks;

§ the finalisation of all components of tax consolidation related to Westpac s merger with St.George Bank Limited; and

§ ongoing regulatory changes and developments, which has included changes to liquidity, capital, derivatives, financial services, taxation and other regulatory requirements.

For a discussion of these matters, please refer to Significant developments in Section 1 of the Annual Report under Information on Westpac .

In addition, the continued deterioration of the fiscal position of a number of countries has contributed to continuing market volatility and a negative global growth outlook. Europe is already in recession, US growth has moderated and China has also slowed. Any recovery remains uncertain with growth constrained by ongoing fiscal deficits and weak financial systems. Combined with ongoing tensions in the Middle East, this has created a level of uncertainty around the globe. To date, these events have had little direct impact on Westpac, given Westpac Group s focus on Australia and New Zealand. However, slowing global growth has impacted consumer and business confidence in Australia and contributed to the decision of the Reserve Bank to further ease monetary policy. It is possible that Westpac Group may be impacted in the future if global growth and demand weakens further or if events in Europe see the failure of some of that region s financial institutions. For a discussion of these matters and how Westpac may be impacted, please refer to Risk factors in Section 2.

The Directors are not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group in subsequent financial years.

e) Business strategies, developments and expected results

Our business strategies, prospects and likely major developments in the Group s operations in future financial years and the expected results of those operations are discussed in Section 1 of the Annual Report under Information on Westpac , including under Significant developments .

Further information on our business strategies and prospects for future financial years and likely developments in our operations and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to us.

DIRECTORS REPORT

4. DIRECTORS INTERESTS

a) Directors interests in securities

The following particulars for each Director are set out in the Remuneration report in Section 9 of the Directors report and Note 41 of our consolidated financial statements for the year ended 30 September 2012 and in the tables below:

§ their relevant interests in our shares or the shares of any of our related bodies corporate;

§ their relevant interests in debentures of, or interests in, any registered managed investment scheme made available by us or any of our related bodies corporate;

§ their rights or options over shares in, debentures of, or interests in, any registered managed investment scheme made available by us or any of our related bodies corporate; and

§ any contracts:

to which the Director is a party or under which they are entitled to a benefit; and

that confer a right to call for or deliver shares in, debentures of, or interests in, any registered managed investment scheme made available by us or any of our related bodies corporate.

Directors interests in Westpac and related bodies corporate as at 5 November 2012

Westpac Banking Corporation	Number of relevant interests in Westpac Ordinary Shares	Number of Westpac Share Options	Number of Westpac Share Rights	Westpac SPS	Westpac SPS II	Westpac CPS
Current Directors						
Lindsay Maxsted	16,039	-	-	-	-	-
Gail Kelly	1,839,971 1	400,043 2	627,029 3	-	-	-
John Curtis	40,953	-	-	-	-	-
Elizabeth Bryan	23,737	-	-	-	-	-
Gordon Cairns	17,038	-	-	-	-	-
Robert Elstone	10,000	-	-	-	-	-
Peter Hawkins	15,218	-	-	1,465	-	1,370
Ann Pickard	9,800 4	-	-	-	-	-
Peter Wilson	16,598	-	-	-	-	-
Former Directors						
Ted Evans	24,408 5	-	-	-	-	-
Carolyn Hewson	16,348 6	-	-	-	-	-
Graham Reaney	75,361 7	-	-	-	-	-

1 Gail Kelly s interest in Westpac ordinary shares includes 118,850 restricted shares held under the CEO Restricted Share Plan.

2 Options issued under the CEO Performance Plan.

3 Share rights issued under the CEO Performance Plan.

4 Ann Pickard s relevant interests arise through holding 1,960 Westpac American Depository Shares (ADS). One ADS is comprised of five Westpac fully paid ordinary shares.

5 Figure displayed is as at Ted Evans retirement date of 14 December 2011.

6 Figure displayed is as at Carolyn Hewson s retirement date of 30 June 2012. As at 30 June 2012, Carolyn Hewson also held relevant interests in 27,937 ordinary shares in BT Investment Management Limited.

7 Figure displayed is as at Graham Reaney s retirement date of 14 December 2011.

b) Other relevant interests as at 5 November 2012

Certain subsidiaries of Westpac offer a range of registered schemes. The Directors from time to time invest in these schemes and are required to provide a statement to the ASX when any of their interests in these schemes change (except interests in a number of cash management trusts) 1. Directors currently hold no relevant interests in any registered schemes of Westpac.

c) Indemnities and insurance

Under the Westpac Constitution, unless prohibited by statute, we must indemnify each of the Directors and Company Secretaries of Westpac and of each of our related bodies corporate (except related bodies corporate listed on a recognised stock exchange), each employee of Westpac or our subsidiaries (except subsidiaries listed on a recognised stock exchange), and each person acting as a responsible manager under an Australian Financial Services Licence of any of Westpac s wholly-owned subsidiaries against every liability incurred by each such person in their capacity as director, company secretary, employee or responsible manager, as the case may be; and all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity.

Each of the Directors named in this Directors report and each of the Company Secretaries of Westpac has the benefit of this indemnity.

Consistent with shareholder approval at the 2000 Annual General Meeting, Westpac has entered into a Deed of Access and Indemnity with each of the Directors, which includes indemnification in identical terms to that provided in the Westpac Constitution.

Westpac also executed a deed poll in September 2009 providing indemnification equivalent to that provided under the Westpac Constitution to individuals acting as:

§ statutory officers (other than as a director) of Westpac;

§ directors and other statutory officers of wholly-owned subsidiaries of Westpac; and

§ directors and statutory officers of other nominated companies as approved by Westpac in accordance with the terms of the deed poll and Westpac s contractual indemnity policy.

Some employees of Westpac s related bodies corporate and responsible managers of Westpac and its related bodies corporate are also currently covered by a deed poll that was executed in November 2004, which is in similar terms to the September 2009 deed poll.

The Westpac Constitution also permits us, to the extent permitted by law, to pay or agree to pay premiums for contracts insuring any person who is or has been a Director or Company Secretary of Westpac or any of its related bodies corporate against liability incurred by that person in that capacity, including a liability for legal costs, unless:

- we are forbidden by statute to pay or agree to pay the premium; or
- the contract would, if we paid the premium, be made void by statute.

Under the September 2009 deed poll, Westpac also agrees to provide directors and officers insurance to Directors of Westpac and Directors of Westpac s wholly-owned subsidiaries.

For the year ended 30 September 2012, the Group has insurance cover in respect of the amounts which we may have to pay under the indemnities set out above. That cover is subject to the terms and conditions of the relevant insurance, including but not limited to the limit of indemnity provided by the insurance. The insurance policies prohibit disclosure of the premium payable and the nature of the liabilities covered.

d) Options and share rights outstanding

As at the date of this report there are 8,738,069 share options outstanding and 4,070,157 share rights outstanding in relation to Westpac ordinary shares. The expiry date of the share options range between 20 January 2013 and 1 December 2018 and the weighted average exercise price is $23.47. The latest dates for exercise of the share rights range between 20 January 2013 and 1 September 2022.

Holders of outstanding share options and share rights in relation to Westpac ordinary shares do not have any rights under the share options and share rights to participate in any share issue or interest of Westpac or any other body corporate.

e) Proceedings on behalf of Westpac

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of Westpac, or to intervene in any proceedings to which Westpac is a party, for the purpose of taking responsibility on behalf of Westpac for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of Westpac with leave of the Court under section 237 of the Corporations Act.

1 ASIC has exempted each Director from the obligation to notify the ASX of a relevant interest in a security that is an interest in BT Cash Management Trust (ARSN 087 531 539), BT Premium Cash Fund (ARSN 089 299 730), Westpac Cash Management Trust (ARSN 088 187 928), BT Institutional Managed Cash Fund (ARSN 088 832 491) or BT Institutional Enhanced Cash Fund (ARSN 088 863 469).

DIRECTORS REPORT

5. ENVIRONMENTAL DISCLOSURE

The Westpac Group s environmental framework starts with Our Principles for Doing Business , which outline our broad environmental principles. This framework includes:

§ our environmental policy statement Westpac and the Environment: Our Environmental Policy , which has been in place since 1992;

§ our Sustainable Supply Chain Management framework; and

§ public reporting of our environmental performance. We also participate in a number of voluntary initiatives including the Carbon Disclosure Project, the Equator Principles and the United Nations Global Compact CEO Water Mandate.

The Westpac Group is required to comply with the *NSW Energy Administration Amendment (Water & Savings) Act 2005* (EAA). We comply with our obligations pursuant to the EAA as a designated energy user and a designated water user through an Energy Savings Action Plan for Westpac s North Ryde site which was approved by the NSW Government on 14 February 2008. The final Annual Progress Report for the North Ryde site was submitted this year on 28 September 2012. We comply with our obligations under the EAA and the Energy Savings Action Plan.

The *National Greenhouse and Energy Reporting Act 2007* (Cth) (National Greenhouse Act) came into effect in July 2008. The Group reports on greenhouse gas emissions, energy consumption and production under the National Greenhouse Act for the period 1 July through 30 June each year.

The Group is subject to the reporting requirements of the *Energy Efficiency Opportunities Act 2006* (Cth) (EEO Act), which requires a report to be submitted to the Commonwealth Government and the public identifying and evaluating cost effective energy savings opportunities. The Group registered under the EEO Act on 24 March 2010. Our Assessment and Reporting Schedule was submitted on 22 December 2010. The second public report will be submitted to the Commonwealth Government by 31 December 2012. The public report is available on the Westpac website once it is submitted. We comply with our obligations under the EEO Act.

Our operations are not subject to any other particular and significant environmental regulation under any law of the Commonwealth of Australia or of any State or Territory of Australia. We may, however, become subject to environmental regulation as a result of our lending activities in the ordinary course of business and we have policies in place to ensure that this potential risk is addressed as part of our normal processes.

We have not incurred any liability (including for rectification costs) under any environmental legislation.

Further details on our environmental performance, including progress against our climate change strategy and details of our emissions profile are available on our website at www.westpac.com.au/aboutwestpac/sustainability-and-community.

6. ROUNDING OF AMOUNTS

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

7. POLITICAL EXPENDITURE

In line with Westpac policy, no cash donations were made to political parties during the financial year ended 30 September 2012. The expenditure reflected in the table below relates to payment for participation in legitimate political activities where they were assessed to be of direct business benefit to Westpac. Such activities include business observer programs attached to annual party conferences, policy dialogue forums and other political functions such as speeches and events with industry participants.

Political expenditure, year ended 30 September 2012

Australia

	Amount **$1**
Australian Labor Party	87,232.50
Liberal Party of Australia	106,464.00
National Party of Australia	9,440.00
Total	203,136.50

1 Represents aggregate amount at both Federal and State/Territory levels.

New Zealand

There was no expenditure on political activities in New Zealand for the year ended 30 September 2012. In line with Westpac policy, no cash donations were made to political parties in New Zealand during the year.

8. DIRECTORS MEETINGS

Each Director attended the following meetings of the Board and Committees of the Board during the financial year ended 30 September 2012:

	Notes	Board Meetings		Board Audit Committee		Board Risk Management Committee		Board Nominations Committee		Board Remuneration Committee		Board Sustainability Committee13		Board Technology Committee	
Number of meetings held during the year															
Director		**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Lindsay Maxsted	1	9	9	4	4	4	4	4	4						
Gail Kelly	2	9	9									2	2	3	3
John Curtis	3	9	9	2	2	4	4	4	3	5	5				
Robert Elstone	4	6	6	2	2	2	2							1	1
Ted Evans	5	3	3	1	1	1	1	1	1					1	1
Elizabeth Bryan	6	9	9	2	2	4	4	4	4	5	5			3	3
Gordon Cairns	7	9	9	2	2	4	4			5	5				
Peter Hawkins	8	9	8	4	4	4	4	4	4					3	3
Carolyn Hewson	9	7	7	2	2	3	3	3	3	4	4				
Ann Pickard	10	7	7			2	2			2	2				
Graham Reaney	11	3	3	1	1	1	1					1	1		
Peter Wilson	12	9	9	4	4	4	4	4	4			2	2		

This table shows membership of standing committees of the Board. From time to time the Board may form other Committees or request Directors to undertake specific extra duties.

A - Meetings eligible to attend as a member

B - Meetings attended as a member

Unless otherwise stated, each Director has been a member, or the Chairman, of the relevant Committee for the whole of the period from 1 October 2011.

1 Lindsay Maxsted was appointed as Chairman of the Board on 14 December 2011. Chairman of the Board Nominations Committee from 1 July 2012. Member of the Board Nominations Committee until 30 June 2012. Chairman of the Board Audit Committee until 13 December 2011 and Member from 14 December 2011. Member of the Board Risk Management Committee.

2 Member of the Board Technology Committee and member of the Board Sustainability Committee up to its dissolution on 6 March 2012.

3 Chairman of the Board Remuneration Committee. Member of the Board Risk Management Committee and the Board Nominations Committee. Member of the Board Audit Committee until 6 March 2012.

4 Robert Elstone was appointed as a Director on 1 February 2012. Member of the Board Risk Management Committee, the Board Audit Committee and the Board Technology Committee from 6 March 2012.

5 Ted Evans retired as Chairman and Director of the Board and its Committees on 14 December 2011.

6 Chairman of the Board Risk Management Committee. Member of the Board Nominations Committee, the Board Remuneration Committee and the Board Technology Committee. Member of the Board Audit Committee until 6 March 2012.

7 Member of the Board Risk Management Committee and the Board Remuneration Committee. Member of the Board Audit Committee until 6 March 2012.

8 Chairman of the Board Technology Committee. Member of the Board Audit Committee, the Board Risk Management Committee and the Board Nominations Committee.

9 Member of the Board Audit Committee until 6 March 2012. Carolyn Hewson retired from the Board and its Committees on 30 June 2012.

10 Ann Pickard was appointed as a Director on 1 December 2011. Member of the Board Risk Management Committee and the Board Remuneration Committee from 6 March 2012.

11 Graham Reaney retired from the Board and its Committees on 14 December 2011.

12 Chairman of the Board Audit Committee from 14 December 2011. Member of the Board Audit Committee until 13 December 2011. Member of the Board Risk Management Committee and the Board Nominations Committee. Chairman of the Board Sustainability Committee up to its dissolution on 6 March 2012.

13 On 6 March 2012, the Board re-assumed responsibility for the oversight and monitoring of sustainability and dissolved the Board Sustainability Committee.

All Directors receive the papers for all meetings of the Board and for Board Committee meetings of which they are a member. The above table only sets out attendance by members of the relevant Board Committees.

9. REMUNERATION REPORT

Introduction from the Chairman of the Board Remuneration Committee

Dear Shareholder,

We are pleased to present Westpac s 2012 Remuneration Report (Report).

Over the past twelve months, the Board has continued to refine our remuneration practices and policies following the substantive changes made last year. We continue to be mindful of the changing external market with regard to executive remuneration and of shareholder expectations that Westpac s approach to managing executive remuneration reflects today s world. It is in this context that the Board reviewed our executive reward policy during the year and made further changes to components of our executive reward framework.

Our philosophy

We believe that Executive Reward is designed to:

§ motivate executives to strong performance against short and long-term performance measures;

§ appropriately manage risk;

§ link pay to shareholder interests; and

§ attract and retain high performing executives.

Our framework

We made two important changes to components of the framework to apply for the 2012 performance year:

1. We have established a policy to align the target pay mix for the CEO and Senior Executives, that is, the percentage in fixed remuneration, short-term incentive (STI) and long-term incentive (LTI). Under the new policy, 34% will be equally allocated to fixed remuneration and STI, and 32% to LTI. This approach increases the weighting of LTI and reduces the emphasis on STI. The new policy will apply to existing Senior Executives over time with annual remuneration adjustments directed to the LTI target until the desired pay mix is achieved.

2. We have reduced the maximum opportunity available under the STI plan from 200% to 150% of target.

The realignment of the STI and LTI opportunities and the reduction of the STI plan maximum will rebalance executive reward going forward and provide an even stronger alignment with the long-term interests of shareholders.

Executive pay

We did not increase the fixed remuneration or incentive targets in 2012 for the CEO or Senior Executives, except where there was a change in role or a significant market anomaly. In these cases, the majority of the increase was allocated to the LTI target and so value is delivered only if future performance hurdles are achieved.

We have done the same for 2013 and we will not be increasing the remuneration of the CEO, Senior Executives or the majority of General Managers across the Group. We have made this decision acknowledging the continued challenges of delivering sustainable performance in a low growth environment across our industry. We are confident that the existing at risk incentive arrangements allow us to recognise and reward high performance across our business.

Risk and governance

In 2012, we maintained our active engagement with regulators, contributing to the consultation process and industry forums.

The Board is confident that Westpac s remuneration framework positions us well to respond to the evolving legislative and regulatory environment.

In preparing this Report, we have aimed to further improve the clarity of presentation of our remuneration policies, practices and outcomes. We have included a section Linking Reward and Performance where we outline the performance highlights for the year and the resulting remuneration outcomes for the CEO and Senior Executives. For ease of review, we have included all statutory remuneration disclosures in one section of the Report.

Finally, as a Board, we believe our role is to balance the competing priorities of managing against a changing external remuneration environment whilst still attracting and retaining high calibre executives to ensure Westpac s ongoing success. We are confident that our current policies, framework and outcomes presented in this Report are appropriate in that context.

As ever, we welcome your feedback as we strive to make the Report simpler and easier to understand.

John Curtis

Chairman Board Remuneration Committee

1. Remuneration snapshot

This section provides an overview of the Group s remuneration arrangements during the 2012 financial year.

1.1. Remuneration strategy, principles and framework

Executive remuneration framework

The CEO and Senior Executives (Group Executives and members of Westpac s Executive Team) are remunerated based on a Total Reward framework which is designed to:

§ motivate executives to strong performance against short and long-term performance measures;

§ appropriately manage risk;

§ link pay to shareholder interests; and

§ attract and retain high performing executives.

The Total Reward framework has three components and, in aggregate, is benchmarked against relative financial services competitors.

Fixed remuneration takes into account the size and complexity of the role, individual responsibilities, experience, skills and disclosed market-related pay levels within the financial services industry. Fixed remuneration includes cash salary, salary sacrifice items and employer superannuation contributions.

Short-term incentive (STI) comprises cash and deferred shares. The level of payment is determined based on an STI target set using similar principles to those used for fixed remuneration, and on individual, divisional and Group performance objectives for the year. Performance is measured against risk-adjusted financial targets and non-financial targets that support the Group s short and long-term strategy.

Long-term incentive (LTI) is comprised of performance share rights, which vest over a three year period if performance hurdles are achieved. The amount of the award takes into account market benchmarks, individual performance over time, succession potential and key skills.

Executive remuneration framework changes in 2012

While our remuneration strategy and principles remain unchanged, the Board approved two key changes to our executive remuneration framework in May this year, both of which were implemented for the 2012 performance year. The Board were informed by market benchmarking reports provided by Guerdon Associates in making their decision regarding the changes.

a) Target pay mix CEO and Senior Executives

A revised pay mix policy was approved to apply to all new appointments at the CEO or Senior Executive level. Under the new policy, 34% of a Senior Executive s Target Total Reward will be equally allocated to fixed remuneration and STI. The remaining 32% of the Target Total Reward will be allocated to LTI. The changes will deliver a greater proportion of Total Reward as LTI (which is subject to 3 year performance hurdles) and result in a greater proportion of Total Reward being deferred over a longer period. The revised pay mix will be achieved over time for existing Senior Executives, with annual remuneration adjustments directed towards LTI until the desired pay mix is achieved. We believe the approach provides a stronger alignment with the long-term interests of shareholders.

LTI Performance share rights

Deferred STI Restricted shares

Cash STI

Fixed remuneration

b) STI CEO and Senior Executives

The STI scheme was reviewed with two changes approved by the Board:

- in light of shareholder sentiment regarding Executive pay levels, the maximum STI opportunity was reduced from 200% of target to 150% of target; and

- as a result of the increased weighting of LTI, which has a 3 year vesting profile, the vesting profile for deferred STI has been adjusted to 2 years (previously 3 years). This change brings Westpac in line with current practice amongst the major Australian banks.

DIRECTORS REPORT

1.2. Remuneration for all other employees

The remuneration strategy for all other employees remains aligned with our approach for Senior Executives. In particular:

- fixed remuneration is aligned to the market and is reviewed annually;
- we provide superannuation for employees in Australia, New Zealand and some other countries in which we operate;
- employees have the opportunity to participate in an STI scheme designed to support the objectives of their division and the Group, including risk management. In some cases a portion is deferred;
- key employees may also receive an LTI award in the form of deferred shares; and
- eligible employees may receive an annual award of Westpac ordinary shares up to the value of $1,000 under the Employee Share Plan provided the Group meets at least one of two hurdles: an increase in share price or in customer advocacy. The CEO, Senior Executives and any employees who received an STI award deferred into equity or an LTI award during the year are not eligible to receive an Employee Share Plan award for that year.

1.3. Key management personnel remuneration disclosed in this Report

The remuneration of key management personnel (KMP) for the Westpac Group is disclosed in this Report. In 2012, KMP included Non-executive Directors, the CEO and Senior Executives who report to the CEO and/or lead significant parts of the business.

CEO and Senior Executives

Movements in the Senior Executive team during the year have resulted in changes to our KMP:

- **Rob Chapman** ceased to be a KMP upon vacating the role of Chief Executive Officer, St.George Banking Group on 31 March 2012. Although currently remaining an employee of the Group it is expected that Rob will cease employment with Westpac in March 2013 resulting in payments comprising outplacement and statutory entitlements such as annual and long service leave. STI and LTI awards will be treated in accordance with his contract provisions;
- **Rob Coombe** vacated the role of Group Executive, Westpac Retail & Business Banking effective 23 November 2011;
- **Brian Hartzer** was appointed to the role of Chief Executive, Australian Financial Services effective 25 June 2012; and
- **Jason Yetton** was appointed to the role of Group Executive, Westpac Retail & Business Banking effective 24 November 2011.

Name	Position	Term as KMP
Gail Kelly	Managing Director & Chief Executive Officer	Full Year
Senior Executives		
John Arthur1	Chief Operating Officer	Full Year
Peter Clare2	Chief Executive Officer, Westpac New Zealand Limited	Full Year
Philip Coffey	Chief Financial Officer	Full Year

Brad Cooper	Chief Executive Officer, BT Financial Group	Full Year
George Frazis3	Chief Executive Officer, St.George Banking Group	Full Year
Peter Hanlon4	Chief Executive, Australian Financial Services	Full Year
Brian Hartzer	Chief Executive, Australian Financial Services	Part Year
Christine Parker	Group Executive, Human Resources & Corporate Affairs	Full Year
Greg Targett	Chief Risk Officer	Full Year
Rob Whitfield	Group Executive, Westpac Institutional Bank	Full Year
Jason Yetton	Group Executive, Westpac Retail & Business Banking	Part Year
Former Senior Executives		
Rob Chapman	Chief Executive Officer, St.George Banking Group	Part Year
Rob Coombe	Group Executive, Westpac Retail & Business Banking	Part Year

1 John Arthur was the Group Executive, Counsel & Secretariat prior to his appointment to the new role of Chief Operating Officer on 24 November 2011.

2 Peter Clare was the Group Executive, Product and Operations until his appointment as the Chief Operating Officer, Australian Financial Services on 24 November 2011. He was subsequently appointed to the role of Chief Executive Officer, Westpac New Zealand Limited on 1 April 2012.

3 George Frazis was the Chief Executive Officer, Westpac New Zealand Limited prior to his appointment to the role of Chief Executive Officer St.George Banking Group on 1 April 2012.

4 Peter Hanlon has been disclosed for the full year given his contribution in key roles during the period.

Non-executive Directors

Name	Position	Term as KMP
Lindsay Maxsted	Chairman	Full Year
Ted Evans1	Former Chairman	Part Year
John Curtis	Deputy Chairman	Full Year
Elizabeth Bryan	Director	Full Year
Gordon Cairns	Director	Full Year
Robert Elstone2	Director	Part Year
Peter Hawkins	Director	Full Year
Carolyn Hewson3	Director	Part Year
Ann Pickard4	Director	Part Year
Graham Reaney5	Director	Part Year
Peter Wilson	Director	Full Year

1 Retired 14 December 2011.

2 Appointed 1 February 2012.

3 Retired 30 June 2012.

4 Appointed 1 December 2011.

5 Retired 14 December 2011.

2. Governance and risk management

This section details the Group s approach to governance and risk management as they relate to remuneration.

2.1. Governance

The Group s remuneration policies and practices strive to fairly and responsibly reward employees, having regard to performance, Westpac s risk management framework, the law and high standards of governance.

The role of the Board is to provide strategic guidance for the Group and effective oversight of management. In this way the Board is accountable to shareholders for performance. As part of this role, the Board has overall responsibility for remuneration.

The Remuneration Committee supports the Board. Its primary function is to assist the Board in fulfilling its responsibilities to shareholders with regard to remuneration. The Remuneration Committee monitors the Group s remuneration policies and practices, external remuneration practices, market expectations and regulatory requirements in Australia and internationally. The Committee s purpose, responsibilities and duties are outlined in the Charter which is available on the Group s website.

All Board Committee Charters are reviewed every two years. The Board Remuneration Committee Charter was reviewed and amended in May 2012.

Members of the Remuneration Committee during 2012

All members of the Remuneration Committee are independent Non-executive Directors. During 2012 the members were:

- John Curtis (Chairman);
- Elizabeth Bryan;
- Gordon Cairns;
- Ann Pickard (Member from 6 March 2012); and
- Carolyn Hewson (Member until 30 June 2012).

Independent remuneration consultant

During 2012, the Board retained Guerdon Associates as its independent consultant to provide specialist information on executive remuneration and other Group remuneration matters. These services are provided directly to the Remuneration Committee and are independent of management. The Chairman of the Remuneration Committee oversees the engagement of, remuneration arrangements for, and payment of, the independent consultant.

Work undertaken by Guerdon Associates during 2012 included the provision of information relating to the benchmarking of CEO and Senior Executive remuneration; the structure of remuneration (specifically pay mix and our STI scheme) and market practices; and analysis regarding our Earnings per Share (EPS) based LTI hurdle. No remuneration recommendations as prescribed under the Corporations Act were made by Guerdon Associates in 2012.

Other internal governance structures

The Westpac internal governance structure includes three levels of Remuneration Oversight Committees (ROCs) which focus on the appropriateness and consistency of remuneration arrangements and outcomes within individual functions, divisions and across the Group. The ROCs support the Board Remuneration Committee by ensuring that the Group-wide remuneration frameworks and outcomes are consistent with the Board s approved policy.

2.2. Risk management

The Group s remuneration strategy, executive remuneration framework, policies and practices all reflect the sound risk management that is fundamental to the way we operate. The performance of each division within the Group is reviewed and measured with reference to how risk is managed and the results influence remuneration outcomes.

The executive remuneration framework specifically includes features to take account of risk. The framework is composed of a mix of fixed pay and variable reward, a portion of which is deferred. The CEO and Senior Executives receive deferred compensation in two forms: deferred shares as part of the STI; and an LTI award of performance share rights, which deliver value if the Group meets or exceeds predetermined performance hurdles. These help to align the interests of the CEO and Senior Executives with those of shareholders.

DIRECTORS REPORT

Each year the Board determines the size of the variable reward pool. This is based on an assessment of how profit should be shared among shareholders, employees and retained for ongoing capital requirements. The primary financial indicator used is economic profit, which measures profitability adjusted for risk in the business. Cash earnings, cash earnings per share and dividends are also taken into account.

STI outcomes are based on both financial and non-financial measures, with the latter reflecting risk management outcomes and the Group s progress on the implementation of our strategy. Economic profit accounted for 40% of the CEO s and Senior Executives scoreboards for 2012. A performance measure related to the Board s Risk Appetite Statement accounted for a further 10% of the CEO s and Senior Executives scoreboards. In addition, the CEO and each Senior Executive is assessed on specific risk measures that may influence any discretionary adjustment to the scoreboard. Ultimately, the Board has 100% discretion with the STI outcome. We believe this discretion is vital to balance a mechanistic approach in determining performance and reward outcomes and to enable previous decisions (either good or bad) to be taken into account. This discretion may be exercised both up and down.

Shareholding requirements and hedging policy

To further align their interests with shareholders, the CEO and Senior Executives are expected to build and maintain a substantial Westpac shareholding within five years of being appointed to their role. For the CEO the value of that shareholding is expected to be no less than five times her annual fixed package. For Senior Executives, the expected minimum is $1.2 million.

Participants in the Group s equity plans are forbidden from entering either directly or indirectly into hedging arrangements for unvested shares in their STI and LTI equity awards. No financial products of any kind may be used to mitigate the risk associated with these equity instruments. Any attempt to hedge these securities makes them subject to forfeiture. These restrictions have been in place for some time and satisfy the requirements of the Corporations Act which prohibit hedging of unvested shares.

Approval of remuneration decisions

We aim to integrate effective risk management into the remuneration framework throughout the organisation. The Chairman of the Board Risk Management Committee is a member of the Remuneration Committee, and members of the Remuneration Committee are also members of the Board Risk Management Committee. In carrying out its duties, the Remuneration Committee can access personnel from risk and financial control, and engages external advisors who are independent of management.

We follow a strict process of two-up approval for all remuneration decisions. This means that remuneration is approved by the next most senior person above the employee s manager. This concept is also reflected in our requirement for the Board, based on recommendations from the Remuneration Committee, to approve:

§ performance outcomes and remuneration for the CEO and Senior Executives; and

§ performance outcomes and remuneration for other executives who report directly to the CEO, other persons whose activities in the Board s opinion affect the financial soundness of the Group and any other person specified by APRA.

Performance and remuneration outcomes for all General Managers (who report to Senior Executives) are approved by the CEO, on the recommendation of the Senior Executive to whom they report.

Any significant remuneration arrangements that fall outside the Group Remuneration Policy are referred to the Remuneration Committee for review and approval.

3. Executive remuneration

3.1. Remuneration structure and policy

a) Fixed remuneration

Fixed remuneration comprises cash salary, salary sacrifice items and employer superannuation.

The Group provides superannuation contributions of 9% of fixed package in line with statutory obligations. During 2012, one Senior Executive remained a member of the legacy defined benefit superannuation fund (which is closed to new members).

Fixed remuneration is reviewed annually and is effective from 1 January each year taking into consideration:

§ roles and accountabilities;

§ relative market benchmarks within the financial services industry; and

§ the attraction, retention and motivation of key executives given increasing competition for talent in a challenging environment.

There were no increases to fixed remuneration for the CEO or Senior Executives following the last annual remuneration review with the exception of three Senior Executives where there was a material change in role or a significant market anomaly:

§ **John Arthur** appointed to a new role as Chief Operating Officer effective 24 November 2011;

§ **Philip Coffey** where the role of Chief Financial Officer was expanded to include accountability for Group Strategy; and

§ **Greg Targett** market adjustment.

b) STI

STI provides the opportunity for participants to earn cash and deferred equity incentives where specific outcomes have been achieved in the financial year. The CEO and Senior Executives each have a balanced scoreboard, which is reviewed and approved by the Board. The balanced scoreboard combines both annual financial and non-financial objectives supporting the Group s strategic short and long-term goals.

STI targets

The CEO s target STI opportunity for 2012 was $3.6 million.

STI targets for Senior Executives are set by the Remuneration Committee and approved by the Board at the beginning of each performance year based on a number of factors including market competitiveness and the nature of the role. The STI targets for the 2012 performance year did not increase for the CEO and Senior Executives whose fixed remuneration remained unchanged in 2012. The STI awards for Senior Executives are managed within the Group-wide variable reward pool.

In 2012, the Board reduced the maximum STI opportunity available for the CEO and Senior Executives to 150% of target.

STI outcomes are subject to both a quantitative and qualitative assessment, including a risk management overlay, which is embedded in our scoreboard measurement process. The Board has the capacity to adjust STI outcomes (and reduce STI outcomes to zero if appropriate) during the assessment process.

STI structure

The 2012 STI outcome for the CEO and Senior Executives will be paid as cash (60%) in November 2012 and the remainder (40%) deferred in the form of Westpac ordinary shares or rights to ordinary shares, which will vest in two equal tranches in October 2013 and October 2014 (unless forfeited on cessation of employment).

The table below details the type of equity and the instrument used to grant the 2012 deferred STI allocated to executives.

Executive	**Deferred STI Type of Equity[1]**	**Deferred STI Equity Plan**
CEO	Westpac ordinary shares	CEO Restricted Share Plan
Senior Executives in Australia	Westpac ordinary shares	Restricted Share Plan
Senior Executives outside Australia	Rights to ordinary shares, which entitle the holder to Westpac ordinary shares at the time of vesting	Westpac Performance Plan

1 Shares granted under the CEO Restricted Share Plan and the Restricted Share Plan rank equally with Westpac ordinary shares for dividends and voting rights from the date they are granted. The Board has the discretion to satisfy vested grants and the allocation of subsequent shares to participants, or the allocation of restricted shares under the deferred STI, by either the issue of new shares or on-market purchase of shares.

By deferring a portion of the STI in the form of restricted equity, incentive payments are better aligned with the interests of shareholders as the ultimate value of the deferred portion is tied to movement in share price over the restriction period. Deferred STI also supports our objective of retaining key talent, as it is generally forfeited if the holder resigns during the restriction period. Deferred shares are forfeited if the Executive is dismissed for cause. The deferred STI awards recognise past performance and are not subject to further performance conditions. The shares are subject to forfeiture at Board discretion, in the event of a material risk or financial mis-statement issues. The shares attract dividend distributions over the vesting period. Details of deferred STI allocations granted in prior years, which have been exercised during the year ended 30 September 2012, are included in Section 5.3 of this Report.

c) LTI

The CEO and Senior Executives are also eligible for an LTI award.

LTI award opportunities

The CEO was granted an LTI award of $2.7 million for 2012 under the CEO Performance Plan, unchanged from 2011.

The award was received in the form of share rights under arrangements approved by shareholders at the 2010 Annual General Meeting.

Senior Executives receive annual LTI awards in the form of share rights under the Westpac Reward Plan. A share right is not a Westpac Share and does not attract the payment of dividends.

At the beginning of each year, the Board, advised by the Remuneration Committee, sets the dollar value of the LTI award target for each Senior Executive. With the exception of the three Senior Executives who received fixed remuneration adjustments for 2012 (refer Section 3.1 a), the LTI targets for Senior Executives remained unchanged from 2011.

The actual LTI award granted to each Senior Executive is determined at the Board s discretion taking into account matters that include market benchmarks, individual performance over time, succession potential and key skills.

DIRECTORS REPORT

LTI structure

The following table sets out the key features of LTI awards made in December 2011 to the CEO under the CEO Performance Plan and to Senior Executives under the Westpac Reward Plan.

	CEO Performance Plan and Westpac Reward Plan
Instrument	Share rights the Board has the discretion to satisfy vested grants and the allocation of subsequent shares to participants by either the issue of new shares or on-market purchase of shares.
Determining the number of securities	The number of share rights each individual receives is determined by dividing the dollar value of the LTI award by the value of the share rights at the beginning of the performance assessment period (performance period). The value of share rights is determined using a Binomial/Monte Carlo simulation pricing model, which uses assumptions based on expected life, volatility, risk free interest rate and dividend yield associated with the securities and the risk of forfeiture attributed to each performance hurdle. The Binomial/Monte Carlo simulation pricing model discounts the market price of Westpac shares at grant to take into consideration these assumptions. The value of a share right may differ depending on the performance hurdle applied. The value of share rights to be allocated is calculated by an independent valuer.
Performance hurdles	The CEO and Senior Executives receive value from their LTI awards where the performance hurdles are achieved. The two hurdles for the 2012 grants are Westpac s relative Total Shareholder Return (TSR) and Compound Annual Growth in Cash EPS (Cash EPS CAGR). Relative TSR provides an external comparative measure of overall returns over a specified timeframe incorporating share price movements and assuming that dividends over the period have been reinvested. The TSR data is averaged over the three months preceding the measurement date. The Cash EPS CAGR over a three year period was introduced as an internal earnings measure for grants made from October 2011 in response to feedback from investors and a subsequent independent review of our LTI performance hurdles. Cash EPS CAGR provides a measure of Westpac s underlying financial growth. The measure was implemented given its strong alignment with shareholder interests and is consistent with the adoption of a non market hurdle by a number of ASX top 50 companies. Together, the use of these two hurdles is intended to provide a balanced view of the Group s overall performance. Both hurdles operate independently and are subject to a single assessment at the completion of the three year performance period (1 October 2011 30 September 2014). There is no subsequent re-testing. **TSR (50% of the allocation)** Westpac s TSR percentile ranking must equal or exceed the 50th percentile of a defined group of comparator companies (the ranking group) over the performance period. The ranking group is comprised of the top 10 selected Australian banking and financial sector companies listed on the ASX with which Westpac competes for customers. **Cash EPS CAGR (50% of the allocation)** The Cash EPS CAGR measure focuses on growth in cash earnings over a three year performance period. A description of the process used to determine cash earnings is provided at Note 32 to the financial statements.

This measure provides a link with the creation of value for shareholders over the long-term (up to three years). The companies in the 2012 ranking groups for the CEO Performance Plan and the Westpac Reward Plan are:

¾ AMP Limited;

¾ ASX Limited;

¾ Australia and New Zealand Banking Group Limited;

¾ Bendigo and Adelaide Bank Limited;

¾ Commonwealth Bank of Australia;

¾ Insurance Australia Group Limited;

¾ Lend Lease Group;

¾ Macquarie Group Limited;

¾ National Australia Bank Limited; and

¾ Suncorp Group Limited.

<table>
<tr><th></th><th colspan="2">CEO Performance Plan and Westpac Reward Plan</th></tr>
<tr><td>Vesting framework focuses on longer-term performance</td><td>The TSR component of the allocation will be measured at 30 September 2014 and will vest as follows:

<table><tr><th>Westpac s Relative TSR Ranking</th><th>TSR Allocation to Vest (%)</th></tr><tr><td>Below the 50th percentile</td><td>0</td></tr><tr><td>At the 50th percentile</td><td>50</td></tr><tr><td>At the 60th percentile</td><td>70</td></tr><tr><td>At the 70th percentile</td><td>90</td></tr><tr><td>At or above the 75th percentile</td><td>100</td></tr></table></td><td>The Cash EPS CAGR measure provides for a vesting scale where:

¾ below the threshold target 0% will vest;

¾ at threshold target 50% will vest; and

¾ at maximum target 100% will vest.

There is a pro-rata vesting scale for performance between threshold and maximum targets.

Westpac has a policy of not providing guidance to the market. Accordingly, the Board decided that specific EPS targets and the Group s performance against target will only be advised following the test date in 2014.

The EPS targets were developed with the assistance of an independent external adviser who was provided access to Westpac s long-term business plan and analyst forecasts in regard to the long-term performance of Westpac and its peers.</td></tr>
<tr><td>Targets are set for stretch performance</td><td>The Board considers the above vesting profile as being appropriate as 100% vesting will only occur where Westpac is ranked 3rd out of the total of 11 companies (including Westpac).

The TSR performance will be measured once at the completion of the performance period i.e., 30 September 2014. Any unvested share rights will lapse and there will be no further re-testing. Westpac shares will be allocated in satisfaction of vested share rights at no cost to participants.</td><td>The target for the December 2011 grant was determined by the Board. It is the Board s view that the EPS targets are stretching and the threshold will be difficult to achieve in the current economic environment.

The expensed value of the December 2011 grant in Table 5.2 has been discounted by 50% to reflect the Board s current assessment of the probability of the EPS hurdle being met and share rights vesting over time.</td></tr>
<tr><td>Who measures the performance hurdle outcomes?</td><td>To ensure objectivity and external validation, TSR results are calculated by an independent external consultant and are provided to the Board or its delegate to review and determine vesting outcomes.</td><td>The Cash EPS CAGR will be determined by the Board based on the Cash EPS disclosed in our reported results for the 2014 financial year in respect of the December 2011 awards.</td></tr>
<tr><td>Early vesting is possible in limited cases</td><td colspan="2">For awards made since 1 October 2009, unvested securities may vest before a test date if the employee is no longer employed by the Group due to retirement, death or disability. In general, any such vesting is not subject to performance hurdles being met.

For the CEO, all unvested securities will vest if the CEO leaves the Group due to sickness or in certain circumstances within 12 months of a change of control.</td></tr>
<tr><td>Retesting</td><td colspan="2">There is no re-testing on awards made since 2011. Any securities remaining unvested after the nominated measurement period lapse immediately.</td></tr>
</table>

Lapsing of securities	Where the CEO or Senior Executive leaves the Group due to resignation or dismissal for cause before vesting occurs, securities will lapse unless the Board determines otherwise. Unexercised performance share rights (whether vested or unvested) will lapse, unless the Board determines otherwise, where the holder acts fraudulently or dishonestly or is in material breach of his or her obligations under the CEO Performance Plan and the Westpac Reward Plan or to the Group.

Other plans and awards

We provide separate reward plans for small, specialised parts of the business. Payments under these plans are directly linked to growth of that part of the business and are capped at an appropriate proportion of the value and/or profitability of the relevant part of the business. These plans are designed to provide market competitive remuneration for the relevant employees. Westpac also has grandfathered plans, under which no further awards are made and performance or vesting periods have passed. These vested securities continue to run their course.

Other long-term awards

The Restricted Share Plan and Westpac Performance Plan are also used from time to time for one-off awards to attract Senior Executives, executives or specialist employees to the Group or for retention in specific circumstances. Where awards are made on joining, these typically compensate for real value forfeited on leaving the previous employer which might otherwise deter that executive from joining the Group.

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LTI awards to key employees below senior management level may also be made under the Restricted Share Plan and Westpac Performance Plan. Under these arrangements, employees receive awards of Westpac ordinary shares or share rights, which are restricted for a period as determined by the Board. This allows the flexibility to tailor the restriction period to the circumstances of the award.

3.2. Linking reward and performance

CEO performance objectives and key highlights

The Remuneration Committee reviews and makes recommendations to the Board on individual performance objectives for the CEO and Senior Executives. These objectives are intended to provide a robust link between remuneration outcomes and the key drivers of long-term shareholder value. The STI objectives are set in the form of a scoreboard with targets and measures cascaded from the CEO scoreboard to the relevant Senior Executive scoreboard. The key financial and non financial objectives for the CEO in the 2012 financial year with commentary on key highlights are provided below.

Category	Weighting	Measure1	Performance highlights
Financial	40%	¾ Economic Profit	¾ 110% of target
Risk	10%	¾ Adherence to Group Risk Appetite Statement	¾ Further improvements in the level of capital, the mix of funding, and the amount of liquidity.
			¾ Asset quality also improved over the year with provisioning cover continuing to be at the upper end of the sector.
			¾ Maintained our AA ratings with S&P, Moody s and Fitch following reviews in 2011 and 2012.
Customer/ Strategy/ Sustainability	40%	***Customer***	
		¾ Depth of customer relationship	¾ Customers with four or more products at 29.8%, ahead of target.
		¾ Relationship Strength Index	¾ Westpac Institutional Bank was ranked clear #1 in the Peter Lee RSI customer feedback survey, exceeding target.
		Funding	
		¾ Deposit to Loan Ratio	¾ Achieved 67.6%, well ahead of 65% target.
		¾ Stable Funding Ratio	¾ Achieved 83%, well up on 77% achieved in 2011.
		Productivity	
		¾ Cost to Income Ratio	¾ Achieved 40.8%, improved 70bps on 2011 result.
		¾ Revenue per Full-Time Equivalent Employee (FTE)	¾ Achieved target 5% improvement.
		¾ Strategic Investment Priorities	¾ SIPs are 70% complete, on plan.
		Growth	

		¾ Wealth Penetration	¾ Westpac ranked #1 in the sector (Roy Morgan survey) for wealth penetration, i.e., banking customers who hold wealth products. Westpac RBB up from 19.8% to 20.8% and St.George up from 12.6% to 15%.
		¾ Bank of Melbourne	¾ First year milestone of 54,000 new customers achieved.
		¾ Target industries, segments and products	¾ Milestones exceeded including trade finance growth up 12% and global transactional growth up 13%.
People	10%	¾ Employee Engagement	¾ Westpac Group employee engagement increased from 81% in 2011 to 84% in 2012 which is top quartile performance.
		¾ Women in leadership positions	¾ We exceeded our 2012 target and currently have 40% of leadership roles filled by women.
		¾ Retention of high performing employees	¾ We retained 95.9% of our high performing employees during the year, ahead of target.
		¾ Lost Time Injury Frequency Rate (LTIFR)	¾ The health and safety of our employees continues to be a priority for us and our LTIFR improved by 25% this year, outperforming our target.

1 Individual measures will differ for each Senior Executive.

Our primary financial measure is economic profit, which the Board believes is the best measure of risk adjusted returns and of the value created for shareholders. The remaining measures focus on the strength of our customer relationships, effective risk and financial management and our people, which are central to our success and ongoing sustainability. Each individual objective has a baseline or minimum outcome which must be achieved, below which there is a nil outcome.

Application of discretion

The Board and the Remuneration Committee recognise that the scoreboard approach, while embracing a number of complementary performance objectives, will never entirely assess overall performance. The Remuneration Committee may therefore make discretionary adjustments, positive and negative, to the scoreboard outcomes for the CEO and Senior Executives. The Remuneration Committee uses the following criteria to apply discretionary adjustments:

¾ matters not known or not relevant at the beginning of the financial year, which are relevant to the under or over performance of the CEO and Senior Executives during the financial year;

¾ the degree of stretch implicit in the scoreboard measures and targets themselves and the context in which the targets were set;

¾ whether the operating environment during the financial year has been materially better or worse than forecast;

¾ comparison with the performance of the Group s principal competitors, particularly major shareholder and customer benchmarks;

¾ any major positive or negative risk management or reputational issue that impacts the Group;

¾ the quality of the financial result as shown by its composition and consistency;

¾ whether there have been major positive or negative aspects regarding the quality of leadership and/or behaviours consistent with our values; and

¾ any other relevant over or under performance or other matter not captured.

At the end of the year the Remuneration Committee reviews performance against objectives and applies any adjustments it considers appropriate. The Remuneration Committee then recommends STI outcomes for the CEO and each Senior Executive to the Board for approval, thereby ensuring the Board retains oversight of final awards.

LTI performance outcomes

The following table provides the Group s TSR, dividend, share price and cash earnings per share performance each year from 2008 to 2012.

	Years Ended 30 September				
	2012	2011	2010	2009	2008
TSR three years	25.61%	9.6%	3.7%	20.0%	29.5%
TSR five years	20.03%	18.5%	51.5%	76.7%	75.0%
Dividends per Westpac share (cents)	166	156	139	116	142

Cash Earnings per Westpac share1,2	$2.16	$2.09	$1.98	$1.64	$1.98
Share price high	$24.99	$25.60	$28.43	$26.74	$31.32
Share price low	$19.00	$17.84	$20.56	$14.40	$18.36
Share price close	$24.85	$20.34	$23.24	$26.25	$21.48

1 Cash earnings are not prepared in accordance with A-IFRS and have not been subject to audit.

2 2009 cash earnings per share are on a pro forma basis, that is, prepared as if the merger with St.George was completed on 1 October 2008.

The vesting outcomes for awards made to the CEO and Senior Executives under the CEO Performance Plan and Westpac Reward Plan that reached a scheduled test date during the reporting period are set out below.

Equity Instrument	**Type of Equity**	**Commencement Date1**	**Test Date**	**TSR Percentile in Ranking Group**	**Vested %**	**Lapsed %**	**Remain in Plan %**
CEO Performance Plan	Performance options	1 February 2008	1 February 2012	80th percentile	100	-	-
	and share rights	1 December 2008	1 December 2011	70th percentile	90	-	10
Westpac Reward Plan	Performance options	1 October 2008	1 October 2011	70th percentile	90	-	10
		1 March 2009	1 March 2012	80th percentile	100	-	-

1 Commencement date refers to the commencement of the performance period.

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3.3. Remuneration outcomes for the CEO and Senior Executives

The following table has been prepared to provide shareholders with an outline of the remuneration which has been received for the 2012 performance year either as cash or in the case of prior equity awards, the value which has vested in 2012 (see note 6 below). For former Senior Executives, the table outlines the remuneration for the period they were KMP during 2012. Details in this table supplement the statutory requirements in Section 5.2. Unlike the statutory table, which represents remuneration outcomes prepared in accordance with accounting standards (A-IFRS), this table shows the actual remuneration value received by Executives.

	Fixed Remuneration & Superannuation1 $	2012 STI Cash Payment2 $	STI Outcome as % of Target3 %	Other Short-term Benefits4 $	2012 Total Cash Payments5 $	Prior Year* Equity Awards6 Vested during 2012 $	Prior Year* Equity Awards6 Forfeited during 2012 $
CEO							
Gail Kelly	3,028,816	2,268,000	105%	-	5,296,816	5,430,496	-
Senior Executives							
John Arthur	1,175,021	702,000	90%	-	1,877,021	159,671	-
Peter Clare	988,020	810,000	90%	-	1,798,020	248,139	-
Philip Coffey	1,355,301	1,080,000	100%	-	2,435,301	485,490	-
Brad Cooper	1,006,976	1,080,000	90%	-	2,086,976	291,290	-
George Frazis	1,033,412	912,000	95%	-	1,945,412	1,329,146	-
Peter Hanlon	1,388,442	945,000	105%	-	2,333,442	280,502	-
Brian Hartzer7	632,694	150,000	100%	370,000	1,152,694	1,250,580	-
Christine Parker	844,664	600,000	111%	-	1,444,664	125,321	-
Greg Targett	1,367,499	690,000	100%	-	2,057,499	125,567	-
Rob Whitfield	1,736,049	1,296,000	135%	-	3,032,049	400,463	-
Jason Yetton8	859,092	660,000	116%	-	1,519,092	333,959	-
Former Senior Executives							
Rob Chapman8	458,218	-	n/a	-	458,218	162,262	-
Rob Coombe8,9	260,530	291,667	n/a	2,182,500	2,734,697	721,771	(959,760)

* Prior year awards comprise STI deferred in the form of equity and LTI awards subject to performance vesting hurdles with the exception of Brian Hartzer, refer to note below.

1 Fixed remuneration includes cash salary, annual leave accrual and salary sacrificed items plus employer superannuation.

2 The cash STI payment represents 60% of the 2012 STI outcome and will be paid in November 2012. The remaining 40% is deferred in the form of equity and will vest in equal tranches in October 2013 and 2014.

3 The maximum STI opportunity is 150% of target.

4 Incorporates payments made upon any cessation of employment or other contracted amounts. Payments made to Rob Coombe as at 31 December 2011 include accrued leave, long service leave, outplacement assistance and a payment in lieu of the provision of notice of termination as per his contract provisions. The payment to Brian Hartzer reflects annual incentive foregone from his previous employer.

5 This is the addition of the first, second and fourth columns.

6 Prior year equity awards include both deferred STI and LTI allocations which have vested in 2012. The vested value for Rob Coombe includes awards which vested upon him leaving the Group as provided for in the various plan rules. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2012, multiplied by the five day volume weighted average price of Westpac ordinary shares at the time they vested, less any exercise price payable.

7 Brian Hartzer Chief Executive, Australian Financial Services - was recruited to the Group in late 2011 and commenced employment in June 2012. The value shown as vested equity above relates to a specific allocation which reflects equity foregone with his previous employer.

8 Rob Coombe ceased being a KMP on 23 November 2011 when he vacated the role of Group Executive, Westpac Retail & Business Banking. Jason Yetton became a KMP on his appointment to the role on 24 November 2011. Rob Chapman vacated the role of Chief Executive Officer, St.George Banking Group on 31 March 2012.

9 Rob Coombe former Group Executive, Westpac Retail & Business Banking - left the group on 31 December 2011 after nearly 16 years service. The provisions outlined above include a payment in lieu of notice as per his contract provisions and a cash payment in lieu of his deferred STI in 2011. Prior year equity awards also vested on him leaving the Group in accordance with the equity plan rules. An amount of $959,760 in unvested equity was also forfeited by Mr Coombe consistent with the equity plan rules.

This table is not prepared in accordance with A-IFRS.

4. Non-executive Director Remuneration

4.1. Structure and policy

Remuneration policy

Westpac s Non-executive Director remuneration strategy is designed to attract and retain experienced, qualified Board members and remunerate them appropriately for their time and expertise.

As the Board s focus is on strategic direction, long-term corporate performance and the creation of shareholder value, fees for Non-executive Directors are not directly related to the Group s short-term results and Non-executive Directors do not receive performance-based remuneration.

Non-executive Director remuneration consists of the following components:

Remuneration component	Paid as	Detail
Base fee	Cash	This fee is for service on the Westpac Banking Corporation Board. The base fee for the Chairman covers all responsibilities, including all Board Committees.
Committee fees	Cash	Additional fees are paid to Non-executive Directors for chairing or participating in Board Committees.
Superannuation	Superannuation	Reflects statutory superannuation contributions (9% of fees) which are capped at the superannuation maximum contributions base as prescribed under the Superannuation Guarantee legislation.
Subsidiary Board and Advisory Board fees	Cash	Fees are for service on Subsidiary Boards and Advisory Boards. These fees are paid by the relevant subsidiary company.

Changes to Non-executive Director remuneration in 2012

For the year ended 30 September 2012, the following changes were made to Non-executive Director remuneration:

Non-executive Director fee review effective 1 January 2012

Non-executive Director committee fees were last increased in 2007 and have remain unchanged over a period of significant increased workload as the regulatory environment evolved through, and post, the global financial crisis. In addition, two Board Committees were dissolved during the year with work of those Board Committees assumed by the full Board.

The Board reviewed the Non-executive Director fee framework in October 2011 and, on the basis of market data provided by Guerdon Associates and current workloads, approved the following adjustments to Non-executive Director fees effective from 1 January 2012:

¾ the Westpac Group Board Chairman fee increased from $735,000 to $760,000 per annum;

¾ the Westpac Group Board Deputy Chairman fee increased from $262,500 to $270,000 per annum;

¾ for both the Audit Committee and Risk Management Committee, fees for the Committee Chairman increased from $50,000 to $60,000 per annum and fees for Committee members increased from $25,000 to $30,000 per annum;

¾ for the Remuneration Committee, fees for the Committee Chairman increased from $45,000 to $48,000 per annum and fees for Committee members increased from $20,000 to $24,000 per annum; and

¾ for the Technology and Sustainability Committees, the fee for the Committee Chairman decreased from $40,000 to $30,000 per annum and fees for Committee members decreased from $20,000 to $15,000 per annum. The Technology Committee fees have been set at 50% of the Audit Committee fees.

These changes included both increases and decreases in committee fees and have positioned Westpac Non-executive Director fees as second of the four major banks and reflect our relative size, scale and market capitalisation.

At the time of the review of the fee framework, two board committees were also dissolved, bringing the accountabilities within the oversight of the full Board.

Changes to Board and Committee composition

Following the retirement of Ted Evans (Chairman) and Graham Reaney on 14 December 2011, the following changes were made to Board and Committee composition:

¾ Lindsay Maxsted was appointed Chairman of the Westpac Group Board, effective 15 December 2011;

¾ Peter Wilson was appointed Chairman of the Audit Committee, replacing Lindsay Maxsted, effective 15 December 2011;

¾ Ann Pickard and Robert Elstone were appointed as Non-executive Directors to the Westpac Board effective 1 December 2011 and 1 February 2012 respectively;

¾ the Health, Safety and Wellbeing Committee (HS&W) was introduced as a temporary Committee in 2010. The outcomes delivered under the Committee s improvement program were substantially completed, and in January 2012 the Committee was dissolved with the Board assuming responsibility for the overall monitoring of HS&W across the Group;

¾ the Sustainability Committee was dissolved on 6 March 2012, the Westpac Group s sustainability agenda being well embedded across the organisation. The Board has assumed responsibility for its oversight and monitoring as a core part of our overall approach to doing business;

¾ effective 6 March 2012, a number of changes were made to committee membership. Section 1 of the Directors report shows Board Committee membership during 2012; and

¾ consistent with Westpac s director tenure policy, Carolyn Hewson retired from the Westpac Board on 30 June 2012.

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Fee pool

At the 2008 Annual General Meeting, the current fee pool of $4.5 million per annum was approved by shareholders. For the year ended 30 September 2012, $3.5 million (77%) of this fee pool was used. The fee pool is inclusive of employer superannuation contributions but does not include retirement allowances.

Fee framework

This section details the current Non-executive Director fee framework.

Base and committee fees

The following table sets out the Board and standing Committee fees payable from 1 January 2012:

	Annual Rate
Base Fee	**$**
Chairman	760,000
Deputy Chairman	270,000
Non-executive Directors	210,000
Committee Chairman Fees	
Audit Committee	60,000
Risk Management Committee	60,000
Remuneration Committee	48,000
Sustainability Committee1	30,000
Technology Committee	30,000
Health, Safety & Wellbeing Committee (HS&W)2	40,000
Committee Membership Fees	
Audit Committee	30,000
Risk Management Committee	30,000
Remuneration Committee	24,000
Sustainability Committee1	15,000
Technology Committee	15,000
Health, Safety & Wellbeing Committee (HS&W)2	20,000

1 The Sustainability Committee was dissolved effective 6 March 2012.

2 The HS&W Committee was dissolved effective 1 January 2012.

Committee fees are not payable to the Chairman and members of the Nominations Committee.

Superannuation

The Group pays superannuation contributions to Non-executive Directors of up to 9% of their fees. These contributions are capped at the maximum compulsory superannuation contributions base prescribed under Superannuation Guarantee legislation. Employer contributions are paid into an eligible superannuation fund nominated by the Director.

Subsidiary Board and Advisory Board fees

Throughout the reporting period, additional fees were payable to certain Directors for membership on Subsidiary Boards or Advisory Boards. These fees vary according to the position held, the size, level and nature of activity in the division and the time commitment required.

The table below sets out the annual fees payable to the relevant Directors for service on Subsidiary and Advisory Boards in 2012:

Director	**Subsidiary/Advisory Board**	**Role**	**Annual Rate**
Peter Hawkins	Bank of Melbourne Advisory Board	Director	$35,000
Carolyn Hewson	BT Investment Management Board	Director	$110,000
Graeme Reaney1	BankSA Advisory Board	Director	$13,750
Peter Wilson2	Westpac New Zealand Limited	Chair	$131,875

1 Graham Reaney retired from the BankSA Advisory Board effective 14 December 2011.

2 The fees for service on the WNZL Subsidiary Board are paid in New Zealand dollars and have been converted to Australian dollars using the 2012 year to date average exchange rate (1AUD = 1.2891NZD).

Equity participation

Non-executive Directors have voluntarily resolved to build and maintain their individual holdings of Westpac ordinary shares to align their interests with the long-term interests of shareholders. Details of Non-executive Directors Westpac (and related bodies corporate) shareholdings are set out in Section 4(a) of the Directors report.

Retiring Allowance

The retiring allowance for Non-executive Directors appointed prior to July 2003 was frozen in December 2005 and was indexed in line with average weekly earnings. The indexed amount is payable on retirement.

A retiring allowance of $489,266 was paid to Ted Evans following his retirement from the Westpac Group Board on 14 December 2011, and a retiring allowance of $347,186 was paid to Carolyn Hewson following her retirement from the Westpac Group Board on 30 June 2012.

As at 1 July 2012, there are no longer any Non-executive Directors with a retiring allowance.

5. Required remuneration disclosures

5.1. Details of Non-executive Director remuneration

Details of Non-executive Director remuneration are set out in the table below:

	Short-term Benefits		Post Employment Benefits			
Name	Westpac Banking Corporation Board Fees1 $	Subsidiary and Advisory Board Fees $	Superannuation $	Retiring Allowance Accrued During the Year2 $	Total $	Total Retiring Allowance Accrued $
Lindsay Maxsted, Chairman						
2012	661,503	-	15,961	-	677,464	-
2011	285,000	-	15,345	-	300,345	-
John Curtis, Deputy Chairman						
2012	365,770	-	15,961	-	381,731	-
2011	392,420	-	15,345	-	407,765	-
Elizabeth Bryan						
2012	323,377	-	15,961	-	339,338	-
2011	341,230	2,650	15,345	-	359,225	-
Gordon Cairns						
2012	278,377	-	15,961	-	294,338	-
2011	306,250	-	15,345	-	321,595	-
Robert Elstone, appointed 1 February 2012						
2012	182,254	-	9,194	-	191,448	-
Peter Hawkins						

2012	300,000	35,000	15,961	-	350,961	-
2011	295,940	32,180	15,345	-	343,465	-
Ann Pickard, appointed 1 December 2011						
2012	205,836	-	13,332	-	219,168	-
Peter Wilson						
2012	306,489	131,875	15,961	-	454,325	-
2011	300,000	120,600	15,345	-	435,945	-
Former Non-executive Directors						
Ted Evans, retired as Chairman on 14 December 2011						
2012	150,615	-	3,233	4,309	158,157	-
2011	735,000	-	15,345	18,333	768,678	484,957
Carolyn Hewson, retired on 30 June 2012						
2012	206,989	110,000	21,693	10,118	348,800	-
2011	286,170	109,580	25,890	12,501	434,141	337,068
Graeme Reaney, retired on 14 December 2011						
2012	57,377	2,818	3,233	-	63,428	-
2011	280,000	15,000	15,345	-	310,345	-
Total fees						
2012	3,038,587	279,693	146,451	14,427	3,479,158	-
2011	3,222,010	280,010	148,650	30,834	3,681,504	822,025

1 Includes fees paid to Chairman and members of Board Committees, including fees for the temporary HS&W Committee.

2 Retiring allowances were frozen for individual Non-executive Directors between December 2005 and February 2006. Accruals shown for 2012 include indexation in line with average weekly earnings following the freezing of the retiring allowances. Retiring allowances are not included in calculations for the Non-executive Director fee pool.

5.2. Remuneration details KMP and other Senior Executives

This section sets out details of remuneration for the CEO and Senior Executives for the 2012 financial year, calculated in accordance with statutory accounting requirements.

	Short-term Benefits				Post Employment Benefits		Share-based Payments			
Name	Fixed Remu-neration1 $	STI (cash)2 $	Non-monetary Benefits3 $	Other Short-term Benefits4 $	Superann-uation Benefits5 $	Long Service Leave6 $	Restricted Shares7 $	Options8 $	Share Rights8 $	Total9 $
Senior Executives										
Gail Kelly, Managing Director & Chief Executive Officer										
2012	3,001,714	2,268,000	2,565	-	27,102	51,217	1,704,358	63,862	2,473,166	9,591,984
2011	2,901,656	2,376,000	-	-	27,281	68,816	1,786,612	533,809	2,170,642	9,864,816
John Arthur, Chief Operating Officer										
2012	1,131,518	702,000	13,053	-	43,503	31,205	471,581	-	384,414	2,777,274
2011	819,544	792,000	1,078	-	50,058	17,326	246,847	-	263,029	2,189,882
Peter Clare, Chief Executive Offier, Westpac New Zealand Limited										
2012	973,964	810,000	158,423	-	14,056	15,975	592,446	173	409,671	2,974,708
2011	988,822	990,000	1,078	-	24,326	16,729	341,059	63,258	258,067	2,683,339
Philip Coffey, Chief Financial Officer										
2012	1,312,031	1,080,000	2,033	-	43,270	44,198	825,490	222	548,696	3,855,940
2011	1,164,312	1,350,000	-	-	49,450	52,148	571,940	110,540	348,565	3,646,955
Brad Cooper, Chief Executive Officer, BT Financial Group										
2012	956,185	1,080,000	3,013	-	50,791	15,244	766,713	195	594,341	3,466,482
2011	995,851	1,320,000	7,150	-	19,339	39,298	571,860	98,080	366,971	3,418,549
George Frazis, Chief Executive Officer, St.George Banking Group										
2012	1,005,158	912,000	2,888	-	28,254	7,627	486,064	167,365	660,959	3,270,315
2011	969,696	1,200,000	52,882	-	18,324	-	-	399,634	899,680	3,540,216
Peter Hanlon, Chief Executive, Australian Financial Services										
2012	1,190,304	945,000	77,061	-	198,138	(72,651)	621,668	166	409,671	3,369,357
2011	879,346	1,062,000	166,797	-	183,652	(116,214)	360,846	78,197	258,067	2,872,691
Brian Hartzer, Chief Executive, Australian Financial Services										
2012	622,080	150,000	185,712	370,000	10,614	8,985	2,461,533	-	-	3,808,924
Christine Parker, Group Executive, Human Resources & Corporate Affairs										
2012	825,411	600,000	46,109	-	19,253	17,357	307,823	26	84,774	1,900,753
Greg Targett, Chief Risk Officer										
2012	1,323,898	690,000	3,013	-	43,601	33,242	537,857	-	493,833	3,125,444
2011	1,176,961	828,000	-	-	49,253	37,982	287,456	-	316,709	2,696,361
Rob Whitfield, Group Executive, Westpac Institutional Bank										
2012	1,711,723	1,296,000	160,603	-	24,326	27,423	688,660	130	530,560	4,439,425
2011	1,838,371	1,104,000	210,993	-	33,696	27,390	525,697	71,589	348,565	4,160,301
Jason Yetton, Group Executive, Westpac Retail & Business Banking										
2012	834,966	660,000	1,736	-	24,126	30,681	339,824	-	124,471	2,015,804
Former Senior Executives10										
Rob Chapman, Chief Executive Officer, St.George Banking Group										
2012	448,674	-	1,017	-	9,544	12,111	206,894	-	118,938	797,178
2011	921,475	734,400	613,184	-	19,392	75,495	227,557	-	114,706	2,706,209

Rob Coombe, Group Executive, Westpac Retail & Business Banking										
2012	256,635	291,667	297	2,182,500	3,895	(35,156)	232,648	233	563,321	3,496,040
2011	940,352	1,200,000	1,078	-	26,340	26,413	401,312	115,760	325,331	3,036,586

1 Fixed remuneration is the total cost of salary, salary sacrificed benefits (including motor vehicles, parking, etc. and any associated fringe benefits tax) and an accrual for annual leave entitlements. Peter Hanlon received a higher duty allowance while CEO of Australian Financial Services for the period from 24 November 2011.

2 2012 STI figures reflect annual cash performance awards accrued but not yet paid in respect of the year ended 30 September 2012.

3 Non-monetary benefits are determined on the basis of the cost to the Group (including associated fringe benefits tax, where applicable) and include annual health checks, provision of taxation advice, relocation costs, living away from home expenses and allowances.

4 Incorporates payments made upon any cessation of employment or other contracted amounts. Payments made to Rob Coombe after nearly 16 years service include statutory payments such as annual and long service leave, outplacement assistance, payment in lieu of notice in accordance with his contract provisions and the equity portion of his 2011 STI outcome. The payment to Brian Hartzer reflects annual incentive foregone from his previous employer.

5 The CEO and Senior Executives are provided with insurance cover under the Westpac Group Plan at no cost. Peter Hanlon is a member of a legacy defined benefit superannuation fund. Superannuation benefits have been calculated consistent with AASB 119.

6 Peter Hanlon took long service leave during the year which resulted in a negative accrual of ($72,651). Rob Coombe also took long service leave during the year resulting in a negative accrual of ($35,156).

7 The value of restricted shares is amortised over the applicable vesting period, and the amount shown is the amortisation relating to the 2012 reporting year (and 2011 year as comparison).
The equity granted to Brian Hartzer on his recruitment relates to equity foregone with his previous employer and will be forfeited if Mr Hartzer resigns or is terminated for cause before the vesting dates.

8 Equity-settled remuneration is based on the amortisation over the vesting period (normally two or three years) of the fair value at grant date of hurdled and unhurdled options and share rights that were granted during the four years ended 30 September 2012. Details of prior years grants have been disclosed in previous Annual Reports.

9 The percentage of the total remuneration which is performance related (i.e., STI cash plus share based payments) was: Gail Kelly 68%, John Arthur 56%, Rob Chapman 41%, Peter Clare 61%, Philip Coffey 64%, Rob Coombe 31%, Brad Cooper 70%, George Frazis 68%, Peter Hanlon 59%, Brian Hartzer 69%, Christine Parker 52%, Greg Targett 55%, Rob Whitfield 57% and Jason Yetton 56%. The percentage of total remuneration delivered in the form of options (including share rights) was: Gail Kelly 26%, John Arthur 14%, Rob Chapman 15%, Peter Clare 14%, Philip Coffey 14%, Rob Coombe 16%, Brad Cooper 17%, George Frazis 25%, Peter Hanlon 12%, Brian Hartzer 0%, Christine Parker 4%, Greg Targett 16%, Rob Whitfield 12% and Jason Yetton 6%.

10 Rob Chapman ceased to be a KMP when he vacated the role of Chief Executive Officer, St.George Banking Group on 31 March 2012.
Rob Coombe vacated the role of Group Executive, Westpac Retail & Business Banking effective 23 November 2011 and subsequently left the Group on 31 December 2011 see note 4 above.

DIRECTORS REPORT

5.3. Movement in equity-settled instruments during the year

This table shows the details of movements during 2012 in the number and value of equity instruments for the CEO and Senior Executives under the relevant plans.

Name	Type of Equity Instrument	Number Granted1	Number Vested2	Number Exercised3	Value Granted4 $	Value Exercised5 $	Value Forfeited or Lapsed5,6 $
Senior Executives							
Gail Kelly	CEO Performance options	-	429,842	320,513	-	1,935,386	-
	CEO Performance share rights	272,929	132,445	132,445	3,501,210	2,759,057	-
	Shares under the CEO Restricted Share Plan	77,799	78,364	n/a	1,582,881	n/a	-
John Arthur	Performance share rights	40,433	-	-	525,604	-	-
	Shares under Restricted Share Plan	25,933	7,889	n/a	527,627	n/a	-
Peter Clare	Performance options	-	73,619	-	-	-	-
	Performance share rights	50,542	-	-	657,018	-	-
	Shares under Restricted Share Plan	32,416	12,260	n/a	659,529	n/a	-
Philip Coffey	Performance options	-	94,325	127,308	-	1,140,105	-
	Performance share rights	66,715	-	-	867,257	-	-
	Shares under Restricted Share Plan	44,204	23,987	n/a	899,365	n/a	-
Brad Cooper	Performance options	-	82,822	-	-	-	-
	Performance share rights	75,813	-	-	985,526	-	-
	Shares under Restricted Share Plan	43,222	14,392	n/a	879,385	n/a	-
George Frazis	Performance options	-	260,869	260,869	-	1,524,999	-
	Performance share rights	55,596	-	-	722,716	-	-
	Unhurdled share rights	-	9,995	9,995	-	227,779	-
	Shares under Restricted Share Plan	39,292	-	n/a	799,426	n/a	-
Peter Hanlon	Performance options	-	70,398	-	-	-	-
	Performance share rights	50,542	-	-	657,018	-	-
	Shares under Restricted Share Plan	34,774	13,859	n/a	707,504	n/a	-
Brian Hartzer	Shares under Restricted Share Plan	331,906	52,306	n/a	7,158,864	n/a	-
Christine Parker	Performance options	-	10,984	-	-	-	-
	Performance share rights	11,927	-	-	155,045	-	-
	Unhurdled share rights	-	2,838	-	-	-	-
	Shares under Restricted Share Plan	17,015	3,340	n/a	346,038	n/a	-
Greg Targett	Performance share rights	60,650	-	4,822	788,414	105,511	-
		27,111	6,204	n/a	551,594	n/a	-

	Shares under Restricted Share Plan						
Rob Whitfield	Performance options	-	55,214	-	-	-	-
	Performance share rights	60,650	-	-	788,414	-	-
	Shares under Restricted Share Plan	36,149	19,786	n/a	735,479	n/a	-
Jason Yetton	Performance options	-	29,447	-	-	-	-
	Performance share rights	17,689	-	-	229,945	-	-
	Shares under Restricted Share Plan	21,990	16,471	n/a	447,294	n/a	-
Former Senior Executives							
Rob Chapman	Performance share rights	42,960	-	-	558,453	-	-
	Shares under Restricted Share Plan	24,047	8,017	n/a	489,255	n/a	-
Rob Coombe	Performance options	-	110,224	-	-	-	-
	Performance share rights	60,650	-	26,827	788,414	567,549	959,760
	Shares under Restricted Share Plan	-	35,579	n/a	-	n/a	-

1 No performance options were granted in 2012.

2 For unhurdled share rights granted in December 2009, 100% vested in 2012. The unvested performance options granted to the CEO in February 2008 and the performance options granted to Senior Executives in December 2008 were assessed against a TSR ranking group that consisted of the top 10 largest Australian banking and financial sector companies by market capitalisation at the time of grant (excluding Westpac). The remaining 30% of the performance options granted to the CEO in February 2008 vested during 2012 and 90% of the performance options granted to Senior Executives in October 2008 vested during 2012.

3 Vested options and share rights that were granted prior to October 2009 can be exercised up to a maximum of 10 years from their commencement date. For each share right and each performance option exercised during the year, the relevant Executive received one fully paid Westpac ordinary share. The exercise price for share rights is nil.

4 For share rights, the value granted represents the number of securities granted multiplied by the fair value per instrument as set out in the table titled Fair value of LTI grants made during the year below. For restricted shares, the value granted represents the number of ordinary shares granted multiplied by the five day volume weighted average price of a Westpac ordinary share on the date the shares were granted. These values, which represent the full value of the equity-based awards made to disclosed Executives in 2012, do not reconcile with the amount shown in the table in Section 5.2, which shows amortised totals of equity awards over their vesting period. The minimum total value of the grants for future financial years is nil and an estimate of the maximum possible total value in future financial years is the fair value, as shown above.
As part of Brian Hartzer s sign-on arrangements and to reflect equity foregone with his previous employer, equity was granted under the RSP which will be forfeited if Mr Hartzer resigns or is terminated for cause before the vesting dates.

5 The value of each option or share right exercised or lapsed is calculated based on the five day volume weighted average price of Westpac ordinary shares on the ASX on the date of exercise (or lapse), less the relevant exercise price (if any). Where the exercise price is greater than the five day volume weighted average price of Westpac ordinary shares, the value has been calculated as nil.

Performance share rights forfeited during 2012 were as a result of leaving the Group in 2012. Vested performance options were also forfeited in 2012 at nil value (exercise price greater than the five day weighted average price).

6 Apart from equity instruments referred to in this section, no other equity instruments granted in prior years vested or were forfeited during the financial year.

Fair value of LTI grants made during the year

The table below provides a summary of the fair value of LTI awards granted to the CEO and Senior Executives during 2012 calculated in accordance with Australian accounting standard AASB 2 Share-based Payments and used for accounting purposes only. The LTI grants will vest on satisfaction of performance and/or service conditions tested in future financial years.

Equity Instrument	Performance Hurdle	Granted to	Grant Date	Commencement Date1	First Possible Vesting Date	Expiry	Fair Value2 per Instrument
CEO Performance Plan	Relative TSR	Gail Kelly	21 December 2011	1 October 2011	1 October 2014	1 October 2021	$9.20
Share Rights	Cash EPS CACG		21 December 2011	1 October 2011	1 October 2014	1 October 2021	$16.66
Westpac Reward Plan	Relative TSR	All Senior	29 November 2011	1 October 2011	1 October 2014	1 October 2021	$9.59
Performance Share Rights	Cash EPS CACG	Executives	29 November 2011	1 October 2011	1 October 2014	1 October 2021	$16.60

1 The commencement date is the start of the performance period in the case of share rights. Awards to the CEO were approved by shareholders at the Annual General Meeting held on 15 December 2010.
2 The fair values of share rights granted during the year included in the table above have been independently calculated at their respective grant dates based on the requirements of Australian accounting standard AASB 2 Share-based Payments. The fair value of rights without TSR based hurdles, including rights with Cash EPS CAGR hurdles, has been assessed with reference to the share price at grant date and a discount rate reflecting the expected dividend yield over their vesting periods. The fair value of rights with hurdles based on TSR performance relative to a group of comparator companies also takes into account the average TSR outcome determined using a Monte Carlo simulation pricing model.

5.4. Employment agreements

The remuneration and other terms of employment for the CEO and Senior Executives are formalised in their employment agreements. Each of these employment agreements provide for the payment of fixed and performance-based remuneration, superannuation and other benefits such as death and disablement insurance cover.

The term and termination provisions of the employment agreements for the current KMP are summarised below.

Term	Who	Conditions
Duration of agreement	¾ CEO and Senior Executives	¾ Ongoing until notice given by either party
Notice to be provided by the executive or the Group to terminate the employment agreement	¾ CEO and Senior Executives	¾ 12 months[1]
	¾ Jason Yetton	¾ 6 months[1]
Termination payments to be made on termination without cause	¾ CEO and all Senior Executives	¾ Deferred STI and LTI awards vest according to the applicable equity plan rules
Termination for cause	¾ CEO, John Arthur, Brian Hartzer, Christine Parker, Greg Targett, Rob Whitfield and Jason Yetton	¾ Immediately for misconduct ¾ 3 months notice for poor performance
	¾ All other Senior Executives	¾ Immediately for misconduct ¾ Standard contractual notice period for poor performance
Post-employment restraints	¾ CEO and all Senior Executives	¾ 12 month non-solicitation restraint

1 Payment in lieu of notice may in certain circumstances be approved by the Board for some or all of the notice period.

Certain individuals have provisions in their contracts for different terms due to grandfathered contractual benefits or individual circumstances:

¾ **Gail Kelly** The restricted period on all unvested restricted shares (deferred STI) will continue to the full term when Gail Kelly ceases employment with Westpac, except for death, sickness or disability or in certain circumstances within 12 months of change of control of Westpac. In these circumstances all unvested restricted shares will vest. On immediate termination for misconduct, all restricted shares will be forfeited. When Gail Kelly ceases employment with Westpac, all unvested performance share rights (LTI) will lapse at the Board s discretion, except for under circumstances of death, sickness or disability and in certain circumstances within 12 months of change of control of Westpac. In these circumstances all unvested performance share rights will vest. On immediate termination for misconduct, all unvested performance share rights will lapse;

¾ **Peter Clare** Provisions relating to his relocation from Sydney to Auckland;

¾ **Peter Hanlon** Provisions relating to accommodation in Sydney, and travel between Adelaide and Sydney;

¾ **Brian Hartzer** Provisions relating to his relocation from London to Sydney;

¾ **Christine Parker** Provisions relating her relocation from Auckland to Sydney; and

¾ **Rob Whitfield** Provisions relating to accommodation in Sydney.

10. AUDITOR

a) Auditor s independence declaration

A copy of the auditor s independence declaration as required under section 307C of the Corporations Act is below:

AUDITOR S INDEPENDENCE DECLARATION

As lead auditor for the audit of Westpac Banking Corporation for the year ended 30 September 2012, I declare that to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Westpac Banking Corporation and the entities it controlled during the period.

Michael Codling Partner PricewaterhouseCoopers	Sydney, Australia 5 November 2012

PricewaterhouseCoopers, ABN 52 780 433 757

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b) Non-audit services

We may decide to engage PwC on assignments additional to their statutory audit duties where their expertise or experience with Westpac or a controlled entity is important.

Details of the non-audit service amounts paid or payable to PwC for non-audit services provided during the 2011 and 2012 financial years are set out in Note 33 to the financial statements.

PwC also provides audit and non-audit services to non-consolidated entities, non-consolidated trusts of which a Westpac Group entity is trustee, manager or responsible entity and non-consolidated superannuation funds or pension funds. The fees in respect of these services were approximately $8.6 million in total (2011 $8.5 million). PwC may also provide audit and non-audit services to other entities in which Westpac holds a minority interest and which are not consolidated. Westpac is not aware of the amount of any fees paid to PwC by those entities.

Westpac has a policy on engaging PwC, details of which are set out in the Corporate governance section, including the subsection entitled Engagement of the external auditor , which forms part of this Directors report.

The Board has considered the position and, in accordance with the advice received from the Board Audit Committee, is satisfied that the provision of the non-audit services during 2012 by PwC is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied that the provision of non-audit services by PwC, as set out above, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

§ all non-audit services have been reviewed by the Board Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

§ none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accounts*.

Signed in accordance with a resolution of the Board.

Lindsay Maxsted	Gail Kelly
Chairman	Managing Director & Chief Executive Officer
5 November 2012	5 November 2012

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FIVE YEAR SUMMARY

FIVE YEAR SUMMARY[1]

(in $millions unless otherwise indicated)	2012	2011	2010	2009	2008
Income statements for the years ended 30 September[2]					
Net interest income	12,502	11,996	11,842	11,646	7,222
Non-interest income	5,481	4,917	5,068	4,859	4,383
Net operating income before operating expenses and impairment charges	17,983	16,913	16,910	16,505	11,605
Operating expenses	(7,909)	(7,406)	(7,416)	(7,171)	(5,455)
Impairment charges	(1,212)	(993)	(1,456)	(3,238)	(931)
Profit before income tax	8,862	8,514	8,038	6,096	5,219
Income tax expense	(2,826)	(1,455)	(1,626)	(2,579)	(1,287)
Profit attributable to non-controlling interests	(66)	(68)	(66)	(71)	(73)
Net profit attributable to owners of Westpac Banking Corporation	5,970	6,991	6,346	3,446	3,859
Balance sheet as at 30 September[2]					
Loans	514,445	496,609	477,655	463,459	313,545
Other assets	160,520	173,619	140,622	126,128	126,131
Total assets	674,965	670,228	618,277	589,587	439,676
Deposits	394,991	370,278	337,385	329,456	233,730
Debt issues and acceptances	147,847	165,931	150,971	133,024	100,369
Loan capital	9,537	8,173	9,632	11,138	8,718
Other liabilities	76,371	82,038	80,171	79,398	77,388
Total liabilities	628,746	626,420	578,159	553,016	420,205
Total shareholders equity and non-controlling interests	46,219	43,808	40,118	36,571	19,471
Key financial ratios					
Shareholder value					
Dividends per ordinary share (cents)	166	156	139	116	142
Dividend payout ratio (%)	84.8	67.0	64.9	92.6	68.9
Return on average ordinary equity (%)	14.0	17.8	17.4	10.8	23.1
Basic earnings per share (cents)	195.8	233.0	214.2	125.3	206.0
Net tangible assets per ordinary share ($)[3]	10.47	9.96	8.96	7.89	7.71
Share price ($):					
High	24.99	25.60	28.43	26.74	31.32
Low	19.00	17.84	20.56	14.40	18.36
Close	24.85	20.34	23.24	26.25	21.48
Business performance					
Operating expenses to operating income ratio (%)	44.0	43.8	43.9	43.4	47.0
Net interest margin	2.16	2.19	2.21	2.38	2.07
Capital adequacy					
Total equity to total assets (%)	6.8	6.5	6.5	6.2	4.4
Total equity to total average assets (%)	7.0	7.0	6.6	6.3	4.8
Tier 1 ratio (%)[4]	10.3	9.7	9.1	8.1	7.8
Total capital ratio (%)[4]	11.7	11.0	11.0	10.8	10.8
Credit quality					
Net impaired assets to equity and collectively assessed provisions (%)	5.6	6.3	6.2	5.7	3.0
Total provisions for impairment on loans and credit commitments to total loans (basis points)	82	88	105	101	69
Other information					
Core full-time equivalent employees (number at financial year end)[5]	33,418	33,898	35,055	34,189	26,717

1 Where accounting classifications have changed or where changes in accounting policy are adopted retrospectively, comparatives have been revised and may differ from results previously reported.

2 The above income statement extracts for 2012, 2011 and 2010 and balance sheet extracts for 2012 and 2011 are derived from the consolidated financial statements included in this Annual Report. The above income statement extracts for 2009 and 2008 and balance sheet extracts for 2010, 2009 and 2008 are derived from financial statements previously published.

3 Total equity attributable to owners of Westpac Banking Corporation, after deducting goodwill and other intangible assets divided by the number of ordinary shares outstanding, less treasury shares held.

4 For details on this ratio, please refer to Note 30 to the financial statements.

5 Core full-time equivalent employees includes full-time and pro-rata part-time staff. It excludes staff on unpaid absences (e.g. unpaid maternity leave), overtime, temporary and contract staff.

READING THIS REPORT

Disclosure regarding forward-looking statements

This Annual Report contains statements that constitute forward-looking statements within the meaning of Section 21E of the *US Securities Exchange Act of 1934*.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this Annual Report and include statements regarding our intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. We use words such as will , may , expect , intend , seek , would , should , could , continue , plan , estimate , anticipate , believe , probability , risk or other similar words to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control, and have been made based upon management s expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Actual results could differ materially from those which we expect, depending on the outcome of various factors, including, but not limited to:

¾ the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly changes to liquidity, leverage and capital requirements;

¾ the stability of Australian and international financial systems and disruptions to financial markets and any losses or business impacts Westpac or its customers or counterparties may experience as a result;

¾ market volatility, including uncertain conditions in funding, equity and asset markets;

¾ adverse asset, credit or capital market conditions;

¾ changes to our credit ratings;

¾ levels of inflation, interest rates, exchange rates and market and monetary fluctuations;

¾ market liquidity and investor confidence;

¾ changes in economic conditions, consumer spending, saving and borrowing habits in Australia, New Zealand and in other countries in which Westpac or its customers or counterparties conduct their operations and our ability to maintain or to increase market share and control expenses;

¾ the effects of competition in the geographic and business areas in which Westpac conducts its operations;

¾ reliability and security of Westpac s technology and risks associated with changes to technology systems;

¾ the timely development and acceptance of new products and services and the perceived overall value of these products and services by customers;

¾ the effectiveness of our risk management policies, including our internal processes, systems and employees;

¾ the occurrence of environmental change or external events in countries in which Westpac or its customers or counterparties conduct their operations;

¾ internal and external events which may adversely impact our reputation;

¾ changes in political, social or economic conditions in any of the major markets in which Westpac or its customers or counterparties operate;

¾ the success of strategic decisions involving business expansion and integration of new businesses; and

¾ various other factors beyond Westpac s control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made by us, refer to Risk factors under the section Risk and risk management . When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and events.

Westpac is under no obligation, and does not intend, to update any forward-looking statements contained in this Annual Report, whether as a result of new information, future events or otherwise, after the date of this Annual Report.

Significant developments

For a discussion of significant developments impacting the Group, refer to Significant developments under Information on Westpac in Section 1.

Currency of presentation, exchange rates and certain definitions

In this Annual Report, financial statements means our audited consolidated balance sheets as at 30 September 2012 and 30 September 2011 and income statements, statements of comprehensive income, changes in equity and cash flows for each of the years ended 30 September 2012, 2011 and 2010 together with accompanying notes which are included in this Annual Report.

Our financial year ends on 30 September. As used throughout this Annual Report, the financial year ended 30 September 2012 is referred to as 2012 and other financial years are referred to in a corresponding manner.

We publish our consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to dollars , dollar amounts , $, AUD or A$ are to Australian dollars, references to US$, USD or US dollars are to United States dollars and references to NZ$, NZD or NZ dollars are to New Zealand dollars. Solely for the convenience of the reader, certain Australian dollar amounts have been translated into US dollars at a specified rate. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or have been or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of A$1.00 = US$1.0388, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the

noon buying rate) as of Friday, 28 September 2012. The Australian dollar equivalent of New Zealand dollars at 28 September 2012 was A$1.00 = NZ$1.2542, being the closing spot exchange rate on that date. Refer to Exchange rates in Section 4 for information regarding the rates of exchange between the Australian dollar and the US dollar for the financial years ended 30 September 2008 to 30 September 2012.

Any discrepancies between totals and sums of components in tables contained in this Annual Report are due to rounding.

REVIEW OF GROUP OPERATIONS

Selected consolidated financial and operating data

We have derived the following selected financial information as of, and for the financial years ended, 30 September 2012, 2011, 2010, 2009 and 2008 from our audited consolidated financial statements and related notes.

This information should be read together with our audited consolidated financial statements and the accompanying notes included elsewhere in this Annual Report.

Accounting standards

The financial statements and other financial information included elsewhere in this Annual Report, unless otherwise indicated, have been prepared and presented in accordance with Australian Accounting Standards (A-IFRS). They also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared in accordance with the accounting policies described in Note 1 to the financial statements.

Recent accounting developments

For a discussion of recent accounting developments refer to Note 1 to the financial statements.

Critical accounting estimates

Our reported results are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the income statement and the balance sheet. Our principal accounting policies are disclosed in Note 1 to the financial statements. Note 1 also includes a description of our critical accounting assumptions and estimates. We have discussed the development and selection of the critical accounting estimates with our Board Audit Committee (BAC). The following is a summary of the areas we consider involve our most critical accounting estimates. For more detail refer to Note 1 to the financial statements.

Fair value of financial instruments

Financial instruments classified as held-for-trading or designated at fair value through profit or loss and financial assets classified as available-for-sale are recognised in the financial statements at fair value. All derivatives are measured and recognised at fair value. As far as possible, financial instruments are valued with reference to quoted, observable market prices or by using models which employ observable valuation parameters. Where valuation models rely on parameters for which inputs are not observable, judgments and estimation may be required.

As at 30 September 2012, the fair value of trading securities, financial assets designated at fair value through profit or loss, loans designated at fair value, available-for-sale securities and life insurance assets was $91,816 million (2011: $88,189 million). The fair value of trading liabilities and financial liabilities designated at fair value through profit or loss, deposits at fair value and debt issues at fair value was $88,319 million (2011: $112,140 million). The fair value of outstanding derivatives was a net liability of $3,446 million (2011: $9,740 million net asset). The fair value of life insurance assets of $8,240 million (2011: $7,916 million) was substantially based on quoted market prices. The fair value of financial assets and financial liabilities determined by valuation models that use unobservable market prices was $1,276 million (2011: $1,473 million) and $100 million

(2011: $74 million), respectively. The fair value of other financial assets and financial liabilities, including derivatives, is largely determined based on valuation models using observable market prices and rates. Where observable market inputs are not available, day one profits or losses are not recognised.

We believe that the judgments and estimates used are reasonable in the current market. However, a change in these judgments and estimates would lead to different results as future market conditions can vary from those expected.

Provisions for impairment charges on loans

Provisions for loan impairment charges represent management s best estimate of the losses incurred in the loan portfolios as at the balance date. There are two components of our loan impairment provisions: individually assessed provisions (IAPs) and collectively assessed provisions (CAPs).

In determining IAPs, considerations that have a bearing on the expected future cash flows are taken into account. For example, the business prospects of the customer, the realisable value of collateral, our position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgments and estimates can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are made.

The CAPs are established on a portfolio basis taking into account the level of arrears, collateral and security, past loss experience and expected defaults based on portfolio trends. The most significant factors in establishing these provisions are estimated loss rates and related emergence periods. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates, unemployment levels, payment behaviour and bankruptcy rates.

As at 30 September 2012, gross loans to customers were $518,279 million (2011: $500,654 million) and the provision for impairment on loans was $3,834 million (2011: $4,045 million).

Goodwill

Goodwill represents the excess of purchase consideration, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group s share of the identified net assets of acquired businesses. The determination of the fair value of the assets and liabilities of acquired businesses requires the exercise of management judgment. Different fair values would result in changes to the goodwill and to the post-acquisition performance of the acquisitions.

Goodwill is tested for impairment annually by determining if the carrying value of the cash-generating unit (CGU) that it has been allocated to is recoverable. The recoverable amount is the higher of the CGU s fair value less costs to sell and its value in use. Determination of appropriate cash flows and discount rates for the calculation of the value in use is subjective. As at 30 September 2012, the carrying value of goodwill was $8,797 million (2011: $8,582 million). Refer to Note 13 to the financial statements for further information.

Superannuation obligations

The actuarial valuation of our defined benefit plan obligations are dependent upon a series of assumptions, the key ones being discount rate, compensation increase rate, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and defined benefit obligations and the amount recognised directly in retained earnings.

The superannuation deficits across all our plans as at 30 September 2012 were in aggregate $632 million (2011: $676 million).

Provisions (other than loan impairment charges)

Provisions are held in respect of a range of obligations such as employee entitlements, restructuring costs, litigation provisions and non-lending losses, impairment charges on credit commitments and surplus lease space. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. All our businesses predominantly operate in jurisdictions with similar tax rates to the Australian corporate tax rate. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group s understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period where such determination is made.

Provisions for taxation held in respect of uncertain tax positions represent the tax benefits at risk. The assessment of the amount of tax benefits at risk involves the exercise of management judgments about the ultimate outcomes of the transactions.

REVIEW OF GROUP OPERATIONS

INCOME STATEMENT REVIEW

Consolidated income statement1

			Year Ended 30 September			
	2012	**2012**	2011	2010	2009	2008
(in $millions unless otherwise indicated)	**US$2**	**A$**	A$	A$	A$	A$
Interest income	38,304	36,873	38,098	34,151	30,446	29,081
Interest expense	(25,317)	(24,371)	(26,102)	(22,309)	(18,800)	(21,859)
Net interest income	12,987	12,502	11,996	11,842	11,646	7,222
Non-interest income	5,694	5,481	4,917	5,068	4,859	4,383
Net operating income before operating expenses and impairment charges	18,681	17,983	16,913	16,910	16,505	11,605
Operating expenses	(8,216)	(7,909)	(7,406)	(7,416)	(7,171)	(5,455)
Impairment charges	(1,259)	(1,212)	(993)	(1,456)	(3,238)	(931)
Profit before income tax	9,206	8,862	8,514	8,038	6,096	5,219
Income tax expense	(2,936)	(2,826)	(1,455)	(1,626)	(2,579)	(1,287)
Net profit for the year	6,270	6,036	7,059	6,412	3,517	3,932
Profit attributable to non-controlling interests	(68)	(66)	(68)	(66)	(71)	(73)
Net profit attributable to owners of Westpac Banking Corporation	6,202	5,970	6,991	6,346	3,446	3,859
Weighted average number of ordinary shares (millions)	3,043	3,043	2,997	2,960	2,747	1,871
Basic earnings per ordinary share (cents)	203.4	195.8	233.0	214.2	125.3	206.0
Diluted earnings per share (cents)3	197.9	190.5	223.6	207.1	123.2	200.1
Dividends per ordinary share (cents)	172	166	156	139	116	142
Dividend payout ratio (%)4	84.8	84.8	67.0	64.9	92.6	68.9

1 Where accounting classifications have changed or where changes in accounting policy are adopted retrospectively, comparatives have been revised and may differ from results previously reported.

2 Australian dollar amounts have been translated into US dollars solely for the convenience of the reader at the rate of A$1.00 = US$1.0388, the noon buying rate in New York City on 28 September 2012.

3 Based on basic earnings per share, with the weighted average number of fully paid ordinary shares outstanding adjusted for the conversion of dilutive potential ordinary shares, issued for no consideration, and after adjusting earnings for distributions on dilutive potential ordinary shares.

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

Overview of performance 2012 v 2011

Net profit attributable to owners of Westpac Banking Corporation was $5,970 million in 2012, a decrease of $1,021 million or 15% compared to 2011. The lower net profit for the year reflected a $1,070 million or 6% increase in net operating income before operating expenses and impairment charges which was more than offset by a 7% increase in operating expenses, 22% increase in impairment charges and 94% increase in income tax expense.

Net interest income was $12,502 million in 2012, an increase of $506 million or 4% compared to 2011, reflecting growth in loans and deposits. A 5% increase in average interest earning assets, particularly in Australian housing loans, was partially offset by a decrease in the net interest margin of 3 basis points due to funding costs increasing at a faster pace than asset repricing.

Non-interest income was $5,481 million in 2012, an increase of $564 million or 11% compared to 2011, reflecting growth in the retail banking division and wealth earnings including additional income from the acquisition of J O Hambro. Higher markets income benefited from favourable market conditions driving trading and customer sales income in foreign exchange and interest rate businesses.

Operating expenses were $7,909 million in 2012, an increase of $503 million or 7% compared to 2011. This primarily reflects increased salaries, other staff expenses and restructuring costs including higher operating costs from expansion in Asia and Bank of Melbourne, and restructuring costs associated with the Group s supplier program. Prior period investment also resulted in higher equipment and occupancy costs, which included higher software amortisation expense. An additional expense was incurred from an increase in provisions for longstanding legal proceedings.

Impairment charges were $1,212 million in 2012, an increase of $219 million or 22% compared to 2011. 2011 benefited from a $107 million net reduction in economic overlay provision and the benefits of improved asset quality and write-backs. 2012 included a $17 million increase in economic overlay and a reduced benefit from write-backs.

The effective tax rate was 31.9% in 2012 and 17.1% in 2011. In 2012, income tax expense included a tax charge of $165 million relating to the retrospective impact of new TOFA legislation and its application to the merger with St.George, while in 2011 a benefit of $1,110 million was received relating to the impact of tax consolidation of the St.George merger.

2012 earnings per share were 195.8 cents per share compared to 233.0 cents per share in 2011. The increase in the number of shares on issue in 2012 was primarily due to shares issued under the Dividend Reinvestment Plan (DRP).

A final dividend of 84 cents per share has been declared by the Board, taking the full year dividend for 2012 to 166 cents per share. The dividend is fully franked. This full year dividend represents an increase of 6% over the dividends declared in 2011 and a pay-out ratio of 85%.

Income statement review 2012 v 2011

Net interest income 2012 v 2011

	2012	2011	2010
	$m	$m	$m
Interest income	36,873	38,098	34,151
Interest expense	(24,371)	(26,102)	(22,309)
Net interest income	12,502	11,996	11,842
Increase/(decrease) in net interest income			
Due to change in volume	556	207	1,344
Due to change in rate	(50)	(53)	(1,148)
Change in net interest income	506	154	196

Net interest income was $12,502 million in 2012, an increase of $506 million or 4% compared to 2011.

Net interest margins declined 3 basis points to 2.16% in 2012 from 2.19% in 2011. Increased funding costs and a more competitive environment for deposits (particularly term deposits) were the main drivers of the decline, though these were partially offset by improved margins from asset repricing in our housing and business lending portfolios.

Loan growth1 in 2012 was 4% higher compared to 2011, with the key feature being the 4% growth in Australian housing loans and 2% growth in Australian business loans. New Zealand lending growth was 5%.

Loan growth had the following specific components:

§ Australian housing loans increased $11.8 billion or 4%;

§ Australian business lending increased $2.6 billion or 2%. Growth occurred in AFS and institutional lending;

§ Australian personal lending increased $0.7 billion or 4%, driven by growth in the Auto Finance portfolio;

§ New Zealand lending increased $2.1 billion or 5%, with housing loans increasing $1.2 billion or 4% and business loans increasing $0.9 billion or 5%; and

§ other overseas loans increased $1.0 billion or 16% due primarily to growth in trade finance in Asia.

Total deposits[1] increased 7% or $24.7 billion in 2012 compared to 2011. Growth in customer deposits exceeded growth in loans resulting in the deposit to loan ratio increasing 510 basis points.

Deposit growth had the following specific components:

§ Australian term deposits increased $26.7 billion or 24%, with the Group seeking to improve its funding base by prioritising term deposit growth. Growth was broadly based across all customer segments;

§ Australian at call deposits increased $4.6 billion or 3%, particularly due to customer flows in the second half of 2012;

§ Australian non-interest bearing deposits increased $2.7 billion or 20%, due to increased balances in mortgage offset accounts;

§ New Zealand deposits increased $3.5 billion or 11%, with growth in both at call and term deposits; and

§ other overseas deposits declined $8.6 billion or 26% and Australian certificates of deposit declined $4.3 billion or 12% due to reductions in the Group s reliance on short-term wholesale funding.

1 For the purposes of this discussion on net interest income, loan and deposit growth has been determined by comparing balances at 30 September 2012 to balances at 30 September 2011.

REVIEW OF GROUP OPERATIONS

Interest spread and margin 2012 v 2011

	2012 **$m**	2011 $m	2010 $m
Group			
Net interest income	12,502	11,996	11,842
Average interest earning assets	577,745	548,221	534,991
Average interest bearing liabilities	540,527	513,535	501,968
Average net non-interest bearing liabilities and equity	37,218	34,686	33,023
Interest spread1	1.87%	1.87%	1.94%
Benefit from free funds2	0.29%	0.32%	0.27%
Net interest margin3	2.16%	2.19%	2.21%

1 Interest spread is the difference between the average yield on all interest earning assets and the average rate paid on all interest bearing liabilities.

2 The benefit of net non-interest bearing assets, 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.

3 Net interest margin is calculated by dividing net interest income by average interest earning assets.

Net interest margin was 2.16% in 2012, a decline of 3 basis points compared to 2011. Key drivers of the margin decrease were:

§ an 18 basis point decline from higher retail and wholesale funding costs relative to market rates. This included:

a 14 basis point decline from customer deposits. 9 basis points reflected the lower spread from intense competition, particularly for term deposits. The 9 basis point decline included a reduction in the benefit from hedging low interest accounts of 2 basis points. Product mix impacts reduced margins by 5 basis points, with growth weighted towards lower spread products, particularly term deposits; and

a 4 basis point decline from wholesale funding costs and the cost of holding increased average liquid asset balances.

§ a 12 basis point increase from asset repricing, primarily due to repricing of the housing and business lending portfolios;

§ capital and other impacts were flat with the benefit from higher capital values offsetting lower earnings due to falling interest rates;

§ a 1 basis point increase reflecting lower amortisation of fair value adjustments relating to the merger with St.George; and

§ a 2 basis point increase reflecting increased Treasury interest income offsetting lower contribution of Markets net interest income.

Non-interest income 2012 v 2011

	2012	2011	2010
	$m	$m	$m
Fees and commissions	2,630	2,568	2,469
Wealth management and insurance income	1,791	1,618	1,560
Trading income	850	558	797
Other income	210	173	242
Total non-interest income	5,481	4,917	5,068

Non-interest income was $5,481 million in 2012, an increase of $564 million or 11% compared to 2011. The increase was primarily driven by higher trading, wealth management and insurance income.

Fees and commissions income were $2,630 million in 2012, an increase of $62 million or 2% compared to 2011. This increase was primarily due to:

§ an increase in facility fees as a result of higher business and commercial lending fees of $74 million; offset by

§ a decline in merchant fees as average interchange rates reduced in line with changes in the mix of spending by householders.

Wealth management and insurance income was $1,791 million in 2012, an increase of $173 million or 11% compared to 2011. This increase was primarily due to:

§ higher performance fees predominantly in Hastings of $130 million;

§ revenue contribution from the J O Hambro acquisition of $73 million;

§ increase in General and Life insurance income of $87 million as a result of repricing of premiums, growth in sales through the branch networks and decreased claims as 2011 had significantly higher catastrophe claims; offset by

§ lenders mortgage insurance income decrease of $36 million due to lower credit demand and as a result of the Group s decision to reduce underwriting risk on the mortgage insurance on loans with an LVR greater than 90%;

§ lower FUM/FUA related income of $14 million predominantly due to lower margins; and

§ reduced income in the Equities business of $17 million due to reduction in broking volumes and trading revenue.

Trading income increased by $292 million or 52% compared to 2011. WIB markets benefited from volatile market conditions driving customer sales income in foreign exchange and interest rate businesses. Risk management income also increased during the year.

Other income was $210 million in 2012, an increase of $37 million or 21% compared to 2011. This increase was primarily driven by an increase in technology research and development tax credits.

Operating expenses 2012 v 2011

	2012 **$m**	2011 $m	2010 $m
Salaries and other staff expenses	4,258	4,055	3,990
Equipment and occupancy expenses	1,278	1,115	1,082
Other expenses	2,373	2,236	2,344
Total operating expenses	7,909	7,406	7,416
Total operating expenses to net operating income ratio	44.0%	43.8%	43.9%

Operating expenses were $7,909 million in 2012, an increase of $503 million compared to 2011. The expense to income ratio was 44% in 2012, an increase of 20 basis points compared to 2011.

Salaries and other staff expenses were $4,258 million in 2012, an increase of $203 million or 5% compared to 2011. This increase was driven by:

§ average salary increases of 3% and higher restructuring costs. The prior period also benefited from release of excess employee provisions which was not repeated in 2012;

§ increased investment in Bank of Melbourne and WIB s Asia operations as well as higher spend on regulatory change and compliance programs and the impact of the J O Hambro acquisition ($38 million); partially offset by

§ lower FTE as a result of delivery of productivity initiatives.

Equipment and occupancy expenses were $1,278 million in 2012, an increase of $163 million or 15% compared to 2011. This increase was driven by:

§ software amortisation and depreciation increased $110 million compared to 2011 as a result of delivery of strategic programs into normal business operations and higher depreciation costs associated with the new data centre and Enterprise Perimeter Security SIP; and

§ operating lease rentals and other equipment and occupancy costs increased 9% or $53 million compared to 2011. The increase was driven by cost increases following annual rental reviews and additional expenses associated with expansion of the distribution network. The Group expanded its footprint with an additional 12 branches and 42 ATMs.

Other expenses were $2,373 million in 2012, an increase of $137 million or 6% compared to 2011. This increase was driven by a provision recognised with respect to longstanding legal proceedings and higher investment spend.

REVIEW OF GROUP OPERATIONS

Impairment charges 2012 v 2011

	2012 $m	2011 $m	2010 $m
Impairment charges	1,212	993	1,456
Impairment charges to average gross loans (basis points)	24	20	30

The impairment charge for 2012 was $1,212 million, an increase of 22% compared to 2011. The increase was primarily due to higher collectively assessed provisions as the rate of improving asset quality slowed. The higher charge was also due to a $107 million reduction in economic overlay provisions in 2011 while there was a small increase (up $17 million) in the economic overlay in 2012.

Key movements in impairment charges were:

§ new collectively assessed provisions were $366 million higher compared to 2011 as benefits from improving asset quality were smaller as the recovery slowed. The movement in economic overlay provision also contributed to the rise;

§ WIB recorded the largest change in collective provisions from a reduction in upgrades and refinancing from a smaller decrease in watchlist and substandard companies returning to full health. In St.George and Westpac New Zealand portfolios the improvement in stressed assets also slowed in 2012. In Westpac RBB the collective provisioning charge was lower; and

§ new individually assessed provisions less write-backs and recoveries were $147 million lower compared to 2011 principally due to fewer new impaired assets, particularly in WIB, St.George and New Zealand and much lower write-backs in the WIB portfolio. This was partially offset by higher new individually assessed provisions in Westpac RBB.

Income tax expense 2012 v 2011

	2012 $m	2011 $m	2010 $m
Income tax expense	2,826	1,455	1,626
Tax as a percentage of profit before income tax expense (effective tax rate)	31.9%	17.1%	20.2%

Income tax expense was $2,826 million in 2012, an increase of $1,371 million or 94% compared to 2011. The effective tax rate increased to 31.9% in 2012, from 17.1% in 2011.

The increase was driven by the following tax impacts:

- retrospective amendments to the income tax law during the year ended 30 September 2012 which applied to consolidated groups and TOFA. These amendments have had an adverse impact to certain liabilities that were consolidated as part of the St.George merger. This led to an additional $165 million tax expense for 2012; and

- a benefit of $1,110 million was received in 2011 relating to the impact of tax consolidation of the St.George merger.

Excluding the impact of these adjustments, the effective tax rates for 2012 and 2011 would have been 30.0% and 30.1% respectively.

Overview of performance 2011 v 2010

Net profit attributable to owners of Westpac Banking Corporation was $6,991 million in 2011, an increase of $645 million or 10% compared to $6,346 million in 2010. The result was characterised by stable net operating income before operating expenses and impairment charges, which increased by $3 million; a small operating expense reduction, which reduced by $10 million; a large reduction of $463 million or 32% in impairment charges on loans; and a lower effective tax rate. The large reduction in impairment charges on loans reflected the improved performance of the Australian and New Zealand economies.

Net profit attributable to owners of Westpac Banking Corporation grew in the majority of our divisions.

Net interest income was $11,996 million in 2011, an increase of $154 million or 1% compared to 2010. A 2 basis point decline in net interest margin was more than offset by 2% growth in average interest earning assets, particularly in Australian housing loans. Net interest margin reduced as Treasury earnings fell and due to the unwind of fair value adjustments related to the merger with St.George Bank Limited.

Non-interest income was $4,917 million in 2011, a decrease of $151 million or 3% compared to 2010. Fees and commissions increased as business and corporate line fees were repriced; wealth management and insurance income was up with good customer inflows into funds under administration (FUA); and increased wealth cross sell, although the contribution was partially held back by higher insurance claims and weaker asset markets. Trading income was significantly lower as highly volatile markets, particularly in the second half of 2011, resulted in lower trading income.

Operating expenses were $7,406 million in 2011, a decrease of $10 million compared to 2010. Annual cost increases, including salaries and other staff expense increases, were more than offset by lower expenditure on the St.George integration project and benefits from productivity programs.

Impairment charges on loans were $993 million in 2011, a decrease of $463 million or 32% compared to $1,456 million in 2010. Lower impairments in Westpac RBB, WIB, St.George Banking Group and Westpac New Zealand were the primary drivers of the reduction.

The effective tax rate was 17.1% in 2011 and 20.2% in 2010. The effective tax rate was reduced in both years by tax adjustments following finalisation of the tax consolidation impacts related to the merger with St.George Bank Limited. In 2011 a reduction to tax expense of $1,110 million was recorded, compared to a reduction of $685 million in 2010. Excluding the impact of these adjustments, the effective tax rates for 2011 and 2010 would have been 30.1% and 28.8%, respectively.

2011 earnings per share were 233.0 cents per share compared to 214.2 cents per share in 2010. There were no major capital transactions during 2011. The increase in the number of shares on issue in 2011 was primarily due to shares issued under the DRP.

Given the improved earnings and capital position in 2011, a final dividend of 80 cents per share was declared by the Board, taking the full year dividend for 2011 to 156 cents per share. The dividend was fully franked. This full year dividend represented an increase of 12% over the dividends declared in 2010 and a pay-out ratio of 67%.

Income statement review   2011 v 2010

Net interest income   2011 v 2010

Net interest income was $11,996 million in 2011, an increase of $154 million or 1% compared to 2010.

Net interest margins declined 2 basis points to 2.19% in 2011 from 2.21% in 2010. Lower Treasury income and the unwind of fair value adjustments on financial instruments relating to the merger with St.George Bank Limited were the main drivers of the decline, partially offset by improved margins in our customer divisions of 4 basis points.

Loan growth1 in 2011 was 4% compared to 2010, with the key feature being the 6% growth in Australian housing loans. The growth in Australian housing loans was partially offset by reductions in Australian business loans. New Zealand lending growth was modest.

Loan growth had the following specific components:

§ Australian housing loans experienced solid growth with balances increasing 6% or $16.8 billion compared to 2010. Westpac RBB mortgages grew 8%, which was ahead of banking system2. St.George Banking Group mortgages growth of 2% was impacted by reduced flow from mortgage brokers;

§ Australian business and corporate loans declined 1% or $1.8 billion compared to 2010 due to contractions in commercial property lending and the WIB lending portfolios, partially offset by positive growth in the SME segment;

§ New Zealand lending increased 3% or NZ$1.4 billion compared to 2010, reflecting the low growth environment in New Zealand. The majority of growth occurred in housing lending, with growth in business lending improving in the second half of 2011; and

§ growth in other overseas loans was in the WIB portfolio, reflecting WIB s expanded presence in Asia.

Total deposits1 increased 10% or $32.9 billion in 2011 compared to 2010. The growth in deposits resulted in customer deposit growth exceeding loan growth and the deposit to loan ratio improving 380 basis points.

Deposit growth had the following specific components:

§ Australian customer deposits increased 10% or $23.9 billion. This was driven by growth in Australian term deposits, which grew 25% or $22.2 billion, reflecting increased savings rates and the strength of the franchise in uncertain times, as well as an increased focus on customer deposit raising initiatives;

§ Australian non-interest bearing accounts increased 12% or $1.5 billion, reflecting growth in mortgage offset accounts; and

§ New Zealand customer deposits increased 5% or NZ$1.9 billion with growth across both at call and term deposits products.

1 For the purposes of this discussion on net interest income, loan and deposit growth has been determined by comparing balances at 30 September 2011 to balances at 30 September 2010.

2 APRA system growth, 12 months to 30 September 2011.

REVIEW OF GROUP OPERATIONS

Interest spread and margin 2011 v 2010

Net interest margin was 2.19% in 2011, a decline of 2 basis points compared to 2010. Key drivers of the margin decrease were:

§ an 11 basis point decline from higher retail and wholesale funding costs, due to a:

7 basis point decline from customer deposits, largely due to competition for online savings accounts in the prior year, with the full period impact carrying into 2011. A decline in the benefit from hedging low interest transaction accounts also had a 3 basis point negative impact on margins. Mix impacts were also negative as customer preferences resulted in deposit growth skewed towards products with lower spreads; and

4 basis point decline from higher wholesale funding costs, as relatively low cost funding was replaced by higher cost funding since the global financial crisis. Wholesale funding costs include the cost of funding growth in liquid assets, which had an impact of approximately 1 basis point.

§ a 3 basis point decline due to the impact of amortisation of fair value adjustments relating to the merger with St.George Bank Limited;

§ a 3 basis point decline reflecting a reduction in Treasury income following stronger revenues in 2010; partially offset by

§ a 15 basis point increase in assets, primarily from repricing, which occurred predominantly in mortgages.

Non-interest income 2011 v 2010

Non-interest income was $4,917 million in 2011, a decrease of $151 million or 3% compared to 2010. The decrease was primarily due to the impact of market volatility on trading income, particularly in the second half of 2011. Lower trading income was partially offset by growth in fees and commissions and wealth management and insurance income.

Fees and commissions income was $2,568 million in 2011, an increase of $99 million or 4% compared to 2010. This increase was primarily due to:

§ higher facility fees of $73 million, primarily due to:

higher business and commercial fees of $106 million from repricing of line fees, partially offset by an accounting reclassification in the St.George Banking Group which resulted in fees of $30 million being transferred to net interest income; and

increased banking related fees of $16 million in WIB, more than offset by lower deposit account keeping fees of $17 million as customers migrated to accounts with lower fees, and reduced mortgage fees of $7 million from lower new lending volumes.

§ higher transaction fees and commissions of $27 million, primarily due to:

an increase in advice commissions of $53 million, which included a $32 million benefit from the update of amortisation profiles of capitalised fees and costs; partially offset by

a decrease in merchant fees of $6 million as average interchange rates reduced in line with changes in the mix of spending; and

a decrease in deposit transaction fees of $18 million as customers migrated to accounts with lower fees.

Wealth management and insurance income was $1,618 million in 2011, an increase of $58 million or 4% compared to 2010. This increase was primarily due to:

§ higher funds management income of $83 million due to the higher average Group Funds under Management (FUM)/Group Funds under Administration (FUA) from positive net inflows, a benefit from the revaluation of investments in Ascalon funds of $23 million, and the sale of single manager rights which resulted in a gain of $12 million;

an increase in average FUM of $0.8 billion or 2% compared to 2010 from inflows in wholesale portfolios, partly offset by outflows in retail and WIB portfolios; and

an increase in average FUA of $4.9 billion or 6% compared to 2010 due to inflows in the wrap platforms and corporate super portfolios in addition to a marginally positive impact from asset markets.

§ an increase in insurance income of $25 million compared to 2010 due to premium growth in general and life insurance, reduced claims in lenders mortgage insurance and improved returns on the investment portfolio, which more than offset higher claims related to various natural disasters, including the Victorian and Queensland floods; partially offset by

§ returns from invested capital decreased by $41 million compared to 2010. This primarily reflected a change in how capital was invested with more investments in fixed income products, which is reflected in net interest income and not in wealth management income.

Trading income decreased by $239 million or 30% compared to 2010. Volatility in the market, especially in the second half of the year, impacted interest rate trading activities, which resulted in a decrease in WIB markets trading income.

Other income was $173 million in 2011, a decrease of $69 million or 29% compared to 2010. This decrease was primarily driven by movements in economic hedges relating to hybrid instruments.

Operating expenses 2011 v 2010

Operating expenses were $7,406 million in 2011, a decrease of $10 million compared to 2010. The expense to income ratio was 43.8% in 2011, a decrease of 10 basis points compared to 2010.

Salaries and other staff expenses were $4,055 million in 2011, an increase of $65 million or 2% compared to 2010. This increase was driven by:

§ increased salary and employee entitlement costs due to an average salary increase of 4% from January 2011; and

§ increased restructure costs due to productivity restructuring in 2011; partially offset by

§ reduced FTE as a result of productivity initiatives; and

§ lower transaction and integration expenses related to the St.George merger.

Equipment and occupancy expenses were $1,115 million, an increase of $33 million or 3% compared to 2010. The increase was driven by:

§ additional rental and property related costs, increases in corporate property space to accommodate projects and additional expenses associated with refurbishment and expansion of branch and ATM networks, including the conversion of 34 St.George branches in Victoria to the Bank of Melbourne brand. The Westpac Group also expanded its footprint with a net additional 15 branches (including Bank of Melbourne) and installed an additional 119 proprietary ATMs; partially offset by

§ a decrease in software costs due to non-recurrence of impairments recognised in 2010.

Other expenses were $2,236 million in 2011, a decrease of $108 million or 5% compared to 2010. The decrease was driven by:

§ a decrease in costs relating to technology purchased services and professional services due to reduced spend on St.George integration activities and implementation progression of the SIPs program from design phase in 2010, to build and deliver in 2011; and

§ the one-off donation of $20 million to the Westpac Foundation in 2010, which was not repeated in 2011; partially offset by

§ an increase in advertising costs, credit card loyalty costs and outsourced costs.

Impairment charges on loans 2011 v 2010

Impairment charges on loans were $993 million in 2011, a decrease of $463 million or 32% compared to 2010 as asset quality continued to improve and the work-out of stressed and impaired facilities progressed. The improvement in asset quality is reflected in a 72 basis point decline, to 248 basis points, in the ratio of stressed assets to total committed exposures, supported by a decline in the rate of emerging new stress, and some large upgrades and repayments as facilities were worked out.

New individually assessed provisions have remained relatively high as the work-out of the stressed portfolio saw companies downgraded from watchlist and substandard categories of stress into impaired. A top-up of existing impaired provisions has also been required, particularly in the second half of 2011 as the Group updated the assessment of security values.

Movements in collectively assessed provisions in 2011 reflected the improvement in watchlist and substandard facilities, an increase in mortgage delinquencies through the year, and a reduction in economic overlay provisions in the first half of 2011.

The economic overlay in 2011 was $107 million lower compared to 2010. In the first half of 2011, $174 million in provisions associated with commercial property and economic conditions were no longer required as identified provisions were booked through both individually assessed provisions and collectively assessed provisions. Partially offsetting this reduction was a $68 million increase in provisions associated with floods and cyclones in Australia and the second Christchurch earthquake. In the second half of 2011, with greater certainty around the impact of the floods and earthquakes, $55 million was released from these provisions as well as the commercial property overlay from reductions in stress. This release was offset by increases in provisions of $54 million for other sectors of the Australian economy that are likely to be impacted by the high Australian dollar and weaker consumer and business sentiment.

Key movements in impairment charges on loans were:

§ new collectively assessed provisions decreased by $387 million compared to 2010, mainly driven by:

lower collective provisions recorded in each of the divisions, with the largest reductions recorded in WIB from repayments and companies returning to full health. In Westpac RBB, St.George Banking Group and Westpac New Zealand portfolios, improvement was seen across both the business and consumer segments; and

the release of economic overlay provisions in 2011.

§ new individually assessed provisions less write-backs and recoveries decreased by $76 million compared to 2010, primarily due to:

higher write-backs, particularly in WIB; partially offset by

higher new individually assessed provisions in the Australian banking portfolios of Westpac RBB and St.George Banking Group from a number of small top-ups for existing impaired assets and from the migration of some exposures to impaired that were previously in the watchlist category.

REVIEW OF GROUP OPERATIONS

Income tax expense 2011 v 2010

Income tax expense was $1,455 million in 2011, a decrease of $171 million or 11% compared to 2010. The effective tax rate decreased to 17.1% in 2011, from 20.2% in 2010. The decrease was driven by the following tax impacts:

§ finalisation of the tax consolidation related to the merger with St.George Group gave rise to an income tax expense adjustment of $1,110 million during the year ended 30 September 2011 (2010: $685 million). The tax consolidation process required Westpac to reset the tax value of certain St.George Bank Limited assets to the appropriate market value of those assets as at the effective date of the tax consolidation (31 March 2009); and

§ changes in tax provisioning for New Zealand structured finance transactions entered into between 1998 and 2002 significantly impacted the tax rate in both the 2009 and 2010 years. In 2009, a provision of $703 million was raised following a decision by the New Zealand High Court in proceedings relating to those transactions, while $106 million was then released from the provision in 2010 following a settlement with the Commissioner of Inland Revenue (CIR).

Excluding the impact of the St.George related benefits and the New Zealand structured finance transactions, the effective tax rate in 2011, 2010 and 2009 would have been 30%, 30% and 31% respectively.

BALANCE SHEET REVIEW

Selected consolidated balance sheet data1

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

			As at 30 September			
	2012	**2012**	2011	2010	2009	2008
	US$m2	**A$m**	A$m	A$m	A$m	A$m
Cash and balances with central banks	13,009	12,523	16,258	4,464	3,272	4,809
Receivables due from other financial institutions	10,625	10,228	8,551	12,588	9,974	10,434
Derivative financial instruments	36,866	35,489	49,145	36,102	33,187	34,810
Trading securities, other financial assets designated at fair value and available-for-sale securities	74,522	71,739	69,006	55,599	47,807	54,605
Loans	534,405	514,445	496,609	477,655	463,459	313,545
Life insurance assets	8,560	8,240	7,916	12,310	12,384	12,547
All other assets	23,166	22,301	22,743	19,559	19,504	8,926
Total assets	701,153	674,965	670,228	618,277	589,587	439,676
Payables due to other financial institutions	7,857	7,564	14,512	8,898	9,235	15,861
Deposits	410,317	394,991	370,278	337,385	329,456	233,730
Derivative financial instruments	40,446	38,935	39,405	44,039	36,478	24,970
Trading liabilities and other financial liabilities designated at fair value	10,351	9,964	9,803	4,850	10,848	16,689
Debt issues and acceptances	153,583	147,847	165,931	150,971	133,024	100,369
Life insurance liabilities	7,488	7,208	7,002	11,560	11,737	11,953
All other liabilities	13,193	12,700	11,316	10,824	11,100	7,915
Total liabilities excluding loan capital	643,235	619,209	618,247	568,527	541,878	411,487
Total loan capital3	9,907	9,537	8,173	9,632	11,138	8,718
Total liabilities	653,142	628,746	626,420	578,159	553,016	420,205
Net assets	48,011	46,219	43,808	40,118	36,571	19,471
Total equity attributable to owners of Westpac Banking Corporation	45,965	44,249	41,826	38,189	34,637	17,547
Non-controlling interests	2,046	1,970	1,982	1,929	1,934	1,924
Total shareholders equity and non-controlling interests	48,011	46,219	43,808	40,118	36,571	19,471
Average balances						
Total assets	687,828	662,137	628,428	607,677	577,831	401,468
Loans and other receivables4	520,561	501,118	476,083	469,999	426,845	294,672
Shareholders equity	44,258	42,605	39,378	36,434	32,008	16,699
Non-controlling interests	2,040	1,964	1,921	1,914	1,915	1,918

1 Where accounting classifications have changed or where changes in accounting policy are adopted retrospectively, comparatives have been revised and may differ from results previously reported.

2 Australian dollar amounts have been translated into US dollars solely for the convenience of the reader at the rate of A$1.00 = US$1.0388, the noon buying rate in New York City on 28 September 2012.

3 This includes Westpac Convertible Preference Shares (Westpac CPS), Westpac Stapled Preferred Securities (SPS), Westpac Stapled Preferred Securities II (SPS II) and 2004 Trust Preferred Securities (2004 TPS) in 2012, SPS, SPS II and 2004 TPS in 2011, 2010 and 2009, SPS and 2004 TPS in 2008.

4 Other receivables include other assets, cash and balances with central banks.

REVIEW OF GROUP OPERATIONS

Summary of consolidated ratios

			Year Ended 30 September			
	2012	**2012**	2011	2010	2009	2008
(in $millions unless otherwise indicated)	**US$1**	**A$**	A$	A$	A$	A$
Profitability ratios (%)						
Net interest margin2	2.16	2.16	2.19	2.21	2.38	2.07
Return on average assets3	0.90	0.90	1.11	1.04	0.60	0.96
Return on average ordinary equity4	14.0	14.0	17.8	17.4	10.8	23.1
Return on average total equity5	13.4	13.4	16.9	16.5	10.2	20.7
Capital ratio (%)						
Average total equity to average total assets	6.7	6.7	6.6	6.3	5.9	4.6
Tier 1 ratio (%)6	10.3	10.3	9.7	9.1	8.1	7.8
Total capital ratio6	11.7	11.7	11.0	11.0	10.8	10.8
Earnings ratios						
Basic earnings per ordinary share (cents)7	203.4	195.8	233.0	214.2	125.3	206.0
Diluted earnings per ordinary share (cents)8	197.9	190.5	223.6	207.1	123.2	200.1
Dividends per ordinary share (cents)	172	166	156	139	116	142
Dividend payout ratio (%)9	84.8	84.8	67.0	64.9	92.6	68.9
Credit quality ratios						
Impairment charges on loans written off (net of recoveries)	1,666	1,604	1,867	1,300	1,874	439
Impairment charges on loans written off (net of recoveries) to average loans (%)	0.32	0.32	0.38	0.27	0.43	0.15

1 Australian dollar amounts have been translated into US dollars solely for the convenience of the reader at the rate of A$1.00 = US$1.0388, the noon buying rate in New York City on 28 September 2012.

2 Calculated by dividing net interest income by average interest earning assets.

3 Calculated by dividing net profit attributable to owners of Westpac Banking Corporation by average total assets.

4 Calculated by dividing net profit attributable to owners of Westpac Banking Corporation by average ordinary equity.

5 Calculated by dividing net profit attributable to owners of Westpac Banking Corporation by average ordinary equity and non-controlling interests.

6 For details on this ratio refer to Note 30 to the financial statements.

7 Based on the weighted average number of fully paid ordinary shares.

8 Based on basic earnings per share, with the weighted average number of fully paid ordinary shares outstanding adjusted for the conversion of dilutive potential ordinary shares, issued for no consideration, and after adjusting earnings for distributions on dilutive potential ordinary shares.

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

Balance sheet review

Assets 2012 v 2011

Total assets as at 30 September 2012 were $675.0 billion, an increase of $4.7 billion or 1% compared to 30 September 2011. This growth was primarily due to:

§ cash and balances with central banks decreased $3.7 billion due to lower holdings of this form of liquid assets;

§ receivables due from other financial institutions increased $1.7 billion. The majority of this increase was attributable to higher collateral posted with counterparties;

§ trading securities, other financial assets designated at fair value and available-for-sale securities increased by $2.7 billion due to increased securities trading activity in WIB;

§ derivative assets decreased $13.7 billion due to the impact of the Australian dollar strengthening against the US dollar and other major currencies on foreign exchange forwards and swaps; and

§ loans increased $17.8 billion primarily due to growth in Australian loans of $14.7 billion and New Zealand loans of $2.2 billion. In Australia, housing loans increased by $11.8 billion and business lending increased by $2.6 billion.

Liabilities and equity 2012 v 2011

Total liabilities as at 30 September 2012 were $628.7 billion, an increase of $2.3 billion compared to 30 September 2011. Growth in total liabilities was primarily due to:

§ payables due to other financial institutions decreased $6.9 billion, primarily due to a decrease in collateral balances received from counterparties in relation to derivatives;

§ deposits increased $24.7 billion. Growth was due to Australian deposits increasing $29.8 billion and New Zealand deposits increased $3.5 billion. Partially offsetting this growth was a fall in other overseas deposits of $8.6 billion. Australian deposit growth was predominantly in term deposits which increased by $26.7 billion. The reduction in offshore deposits related to our decision to reduce our reliance on offshore short-term funding given Australian deposit growth;

§ debt issues and acceptances decreased $18.1 billion. This decline was due to a reduction in short-term wholesale funding reliance and the impact of the appreciation in the Australian dollar during the year on foreign currency denominated debt; and

§ loan capital increased $1.4 billion due to the issuance of a new hybrid, Westpac CPS and issuance of new subordinated debt. This was partially offset by subordinated debt redemptions and the impact of the appreciation of the Australian dollar during the year.

Assets 2011 v 2010

The key movements in assets are outlined below:

§ cash balances with central banks increased $12 billion primarily due to an increase in liquid assets from increased collateral balances following the sharp end-of-period decline in the value of the Australian dollar;

§ receivables due from other financial institutions decreased $4 billion due to a decline in collateral placed, partially offset by an increase in interbank lending due to seasonal trends;

§ derivative financial instruments (assets) increased $13 billion primarily due to cross currency swaps hedging our offshore borrowings, which were impacted by principal resets following exchange rate movements;

§ trading securities, other financial assets designated at fair value and available-for-sale securities increased $13 billion primarily in holdings of Government, Semi-Government and bank securities and was largely an increase in liquid asset holdings;

§ loans increased $19 billion primarily due to growth in Australian loans of $15.1 billion and New Zealand loans of $2.4 billion. In Australia, an increase of $16.8 billion or 6% in Australian housing loans was partially offset by a decrease in Australian business lending of $1.8 billion or 1% and a decrease in Australian margin lending of $669 million or 19%;

§ life insurance assets decreased $4 billion through a successor funds transfer, BTFG transferred certain superannuation funds out of life companies into separately managed super funds, which are not consolidated. A corresponding change occurred in life insurance liabilities; and

§ other assets increased $3 billion primarily due to securities trading activities in WIB.

Liabilities and equity 2011 v 2010

The key movements in liabilities and equity are outlined below:

§ payables due to other financial institutions increased $6 billion primarily due to an increase in collateral received;

§ deposits increased $33 billion primarily as a result of an increase in Australian term deposits of $22.2 billion or 25% as savings rates in Australia increased and the Group s increased focus on customer deposit raising initiatives. Growth in mortgage offset accounts resulted in an increase in Australian non-interest bearing accounts of $1.5 billion or 12%. Increased overseas deposits of $8 billion reflected growth in corporate customer balances and investors preference for certificates of deposit;

§ derivative financial instruments (liabilities) decreased $5 billion due to cross currency swaps liabilities, partially offset by an increase in interest rate swap liabilities due to changes in interest rates;

§ trading liabilities and other financial liabilities designated at fair value increased $5 billion primarily due to securities trading activities in WIB;

§ debt issues and acceptances increased $15 billion due to growth in the wholesale funding portfolio;

§ life insurance liabilities decreased $5 billion through a successor funds transfer, BTFG transferred certain superannuation funds out of life companies into separately managed super funds, which are not consolidated. A corresponding change occurred in life insurance assets;

§ loan capital decreased $1 billion due to the redemption of term subordinated bonds, notes and debentures; and

§ equity attributable to owners of Westpac Banking Corporation increased $4 billion due to an increase in net retained profits after dividend payment and the issuance of shares to satisfy the DRP.

Loan quality 2012 v 2011

	As at 30 September		
	2012	2011	2010
	$m	$m	$m
Total gross loans1	518,279	500,654	482,366
Average gross loans			
Australia	455,753	439,165	428,861
New Zealand	45,911	44,279	45,171
Other overseas	6,930	5,228	5,428

Total average gross loans	508,594	488,672	479,460

1 Gross loans are stated before related provisions for impairment.

REVIEW OF GROUP OPERATIONS

Total gross loans represented 77% of the total assets of the Group as at 30 September 2012, compared to 75% in 2011.

Australia and New Zealand average loans were $501.7 billion in 2012, an increase of $18.3 billion or 4% from $483.4 billion in 2011. This increase was primarily due to growth in Australian housing lending.

Other overseas average loans were $6.9 billion in 2012, an increase of $1.7 billion or 33% from $5.2 billion in 2011.

Approximately 18% of the loans at 30 September 2012 mature within one year and 23% mature between one year and five years. Retail lending comprises the bulk of the loan portfolio maturing after five years.

	As at 30 September				
	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m
Impaired loans					
Non-performing loans1:					
Gross	4,034	4,287	4,240	3,526	1,059
Impairment provisions	(1,463)	(1,487)	(1,677)	(1,308)	(438)
Net	2,571	2,800	2,563	2,218	621
Restructured loans:					
Gross	153	129	132	71	6
Impairment provisions	(44)	(29)	(32)	(26)	-
Net	109	100	100	45	6
Overdrafts, personal loans and revolving credit greater than 90 days past due:					
Gross	199	200	213	173	112
Impairment provisions	(134)	(147)	(155)	(148)	(97)
Net	65	53	58	25	15
Net impaired loans	2,745	2,953	2,721	2,288	642
Provisions for impairment on loans and credit commitments					
Individually assessed provisions	1,470	1,461	1,622	1,228	413
Collectively assessed provisions	2,771	2,953	3,439	3,506	1,761
Total provisions for impairment on loans and credit commitments	4,241	4,414	5,061	4,734	2,174
Loan quality					
Total impairment provisions for impaired loans to total impaired loans2	37.4%	36.0%	40.7%	39.3%	45.4%
Total impaired loans to total loans	0.85%	0.92%	0.95%	0.81%	0.37%
Total provisions for impairment on loans and credit commitments to total loans	0.82%	0.88%	1.05%	1.01%	0.69%
Total provisions for impairment on loans and credit commitments to total impaired loans	96.7%	95.6%	110.4%	125.6%	184.8%
Collectively assessed provisions to non-housing performing loans	1.6%	1.7%	2.0%	1.8%	1.1%

1 Non-performing loans are loans with an impaired internal risk grade, excluding restructured assets.

2 Impairment provisions relating to impaired loans include individually assessed provisions plus the proportion of the collectively assessed provisions that relate to impaired loans. The proportion of the collectively assessed provisions that relate to impaired loans was $171 million as at 30 September 2012 (2011: $202 million, 2010: $244 million, 2009: $254 million, 2008: $121 million). This sum is compared to the total gross impaired loans to determine this ratio.

The quality of our loan portfolio as at 30 September 2012 remains relatively stable, with 76% of our exposure to either investment grade or secured consumer mortgages (2011: 76%, 2010: 74%) and 97% of our exposure in our core markets of Australia, New Zealand and the Pacific region (2011: 98%, 2010: 99%).

Potential problem loans as at 30 September 2012 amounted to $2,115 million, a decrease of 15% from $2,489 million at 30 September 2011. The reduction of potential problem loans is due mainly to the upgrade or repayment of some of these assets. A smaller amount of this movement is due to some of these loans being downgraded to impaired.

Potential problem loans are facilities that are performing and no loss is expected, but the customer demonstrates significant weakness in debt servicing or security cover that could jeopardise repayment of debt on current terms if not rectified. Potential problem loans are identified using established credit frameworks and policies, which includes the ongoing monitoring of facilities through the use of watchlists.

At 30 September 2012, total impaired loans as a percentage of total gross loans were 0.85%, a decrease of 0.07% from 0.92% at 30 September 2011.

At 30 September 2012, we had 12 impaired counterparties with exposure greater than $50 million, collectively accounting for 23% of total impaired loans. This compares to 12 impaired counterparties with exposure greater than $50 million in 2011 accounting for 21% of total impaired loans. There were 25 impaired exposures at 30 September 2012 that were less than $50 million and greater than $20 million (2011: 37 impaired exposures).

We believe that Westpac remains appropriately provisioned with total impairment provisions for impaired loans to total impaired loans coverage at 37.4% at 30 September 2012 compared to 36.0% at 30 September 2011. Total provisions for impairment in loans and credit commitments represented 96.7% of total impaired loans as at 30 September 2012, up from 95.6% at 30 September 2011. Total provisions for impairments on loans and credit commitments to total loans was 0.82% at 30 September 2012, down from 0.88% at 30 September 2011 (2010: 1.05%).

Consumer mortgage loans 90 days past due at 30 September 2012 were 0.51% of outstandings, a decrease of 4 basis points from 0.55% of outstandings at 30 September 2011 (2010: 0.47%).

Other consumer loan delinquencies (including credit card and personal loan products) were 1.11% of outstandings as at 30 September 2012, a decrease of 5 basis points from 1.16% of outstandings as at 30 September 2011 (2010: 1.25%).

CAPITAL RESOURCES

Capital management strategy

Westpac s approach to capital management seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalised. Westpac considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans.

Westpac evaluates these considerations through an Internal Capital Adequacy Assessment Process (ICAAP), the key features of which include:

§ the development of a capital management strategy including target capital ratios, capital buffers and contingency plans which guide the development of specific capital plans;

§ consideration of both economic and regulatory capital requirements;

§ a process which challenges the capital measures, coverage and requirements, which incorporates a comparison of economic and regulatory requirements and the use of the Quantitative Scenario Analysis (stress testing) framework that considers, amongst other things, the impact of adverse economic scenarios that threaten the achievement of planned outcomes; and

§ consideration of the perspectives of external stakeholders such as regulators, rating agencies and equity and debt investors.

Westpac s capital ratios are in compliance with APRA minimum capital adequacy requirements.

Basel Capital Accord

The regulatory limits applied to our capital ratios are consistent with the *International Convergence of Capital Measurement and Capital Standards: A Revised Framework*, also known as Basel II, issued by the Bank of International Settlements. This framework reflects the advanced risk management practices that underpin the calculation of regulatory capital through a broad array of risk classes and advanced measurement processes.

As provided for in the Basel II accord, APRA has exercised discretions to make the framework more relevant in the Australian market, and in particular has required that Australian banks using the most sophisticated models for credit and operational risk to hold regulatory capital for the interest rate risk taken in the banking book. The models used to quantify this risk are similar to the models used for traded market risk. In addition APRA has applied discretion in the calculation of the components of regulatory capital.

Westpac is accredited by APRA to use the AIRB approach for credit risk, the AMA for operational risk and the internal model approach for Interest Rate Risk in the Banking Book (IRRBB). Accreditation to use AIRB and AMA was effective from 1 January 2008, and IRRBB from 1 July 2008. We believe that using the advanced approaches for risk monitoring and measurement is in the interests of all our stakeholders. Effective risk management is regarded as a key activity performed at all levels of the Group. Achieving advanced accreditation from APRA has resulted in a broad array of changes to risk management practices that have been implemented across all risk classes. We recognise that embedding these principles and practices into day-to-day activities of the divisions to achieve the full benefits of these changes is an ongoing facet of risk management.

Changes to Basel II regulations, commonly referred to as Basel 2.5 , relating to securitisation and market risk were implemented from 1 January 2012.

Refer to Significant developments in Section 1 for a discussion on future regulatory developments that may impact upon capital requirements.

REVIEW OF GROUP OPERATIONS

Purchases of equity securities

The following table details share repurchase activity for the year ended 30 September 2012:

Month	Total Number of Ordinary Shares Purchased	Average Price Paid per Ordinary Share $	Total Number of Ordinary Shares Purchased as Part of a Publicly Announced Program	Maximum Number (or Approximate $ Value) of Ordinary Shares that may yet be Purchased Under the Plans or Programs
October (2011)	-	-	-	n/a
November (2011)	2,168	20.82	-	n/a
December (2011)	59,045	20.46	-	n/a
January (2012)	-	-	-	n/a
February (2012)	-	-	-	n/a
March (2012)	-	-	-	n/a
April (2012)	307	22.14	-	n/a
May (2012)	-	-	-	n/a
June (2012)	21,407	20.66	-	n/a
July (2012)	349,359	21.05	-	n/a
August (2012)	6,230	24.20	-	n/a
September (2012)	1,419	24.26	-	n/a
Total	439,935	21.01	-	-

Purchases of ordinary shares during the year were made on market and relate to the following:

§ to deliver to employees upon the exercise of options and performance share rights: 17,440 ordinary shares;

§ treasury shares held by statutory life funds and managed investment schemes and ordinary shares held by Westpac in respect of equity derivatives sold to customers: 31,544 ordinary shares; and

§ to allocate to eligible employees under the Restricted Share Plan (RSP): 390,951 ordinary shares.

Refer to Note 24 to the financial statements for a discussion of treasury share purchases.

COMMITMENTS

Contractual obligations and commitments

In connection with our operating activities we enter into certain contractual obligations and commitments. The following table shows our significant contractual cash obligations as at 30 September 2012:

	Up to 1 Year $m	Over 1 to 3 Years $m	Over 3 to 5 Years $m	Over 5 Years $m	Total $m
On balance sheet long-term debt1	25,544	48,372	31,366	12,698	117,980
Operating leases2	490	826	739	1,708	3,763
Other commitments2	687	1,042	408	64	2,201
Total contractual cash obligations	26,721	50,240	32,513	14,470	123,944

1 Refer to Note 22 to the financial statements for details of on balance sheet long-term debt.

2 Refer to Note 34 to the financial statements for details of expenditure commitments.

The above table excludes deposits and other liabilities taken in the normal course of banking business and short-term and undated liabilities.

Commercial commitments1

The following table shows our significant commercial commitments as at 30 September 2012:

	Up to 1 Year $m	Over 1 to 3 Years $m	Over 3 to 5 Years $m	Over 5 Years $m	Total $m
Standby letters of credit and financial guarantees	1,334	2,160	493	487	4,474
Trade letters of credit	2,589	-	-	-	2,589
Non-financial guarantees	5,080	1,555	218	2,055	8,908
Commitments to extend credit	46,369	39,890	12,492	41,058	139,809
Other commitments	36	-	-	62	98
Total commercial commitments	55,408	43,605	13,203	43,662	155,878

1 The numbers in this table are notional amounts (refer to Note 36 to the financial statements).

DIVISIONAL PERFORMANCE

DIVISIONAL PERFORMANCE 2012 v 2011

Our operations comprise three primary customer-facing business divisions:

§ Australian Financial Services (AFS) which incorporates the operations of:

Westpac Retail & Business Banking, which we refer to as Westpac RBB;

St.George Banking Group, which we refer to as St.George; and

BT Financial Group (Australia), which we refer to as BTFG

§ Westpac Institutional Bank, which we refer to as WIB; and

§ Westpac New Zealand.

Other divisions in the Group include Pacific Banking, Group Services, Treasury and Core Support.

The accounting standard AASB 8 *Operating Segments* requires segment results to be presented on a basis that is consistent with information provided internally to Westpac s key decision makers. In assessing its financial performance, including divisional results, the Westpac Group uses a measure of performance we refer to as Cash Earnings . Cash Earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with A-IFRS. The specific adjustments outlined below include both cash and non-cash items. Cash Earnings, as calculated by Westpac, is viewed as a measure of the level of profit that is generated by ongoing operations and is expected to be available over the long term for distributions to shareholders.

A reconciliation of Cash Earnings to net profit attributable to owners of Westpac Banking Corporation for each business division is set out in Note 32 to the financial statements. To calculate Cash Earnings, Westpac adjusts net profit attributable to owners of Westpac Banking Corporation for the items outlined below. Management believes this allows the Group to more effectively assess performance for the current period against prior periods and to compare performance across business divisions and across peer companies.

Three categories of adjustments are made to statutory results to determine Cash Earnings:

§ material items that key decision makers at the Westpac Group believe do not reflect ongoing operations;

§ items that are not considered when dividends are recommended, such as the amortisation of intangibles, impact of Treasury shares and economic hedging impacts; and

§ accounting reclassifications between individual line items that do not impact statutory results, such as policyholder tax recoveries1.

The discussion of our divisional performance in this section is presented on a Cash Earnings basis unless otherwise stated. Cash Earnings is not directly comparable to statutory results presented in other parts of this Annual Report.

Outlined below are the current Cash Earnings adjustments to the statutory results:

1. Trust Preferred Securities (TPS) revaluations adjustment for movements in economic hedges, including associated tax effects impacting the Foreign Currency Translation Reserve, relating to hybrid instruments classified as non-controlling interests. The adjustment is required as these hybrid instruments are not fair valued, however, the hedges are fair valued and therefore there is a mismatch in the timing of income recognition in the statutory results. The mismatch is added back to statutory results in deriving Cash Earnings as it does not affect the Group s profits over time;

2. Treasury shares under A-IFRS, Westpac shares held by the Group in the managed funds and life business are deemed to be Treasury shares and the results of holding these shares are not permitted to be recognised as income in the statutory results. In deriving Cash Earnings, these results are included to ensure there is no asymmetrical impact on the Group s profits because the Treasury shares support policyholder liabilities and equity derivative transactions which are re-valued in deriving income;

3. Ineffective hedges the gain/(loss) on ineffective hedges is reversed in deriving Cash Earnings for the period because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group s profits over time;

4. Fair value gain/(loss) on economic hedges (which do not qualify for hedge accounting under A-IFRS) comprises:

the unrealised fair value gain/(loss) on foreign exchange hedges of future New Zealand earnings impacting non-interest income is reversed in deriving Cash Earnings as they may create a material timing difference on reported earnings but do not affect the Group s Cash Earnings during the life of the hedge;

1 Policyholder tax recoveries income and tax amounts that are grossed up to comply with the A-IFRS accounting standard covering life insurance business (policyholder tax recoveries) are reversed in deriving income and taxation expense on a Cash Earnings basis.

the unrealised fair value gain/(loss) on foreign exchange hedges of fees payable for the use of the Government guarantee on foreign denominated wholesale funding is reversed in deriving Cash Earnings as they may create a material timing difference on reported earnings but do not affect the Group s Cash Earnings during the life of the hedge; and

the unrealised fair value gain/(loss) on hedges of accrual accounted term funding transactions are reversed in deriving Cash Earnings as they may create a material timing difference on reported earnings but do not affect the Group s Cash Earnings during the life of the hedge.

5. Gain/(loss) on buyback of Government guaranteed debt during 2011, the Group bought back some Government guaranteed debt which reduced Government guarantee fees (70 basis points) paid. In undertaking the buybacks, in addition to the 70 basis point fee saving, a cost was incurred reflecting the difference between current interest rates and the rate at which the debt was initially issued. In the statutory result the cost incurred is recognised at the time of the buybacks. In Cash Earnings the cost incurred is being amortised over the original term of the debt that was bought back. The Cash Earnings adjustment gives effect to the timing difference between reported earnings and Cash Earnings;

6. Tax provision during 2011, the Group increased tax provisions by $70 million in respect of certain existing positions for transactions previously undertaken by the Group. The increase reflected the recent trend of global taxation authorities challenging the historical tax treatment of cross border and complex transactions. This increase in tax provisions was treated as a Cash Earnings adjustment as it related to the global management of historical tax positions and does not reflect ongoing operations. The Group s management of tax positions has moved to disclosing any such transactions to the taxation authorities at or around the time of execution;

7. Supplier program during 2012, the Group incurred and provisioned for non-recurring expenses as part of its program to increase the use of global specialists in certain technology and back office operations. These expenses included costs associated with streamlining and better documenting systems and processes, technology costs to enable infrastructure and enhance interaction with suppliers, and costs associated with restructuring the workforce. Given these significant expenses are not considered in determining dividends, they are being treated as Cash Earnings adjustments;

8. Amortisation of intangible assets the acquisition of J O Hambro, previously a privately owned London-based equity investment manager, by BT Investment Management (BTIM) during 2012 resulted in the recognition of management contract intangible assets. These intangible items are amortised over their useful lives, ranging between five and twenty years. The amortisation of intangible assets (excluding capitalised software) is a Cash Earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders;

9. Litigation provision the Group recognised a provision of $111 million ($78 million after tax) with respect to longstanding legal proceedings. This has been treated as a Cash Earnings adjustment due to its size, the historical nature of the proceedings and it does not reflect ongoing operations;

10. St.George merger related Cash Earnings adjustments:

as part of the merger with St.George, transaction and integration expenses incurred over three years following the merger were treated as a Cash Earnings adjustment as they did not impact the earnings expected from St.George following the integration period. The integration project was completed in 2011;

amortisation of intangible assets the merger with St.George resulted in the recognition of core deposit intangibles and customer relationships intangible assets that are amortised over their useful lives, ranging between five and nine years. The amortisation of intangible assets (excluding capitalised software) is a Cash Earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders;

the accounting for the merger with St.George resulted in the recognition of fair value adjustments on the St.George retail bank loans, deposits, wholesale funding and associated hedges, with these fair value adjustments being amortised over the life of the underlying transactions. The amortisation of these adjustments is considered to be a timing difference relating to non-cash flow items that do not affect cash distributions available to shareholders and therefore have been treated as a Cash Earnings adjustment;

tax consolidation adjustment finalisation of tax consolidation related to the merger with St.George gave rise to a reduction in income tax expense of $1,110 million during 2011 and $685 million during 2010. The tax consolidation process required Westpac to reset the tax value of certain St.George assets to the appropriate market value of those assets at the effective date of the tax consolidation (31 March 2009). These adjustments have been treated as a Cash Earnings adjustment due to their size and because they do not reflect ongoing operations; and

TOFA tax consolidation adjustment new legislation that included retrospective amendments to the income tax law as it applies to TOFA and tax consolidated groups was introduced during 2012. The amendments have an adverse application to certain liabilities that were consolidated as part of the merger with St.George. This gave rise to an additional income tax expense of $165 million for 2012. Consistent with other tax adjustments relating to the merger with St.George this adjustment has been treated as a Cash Earnings adjustment due to its size and because it does not reflect ongoing operations.

DIVISIONAL PERFORMANCE

Organisational Changes

During 2012 the Group updated its approach on how capital is allocated and how transfer pricing is determined.

These new models have been designed to better align the Group s economic capital and pricing approaches to the new regulatory requirements, especially minimum prudential capital and liquidity requirements. The models also take into account the changed funding markets, especially higher marginal deposits and term wholesale funding costs.

During 2012 the Group also transferred management responsibility for:

§ the equities business from WIB to BTFG;

§ RAMS from Westpac RBB to St.George; and

§ the New Zealand Institutional banking business from WIB to Westpac New Zealand. For further details, please refer to New Zealand in Section 1 under Significant developments .

Results have been prepared on the basis that transfers and methodology changes took place on 1 October 2009. Comparatives have been restated accordingly.

Cash Earnings and assets by division

The following tables present, for each of the key divisions of our business, the Cash Earnings and total assets at the end of the financial years ended 30 September 2012, 2011 and 2010. Refer to Note 32 to the financial statements for the disclosure of our geographic and business segments and the reconciliation to net profit attributable to owners of Westpac Banking Corporation.

Cash Earnings by business division

	Years Ended 30 September		
	2012	2011	2010
	$m	$m	$m
Australian Financial Services			
Westpac Retail & Business Banking	2,114	1,850	1,729
St.George Banking Group	1,231	1,233	1,067
BT Financial Group (Australia)	653	729	693
Westpac Institutional Bank	1,473	1,427	1,383
Westpac New Zealand	548	442	356
Other divisions	579	620	651
Total Cash Earnings	6,598	6,301	5,879

Total assets by business division

	As at 30 September		
	2012	2011	2010
	$bn	$bn	$bn
Australian Financial Services			
Westpac Retail & Business Banking	255	247	232
St.George Banking Group	155	150	146
BT Financial Group (Australia)	27	26	32
Westpac Institutional Bank	98	101	88
Westpac New Zealand			