WESTPAC BANKING CORP
Form 20-F
November 15, 2010

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, 2010	
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, 4.20% Notes due February 27, 2015, 3.00% Notes due August 4, 2015, 4.625% Subordinated Notes due 2018 and 4.875% Notes due November 19, 2019**

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	**2,989,207,519 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 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

The Westpac Group

Annual Report 2010

Information contained in or accessible through the web sites 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 web sites are inactive textual references and are for information only.

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In this Annual Report a reference to Westpac , Group , The 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 preparation of 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.

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INFORMATION ON WESTPAC

Westpac is one of the four major banking organisations in Australia and, through our New Zealand operations, we are also 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 entities(1) throughout Australia, New Zealand and the near Pacific region, and maintain offices in some of the key financial centres around the world(2).

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* (Corporations Act).

As at 30 September 2010, our market capitalisation was $69.5 billion(3) and we had total assets of $618.3 billion.

Business strategy

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

Our ***aspiration*** is to:

- have a family of much loved financial services brands;
- be recognised for enduring customer relationships;
- be a place where the best people want to work;
- be a leader in the community; and

- be a great investment.

Our ***mission*** is to earn all of our customers   business.

Our ***focus*** is on:

- delighting our customers;
- having the right people in the right roles; and
- our reputation.

We have strong ***values***, which are well embedded in our culture. We believe that the following values will help us deliver our strategy:

- working as one team;
- delighting customers;
- acting with integrity;
- achievement; and
- valuing each other.

Strategic priorities

By putting the customer at the centre of everything we do, engaging our customers through brands they know and trust, and focusing on the key elements of customer advocacy, we believe we will realise our vision to be one of the world   s great companies, helping our customers, communities and people to prosper and grow.

Consistent with that approach, our strategic priorities are particularly centred on improving our distribution and customer offerings, specifically to:

a) Focus on key customer segments, aiming to deepen relationships with customers, especially in savings and wealth management by

- putting the customer at the centre of everything we do;
- establishing and driving high performing and locally empowered businesses very close to the communities they serve;
- developing and implementing compelling customer segment strategies, bringing banking and wealth management together for the customer; and
- strengthening the skills and depth of our people.

b) Become faster, simpler and easier to do business with

- by having processes and solutions designed from the customer s perspective;
- through a focus on convenience, simplicity and flexibility; and
- by achieving integration across all channels.

c) Realise our multi-brand advantage by

- having a clear, shared vision of success across the Group;

- offering an even greater choice to customers; and

- continuing to invest in and support the individual brands across The Westpac Group.

d) Make our people an important part of our advantage

- through appropriate recruitment and induction processes;

- with a continuing focus on training and coaching; and

- by having a flexible and diverse workforce.

e) Invest in technology and operations to

- transform service delivery, redesign processes end-to-end from a customer perspective; strengthen technology capabilities to increase the reliability and consistency of service;

- focus on driving productivity and eliminating duplication to provide headroom for additional investment; and

- launch a multi-year technology transformation program to renew our overall technology base.

f) Lead in reputational and sustainability matters

- by ensuring that each decision we make is consistent with our customer-focused strategy, and by continuing to actively support the communities in which we operate;

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(1) Refer to Note 38 to the financial statements for a list of our controlled entities as at 30 September 2010.

(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 Australian Securities Exchange (ASX) as at 30 September 2010.

- through further embedding sustainability concepts in all elements of our businesses;

- through ongoing joint endeavours with our not-for-profit partners; and

- by continuing to develop strong risk management capabilities as a competitive advantage.

Organisational structure

Our operations comprise the following five key customer-facing business divisions operating under multiple brands, serving around 11.8 million customers(1):

- Westpac Retail & Business Banking, which we refer to as Westpac RBB, is responsible for sales, marketing and customer service for all consumer and small-to-medium enterprise customers in Australia under the Westpac and RAMS (2) brands;

- Westpac Institutional Bank, which we refer to as WIB, delivers a broad range of financial services to commercial, corporate, institutional and government customers either based in, or with interests in, Australia and New Zealand. Customers are supported through Westpac branches and subsidiaries located in Australia, New Zealand, New York, London and Asia;

- St.George Bank is responsible for sales, marketing and customer service for our consumer, business and corporate customers in Australia under the St.George brand. It also includes the management and operation of Bank of South Australia (BankSA);

- BT Financial Group Australia, which we refer to as BTFG, is Westpac s wealth management business. BTFG designs, creates and distributes financial products that are designed to help our customers achieve their financial goals by administering, managing and protecting their assets. BTFG includes operations under the Asgard, Advance, Licensee Select, Magnitude, BankSA and Securitor brands; and

- New Zealand Banking, which provides a full range of retail and commercial banking and wealth management products and services to consumer and business customers throughout New Zealand. New Zealand Banking operates under the Westpac New Zealand, Westpac Life New Zealand and BT New Zealand brands.

Other business divisions in the Group include:

- Pacific Banking, which provides banking services for retail and business customers throughout near South Pacific Island Nations;

- Product & Operations, which is responsible for consumer and business product development and operations;

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

- Technology, which is responsible for developing and maintaining reliable and flexible technology capabilities and technology strategies; and

- Core Support, which comprises those functions performed centrally including finance, risk, legal 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.

Structure chart of our businesses

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(1) All customers, primary and secondary, with an active relationship (excludes channel only and potential relationships) as at 30 September 2010.

(2) RAMS Home Loans is our home loan franchise distribution business.

Managing sustainability

Our sustainability approach

We have a set of goals to make sustainability part of the way we do business including embedding sustainability into our strategy, values, culture and processes including supply chain, risk management, and product development.

Application of the AA1000 Principles

Our approach to sustainability is aligned to the AA1000 AccountAbility Principles Standard (2008), a voluntary framework developed by the UK based AccountAbility organisation. The standard establishes a framework for the identification, management and communication of sustainability issues. Underpinning the framework are three key principles:

- inclusivity;
- sustainability materiality; and
- responsiveness.

Utilising these principles assists us to identify and respond to issues that matter to the long-term prosperity of our business, our customers, our people and our communities.

Inclusivity

Open dialogue with a wide range of stakeholder groups is important to better understand how we impact upon each other. Open dialogue also assists us to understand emerging trends and issues so that we can best respond to these challenges.

Key changes in our approach to inclusivity during 2010 have included:

- working to better understand and address customer concerns;
- specific engagement with customers and non-government organisations on developing credit policy statements;
- the further rollout of Net Promoter Score (NPS) measures across the Group;
- more explicit monitoring of our reputation across a range of stakeholders; and
- a review of our main stakeholder consultation body, the Community Consultative Council (CCC), was undertaken and will continue in 2011.

We have increased our engagement with the local community as well as maintained specific issue based engagements and our CCC.

Sustainability materiality

In addition to the stakeholder consultation approach described above, issues, risks and opportunities are also identified from a wide range of sources such as strategic planning sessions, media coverage and government priorities.

We prioritise issues according to their impact on our stakeholders, our business operations and financial outcomes. This year we applied a more prescriptive process to categorise and weigh individual issues. Issues are reviewed internally and endorsed by the Board Sustainability Committee before being reviewed by our external sustainability assurers, KPMG.

This year we saw fewer issues raised, but those raised were multifaceted and complex. Significant issues included: interest rates and fees, the impact of the global financial crisis, customer service, regulation, diversity and flexibility, climate change, and responsible lending and investment.

Responsiveness

These issues feed directly into the development of our sustainability strategy and objectives setting.

We set ourselves a number of objectives for 2010 which were broadly achieved in most areas. Details of our performance are provided on the following pages.

Following feedback from the CCC, and discussions with the Westpac Board, we have reviewed our five-year sustainability strategy to enhance the social dimensions of our performance objectives. This refresh will more closely align our 2011 sustainability objectives to our sustainability and business activities.

The following table sets out our performance against 2010 sustainability objectives

Going mainstream		
Building sustainability into our products and services to help customers become more sustainable.		
Embed sustainability criteria into consumer product design and decision making process across our retail brands in Australia.	ü	Product life cycle development documentation aligns to sustainability strategy.
Launch an energy efficiency loan product for retail customers in Australia and New Zealand.	ü	First major bank to participate in the Australian Federal Government s Green Loan program, and a participant in the New Zealand Government s Warm Up New Zealand campaign to encourage the installation of heat pumps and insulation.
Roll out St.George Bank employee green loan to all Australian-based Westpac Group employees.	ü	$4,000 interest free green loan per employee was made available to employees in February 2010.
Roll out an innovative savings product to assist customers in savings and budget planning.	ü	In October 2009, St.George Bank and BankSA launched SENSE, a savings product with tools to save and improve customers money management. Winner of a 2010 Canstar Cannex Innovation Excellence Award.
To be ranked as the top 1 and 2 for NPS scores in Australia amongst the major banks and 4th in New Zealand.	Í	Whilst St.George Bank continues to lead NPS scores amongst the major banks, the remainder of this objective has not yet been reached.
People and places		
Social sustainability including responsible banking and working on issues of concern to local communities		
Commence measurement and reporting of customer feedback on Assist services and the Financial Solutions Group.	ü	NPS scores specific to the Assist services have been tracked during the year
Complete roll out of Westpac Local in Westpac RBB.	ü	The Westpac Local model has been implemented across Westpac RBB and New Zealand banking.
Provide $1 million in financial and in-kind support for financial counselling services.	ü	Over $1 million in support was provided.
Continue to grow the Organisational Mentoring Program.	ü	Number of Organisational Mentoring partners has increased from 5 in 2009 to over 40 in 2010.
Maintain a Group-wide employee engagement score of 81%.	Í	Employee engagement maintained at a high level, 80% (81% in 2009).
Tread lightly		
Managing our own environmental footprint		
Reduce Scope 1 and 2(1) emissions by 12.5% on 2008 levels(2).	Í	Total Scope 1 and 2 emissions reduced by 4% against the 2008 baseline.
	ü	

Reduce paper consumption by 7% on 2008 levels(2).		Paper consumption decreased by more than 24% against the 2008 baseline.
Reduce water consumption by 6% in Australian corporate and contact centres on 2008 levels.	n/a	The published target was established for Westpac. Comparable data is not available due to the integration of Westpac and St.George.
Identify and measure additional areas of Scope 3(3) (indirect emissions).	ü	Additional areas of Scope 3 emissions have been identified and have been incorporated into the measurement and reporting framework.

(1) 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.

(2) The 2008 baseline has been adjusted to include St.George on a pro forma basis.

(3) Scope 3 emissions are GHG emissions from other indirect sources (typically from purchased materials, products or services).

Climate change

Helping customers and employees transition to a low-carbon economy

Implement New Zealand carbon strategy.	ü	The New Zealand carbon strategy has been implemented, including participation in New Zealand Emissions Trading Scheme (NZ ETS).
Launch carbon hedging and risk management products in Australia and New Zealand.	ü	First bank to trade in the New Zealand Emissions Trading Scheme. Well positioned to deliver products should market trading commence in Australia.
Incorporate carbon considerations into credit and risk processes and sector strategies.	ü	Carbon-related regulatory risk has been incorporated into sector strategy and credit submission templates. Carbon-related risk management strategies have been incorporated into specific high risk transactions.
Continue to engage with all significantly affected customers.	ü	Continued engagement with customers in Australia and New Zealand likely to be impacted by the measures to better understand the impacts and develop product responses.

Speaking out

Leading beyond the corporate walls and speaking out in support of sustainable business practice

Advocate for continued action on climate change.	ü	Westpac established as a Lead Partner with the Climate Institute, a local not-for-profit organisation which promotes policy, market and business solutions to climate change.
		Founding partner of the Advance Green Network linking Australians around the world involved in sustainability. Events have been held in New York and London.
Continue to encourage the adoption of sustainable business practices amongst small to medium enterprises (SME) and within the community sector.	ü	Involved in the National SME Project and the launch of the Good Business Register for SME in December 2009.
Encourage greater use of Environmental, Social and Governance (ESG) factors in investment decision-making.	ü	Sustainability performance integrated into the 2010 Annual Review and Annual Report. Hosted an analyst briefing on sustainability in the finance sector.
Scope opportunities to embed sustainability criteria into the category management plans for priority areas of spend.	ü	Sustainability criteria has been embedded into category plans developed by our Group procurement team. For selected suppliers, environmental reporting criteria has also been embedded.
Have at least 5% of employees registered as Our Tomorrow Champions across the Group.	ü	More than 5% (2,300 employees) have registered to be an Our Tomorrow Champion across the Group.

Solid foundations

Corporate governance, risk management, values and ethics

Develop a consistent framework for credit risk analysis across all business units.	ü	An ESG Risk Framework has been approved by the Board Risk Management Committee.
Establish a governance process to implement the United Nations Principles for Responsible Investment (UN PRI) across the merged BTFG funds management businesses.	Í	Work to date on implementing a governance process for the implementation of the UN PRI has focused on the Advance business, including surveying of external fund managers and the development of a draft framework.
Implement Sustainable Supply Chain Management (SSCM) across all countries and brands.	ü	The Sustainable Supply Chain Management Policy applies across all countries and brands. Implemented in all Australian brands and with high spend suppliers in Pacific Banking. Detailed sustainability assessments are currently being carried out with high-risk and high-spend suppliers in New Zealand.
Explore opportunities to align sourcing practices with our local community engagement approach.	ü	In support of the Westpac Local model our Print Management Services Agreement now supports local printing of specialised marketing materials.

Competition

The financial services markets are strongly competitive across the regions in which we operate and are likely to become more so as the global economy recovers from the global financial crisis.

We service the financial and wealth needs of a broad set of customer segments, spanning from small businesses to large corporate and institutional clients on the business side and consumers to high net worth individuals on the retail side of our business. Our competitors vary across the range of products and services that we offer, from large global organisations with a broad offering to entities more focused upon a specific region or product.

In Australia, the competition for deposits has intensified as banks and other financial institutions seek to reduce their reliance on wholesale funding and better position themselves for anticipated liquidity regulatory requirements.

We expect competition within the lending market to further intensify, in particular in business lending, as business confidence improves and investment returns. Competition for mortgages is likely to intensify further if growth in the housing market slows.

In the 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 emerging regulatory changes.

The New Zealand economy, which suffered a more significant slowdown in economic activity than Australia during the global financial crisis, is showing some early signs of improvement. As a result, we would expect to see renewed competition for customers business as confidence improves, notwithstanding that a number of smaller non bank institutions have exited the New Zealand market.

Outlook(1)

The 2010 financial year has been an important period for The Westpac Group. Having emerged from the global financial crisis in strong shape, the Group has focused on improving the sustainability of the business. This has included, continuing to expand the distribution capability, building on the multi-brand strategy, implementing comprehensive cuts to customer fees, reducing the Group s reliance on third party distribution, absorbing falls in markets related income, enhancing the Group s technology infrastructure and further strengthening capital and liquidity. Each of these factors has some impact on earnings and the effects will continue into 2011.

In the period ahead, economic activity is expected to further improve as business investment picks up and global growth trends higher. Nevertheless we expect some of the legacies of the global financial crisis to be with us for some time including caution remaining in financial markets.

These trends are expected to see wholesale funding costs continue to rise in the year ahead.

At the same time we expect further clarity in the prudential and regulatory change agenda, particularly in finalising adjustments to capital and liquidity requirements. These changes are likely to see Westpac further strengthen its balance sheet although this is expected to be accomplished in a measured way.

Credit growth is expected to improve in the year ahead with housing growth remaining around current levels and business lending gradually improving after two years of de-gearing.

In the period ahead, Westpac will continue to focus on: better meeting customer needs; capitalising on our multi-brand approach and further strengthening the infrastructure supporting our network. This includes increasing investment in our Strategic Investment Priorities. At the same time, the Group will have a more targeted and selective approach to growth while appropriately managing all aspects of the balance sheet.

Having further strengthened the franchise over 2010, The Westpac Group is in excellent shape to continue supporting customers and improving returns to shareholders.

Significant developments

Merger with St.George Bank Limited

On 1 December 2008, Westpac completed its merger with St.George by way of a scheme of arrangement. The merger, originally announced on 13 May 2008, was approved by holders of St.George ordinary shares on 13 November 2008 and subsequently approved by the Federal Court of Australia on 17 November 2008. Upon completion of the merger, St.George Bank Limited operated as a Westpac subsidiary. A regulatory condition of the merger was that Westpac and St.George would transition to a single authorised deposit-taking institution (ADI).

On 1 March 2010 Westpac and St.George commenced operating as a single ADI. In conjunction, the legal entity, St.George Bank Limited was deregistered and Westpac became its successor in law. That transition resulted in all St.George assets and liabilities (including all deposits, contracts and debt securities previously issued by St.George Bank Limited) becoming Westpac assets and liabilities. All directly owned subsidiaries of St.George Bank Limited are now directly owned by Westpac.

St.George and all its wholly owned Australian subsidiaries joined the Westpac tax consolidation group on 31 March 2009. As part of the tax consolidation process, Westpac was required to reset the tax value of certain St.George Bank assets to the appropriate market value of those assets on 31 March 2009. A number of St.George Bank derivative contracts were assessed as having a market value, at the time of tax consolidation, higher than their original value. Pending the determination of the tax consolidation outcome, Westpac s accounting for these contracts had factored in tax on this increase in value.

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

Tax consolidation relating to the merger with St.George has been finalised for the 2009 and 2010 financial years. With the tax consolidation impacts for the 2009 and 2010 financial years now completed and the approach agreed with the Australian Taxation Office (ATO), it has been determined that tax is not required to be paid on the increase in the value of the derivative contracts that matured in the 2009 and 2010 financial years. This value totalled $2,284 million, and accordingly, our current tax liability and income tax expense have been reduced by $685 million. This will lead to a corresponding refund of 2009 tax paid and an adjustment to Westpac s tax payable for 2010.

As additional derivative contracts mature, there may be further material favourable adjustments. However, it is not possible to assess these adjustments until the interaction of the new taxation of financial arrangements (TOFA) legislation and the tax consolidation rules is clarified. Additional adjustments to tax payable or deferred balances will not be made until discussions clarifying the application of these rules have been finalised with the ATO.

Strategic investment priorities

Westpac has commenced a significant investment in major strategic projects aimed at delivering business and technology capabilities to improve the customer experience. That investment is taking place through 15 cross-divisional programs we call our Strategic Investment Priorities (SIPs). The SIPS are a series of programs that implement the Group s technology strategy and plan including:

- addressing legacy technology issues;
- transforming the Group s technology infrastructure to support a multi-brand platform; and
- supporting Westpac s customer focused strategy.

The SIPs program consolidates a significant proportion of Westpac s project investment and is planned to take place over five years with a forecast project investment of $2 billion.

Liquidity

On 17 December 2009, the Basel Committee on Banking Supervision (BCBS) released a consultative document titled *International framework for liquidity risk measurement, standards and monitoring*. The BCBS intends to release final standards by December 2010.

Following an extensive consultation process and Quantitative Impact Study, the BCBS continues to work on the quantification and determination of final standards. While some information has been released, the final package of reforms is not yet known. One unresolved issue of particular relevance to the Australian marketplace is the qualification criteria for liquid assets in jurisdictions where there are insufficient government bonds available to meet the Liquidity Coverage Ratio. The BCBS has announced that the implementation of the proposed Liquidity

Coverage Ratio and Net Stable Funding Ratio are to be delayed until 2015 and 2018 respectively, pursuant to an observation period and further analysis by the BCBS.

The Australian Prudential Regulation Authority (APRA) has indicated that it will release revised Australian liquidity standards for consultation subsequent to finalisation of the BCBS standards. It is expected that APRA will release draft standards during 2011, and final standards during 2012.

Until there is greater clarity regarding the new prudential requirements, the full extent of the impacts for Westpac is uncertain. Notwithstanding the uncertain requirements, Westpac expects to be required to increase its holding of liquid assets.

Capital

On 17 December 2009, the BCBS released a consultative document titled *Strengthening the resilience of the banking sector* which set out potential changes to the definition and quantum of capital required to be held by banks globally, including the introduction of certain capital buffers. On 26 July 2010, the Group of Governors and Heads of Supervision, the oversight body of the BCBS, announced that they had reached broad agreement on the overall design of the capital reform package. This includes transitional arrangements for introduction of the proposed leverage ratio for final implementation by 2018.

On 12 September 2010, this Group of Governors also issued a further release announcing higher global minimum capital standards, which included:

- an increase in the minimum common equity requirement from 2% to 4.5%;
- an increase in the minimum Tier 1 capital requirement from 4% to 6%;
- quantification of the capital conservation buffer at 2.5%, to be met with common equity; and
- quantification of a range for the countercyclical buffer of between 0% - 2.5% of common equity or other fully loss absorbing capital.

The September 2010 release also outlined that agreement has been reached on transitional arrangements for implementing the new standards, with phase in arrangements starting from 1 January 2013 and some elements not becoming fully effective until 1 January 2019. The BCBS capital reforms are expected to be finalised by the end of 2010, following which APRA is expected to consult with industry in relation to prudential standards applicable for Australia. Until the full suite of capital reforms are finalised by the BCBS, and APRA s prudential standards are issued, the full extent of the impacts for Westpac is uncertain.

In addition, the Financial Stability Board (FSB) working closely with the BCBS has finalised a policy framework, to be endorsed by the G20, that will apply to institutions deemed to be systemically important financial institutions (SIFIs). The framework calls on jurisdictions to put in place additional requirements for both national and global SIFIs. Details of the framework and the definition of a SIFI are currently unknown, and therefore the implications for Westpac cannot be determined at this stage.

Derivatives Reform

Globally regulators are transforming the Over the Counter (OTC) derivatives market by mandating central clearing for standardised OTC derivatives, encouraging exchange trading where appropriate, imposing higher capital charges on non-cleared products, and requiring all transactions to be reported to trade repositories. Westpac is closely monitoring offshore developments and is actively engaging with both local and international regulators, trade associations, banks, and clearing houses. It is expected that the usage of clearing globally will expand rapidly during 2011 and Westpac will commence moving towards a cleared solution following an appropriate risk assessment, as and when clearing solutions meeting the needs of the Australian marketplace become available. These changes have the potential to affect WIB s Markets business.

United States

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

Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)

In response to the recent financial crisis, new legislation designed to reform the system for supervision and regulation of financial firms in the United States 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 United States, including foreign banks like Westpac. Included among its provisions are reforms designed to reduce systemic risk presented by very large financial firms, promote enhanced supervision, regulation, and prudential standards for financial firms, 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 government with the tools needed to manage a financial crisis. Many aspects of the legislation require rulemaking by US federal supervisory agencies for full implementation. Until there is greater clarity, it is not possible to assess the impact of the legislation and the regulations on our operations.

Foreign Account Taxation Compliance Act (FATCA)

The FATCA provisions were signed into law in the US on 18 March 2010. The legislation requires foreign financial institutions (such as Westpac) to provide the US Internal Revenue Service (IRS) with information on accounts held by US persons. There are a number of significant Australian legal obstacles to compliance and the final form of the rules is unknown. However, if implemented near to its current form it would require substantial investment in a compliance and reporting framework to meet the standards.

Further regulatory developments

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

- Credit law reform - The *National Credit Code* has commenced, increasing the regulation of activities relating to the provision of consumer credit. The Government has begun working on a second phase of its credit law reforms, which is expected to extend the regulation of credit to cover small businesses;

- Consumer law reform - The Government continues reforms to Australia s consumer laws. Regulators such as the Australian Competition and Consumer Commission (ACCC) and Australian Securities and Investments Commission (ASIC) are assisting industry with the detail of the new regulatory framework, including developing guidance on the application of new laws relating to unfair terms in consumer contracts;

- Margin lending reform - Margin lending has been made a financial product subject to the *Corporations Act* and this has created new conduct and disclosure requirements for issuers and advisers of margin lending facilities which will take effect from 1 January 2011;

- Superannuation changes - On 5 July 2010, the Government released the final report of the Cooper Review on the governance, efficiency, structure and operation of Australia s superannuation system. The report makes several recommendations, including the proposed introduction of a simple, low-cost MySuper superannuation product and an initiative called SuperStream to improve the efficiency of processing superannuation transactions through the use of technology; and

- The introduction of a new regulatory framework for personal property securities - The Government has introduced a national personal property securities regime involving a single register, replacing a wide range of complex State and Territory based legislation and registers.

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.

Proposed transfer of additional banking operations to Westpac New Zealand

It is a policy of the Reserve Bank of New Zealand (RBNZ) that all systemically important banks must incorporate as local entities in New Zealand, rather than operate through branch structures.

Until 1 November 2006, Westpac conducted its banking operations within New Zealand in a branch structure. On that date, and after extensive consultation with the RBNZ, Westpac adopted a dual registration operating model including a locally incorporated subsidiary, Westpac New Zealand Limited (WNZL), to conduct its retail and business banking activities in New Zealand, and a branch, Westpac s NZ Branch (NZ Branch) to conduct its institutional and financial markets activities. The conditions of registration of each of WNZL and NZ Branch are consistent with these operating model arrangements.

In 2009, the RBNZ asked Westpac to review the structure of its operating model in New Zealand to ensure that it is able to sustain durable compliance with the RBNZ s prudential policies. Accordingly, it was agreed that an independent review would take place, with the terms of reference for the review established through consultation between the RBNZ, WNZL and Westpac. The RBNZ, WNZL and Westpac have reached high level agreement on changes to the operating model.

Under that agreement, the NZ Branch will transfer the following additional business activities and associated employees to WNZL:

- institutional customer deposits;

- institutional customer transactional banking;

- institutional customer lending;

- debt capital markets (including customer loan syndication and securitisation arrangements, but excluding the debt securities team activities, such as arrangement of commercial paper and bond programmes); and

- corporate advisory.

Details of the changes are being worked through in consultation with the RBNZ as part of the implementation program.

Under the proposed changes to the operating model, the NZ Branch will retain 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 will retain its global intra-group financing functions.

Implementation of the transfer is currently expected to be completed by the end of the 2011 calendar year.

Australian Government Guarantee Scheme

On 31 March 2010, the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding (the Guarantee Scheme) closed to new liabilities. The Guarantee Scheme, originally announced in October 2008, provided a guarantee facility for deposits of amounts over $1 million and wholesale funding of an eligible ADI, in return for a fee payable by the eligible ADI.

Deposit balances above $1 million covered by the Guarantee Scheme as at 31 March 2010 will be covered until maturity (for term deposits), or until October 2015 (for at call deposits). For at call deposits, the amount covered will be capped at the closing guaranteed amount on 31 March 2010. Deposits and interest payments after this date will only be covered (up to the capped amount) if the guaranteed balance has fallen below the capped amount. For term deposits, interest due after 31 March 2010 will be guaranteed to maturity. Statutory trust accounts will be treated in the same way as other large deposits. Guaranteed wholesale liabilities as at 31 March 2010 will also be guaranteed to maturity (which may be up to five years).

Guarantee Scheme fees based on eligible ADIs long term credit rating, required to be paid monthly, continue to apply throughout the period for which the guarantee applies to the relevant deposits. The monthly payment is calculated on the basis of the funds to be guaranteed, multiplied by the Guarantee Scheme fee. The Guarantee Scheme fee applicable to Westpac is 70 basis points or (0.70%) per annum. The fee waiver for guaranteed amounts held in statutory trust accounts continues to apply.

The closure of the Guarantee Scheme does not affect the Financial Claims Scheme (FCS), administered by APRA, which will continue to provide depositors a free guarantee of deposits in eligible ADIs up to and including $1 million. The FCS applies to an eligible ADI if APRA has applied for the winding up of the ADI and the responsible Australian Government minister has declared that the FCS applies to that ADI. The Financial Claims Scheme (ADIs) Levy Act 2008 provides for the imposition of a levy to fund the excess of certain of APRA s financial claims scheme costs connected with that ADI. The levy would be imposed on liabilities of eligible ADIs to their depositors and cannot be more than 0.5% of the amount of those liabilities. The $1 million FCS cap is scheduled to be reviewed by the Australian Government in or around October 2011.

New Zealand Government Guarantee Scheme

WNZL opted into the New Zealand Retail Deposit Guarantee Scheme which the New Zealand Government originally announced on 12 October 2008. The scheme was for a two year period. WNZL entered into a Crown Deed of Guarantee on 11 November 2008, which was amended by a Supplemental Deed dated 24 November 2008. The Crown withdrew the original deed in respect of indebtedness incurred on or after 1 January 2010 and entered into a revised deed of guarantee with WNZL dated 16 December 2009. The scheme expired on 12 October 2010.

The New Zealand deposit guarantee extended to debt securities issued by WNZL in any currency (which included deposits and other amounts lent to WNZL), other than debt securities issued to excluded creditors such as financial institutions and related parties of a participating entity. It did not extend to subordinated debt obligations. The debt securities covered by the New Zealand deposit guarantees were limited to an amount of NZ$1 million per creditor per approved institution. Under the original New Zealand deposit guarantee, WNZL was required to pay a fee of 10 basis points (or 0.1%) on the amounts owing to creditors covered by that guarantee to the extent that amount exceeded NZ$5 billion as at 12 October 2008. A similar additional fee was payable in respect of the balance as at 12 October 2009.

On 25 August 2009, the Crown announced an extension of the deposit guarantee scheme. The extension scheme is effectively a new scheme that commenced on 12 October 2010 and ends on 31 December 2011. Institutions had to re-apply to have a guarantee under the extension scheme. When releasing its Financial Stability Report in May 2010, the RBNZ said that there was no need for banks to enter the extended scheme and WNZL and Westpac Banking Corporation s NZ Branch did not apply for the extension scheme.

On 1 November 2008, the New Zealand Government announced details of a wholesale funding guarantee facility to investment-grade financial institutions that have substantial New Zealand borrowing and lending operations (the Facility). The Crown entered into a Crown Wholesale Funding Guarantee Facility Deed with WNZL on 23 February 2009 and has provided a Crown Wholesale Funding Guarantee in respect of WNZL dated the same date. The Facility operated on an opt-in basis, by institution and by instrument. Wholesale funding liabilities of WNZL (which could include amounts guaranteed by WNZL) only have the benefit of the Facility where a Guarantee Eligibility Certificate has been issued in respect of those liabilities. Copies of the Guarantee Eligibility Certificates issued in respect of WNZL obligations are available on the New Zealand Treasury internet site. A guarantee fee was charged for each Guarantee Eligibility Certificate issued under the Facility, differentiated by the credit rating of the issuer of the relevant securities, the term of the security being guaranteed and, in the case of issues with terms of more than one year, between New Zealand dollar and non-New Zealand dollar issues. The maximum term of securities guaranteed was five years. The NZ Branch did not participate in the scheme.

The Facility closed on 30 April 2010. From that time no new Guarantee Eligibility Certificates will be issued but existing guaranteed liabilities have not been affected.

Tax developments

The Australian Federal Government commissioned Australia s Future Tax System Review (the Henry Review) which is a comprehensive review of the Australian taxation system (except GST), chaired by the Secretary to the Treasurer, Dr Ken Henry AC.

On 2 May 2010, the Federal Government released the Henry Review and its initial response. A large proportion of the Henry Review s 138 recommendations were not dealt with in the Government s initial response. Of the recommendations addressed in its initial response, the Government recommended reducing the company tax rate to 29% for the 2013 - 2014 income year and to 28% from the 2014 - 2015 income year (28% for small business by 2012), and the gradual increase of the employers compulsory superannuation guarantee from 9% to 12% by 2020. Detail of these proposed reforms, and the Government s response to the other recommendations, are expected to be released progressively. The Federal Government has made no announcement concerning the Henry Review since the Australian Federal election held in September 2010, and it is not certain that all aspects of the Government s response will remain unchanged in the new Parliament. Until further detail is released, and any changes to the law finalised, any impact on Westpac cannot be determined.

The taxation of financial arrangements rules contained in the Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 became law on 26 March 2009. The TOFA rules will effectively result in a closer alignment of the recognition and measurement of many financial instruments between the Australian accounting standards and taxation laws.

Changes to accounting standards

In further 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, loan-loss provisioning, off-balance sheet exposures and the impairment and valuation of financial assets. The Group expects that there will be a number of new standards issued in calendar years 2010 and 2011 that may require changes to our current accounting approaches.

Litigation

New Zealand Commissioner of Inland Revenue

On 23 December 2009, Westpac reached a settlement with the New Zealand Commissioner of Inland Revenue (CIR) of the previously reported proceedings relating to nine structured finance transactions undertaken between 1998 and 2002. Under the settlement, Westpac agreed to pay the CIR 80% of the full amount of primary tax and interest and with no imposition of penalties. All proceedings have been discontinued and the other terms of the settlement are subject to confidentiality. Westpac provided in full for the primary tax and interest claimed by the CIR as part of its 2009 result, and consequently there has been a write back through income tax expense in the year ended 30 September 2010.

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 the establishment and enforcement of 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 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 regulatory regime of APRA. 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 for regulation and enforcement of company, financial markets and financial services laws that protect consumers, investors and creditors. With respect to financial services, it promotes honesty and fairness through the provision of 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 became the principal regulator of consumer credit providers in 2010 following the introduction of new national consumer credit regulation. Effective 1 October 2010, ASIC has taken over from the ASX responsibility for supervision of trading on Australia s domestic licensed markets and of trading participants. This supplements its pre-existing responsibility for enforcement of the laws against misconduct on Australia s financial markets.

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 that 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 enforcement of 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 objectives are to ensure that corporations do not act in a way that may have the effect of eliminating or reducing competition, and to oversee product safety and liability issues, pricing practices and third party access to facilities of national significance. 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 in a financial sector company of more than 15%.

Proposals for foreign acquisitions of Australian banks are subject to approval by the Australian Government under the Australian Foreign Acquisitions and Takeovers Act 1975.

AUSTRAC oversees the compliance of Australian reporting entities including Westpac, with 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

RBNZ is responsible for the supervision of the New Zealand registered banks. The New Zealand prudential supervision regime requires that registered banks disclose, on a quarterly basis, information on financial performance and risk positions, and that directors regularly attest to certain key matters.

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United States

Our New York branch is a US federally licensed branch and, as such, 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 that would be required of a national bank organised at the same location; or
- 5% of the total liabilities (excluding, among other things, liabilities to affiliates and liabilities of any international banking facilities) of the US federal branch.

In addition, a US federal branch is examined by the US Comptroller of the Currency at least once each calendar year and periodically by the US Federal Reserve. 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.

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 consult with the regulator AUSTRAC on our activities.

United States

The US 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, 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. Many of the new anti-money laundering compliance requirements of the US Patriot Act are consistent with the anti-money laundering compliance obligations previously imposed on US financial institutions, including the US branches of foreign banks, under the Bank Secrecy Act and under regulations of the applicable US bank regulatory agency such as the US Comptroller of the Currency. These 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. The US Patriot Act and other recent events have resulted in heightened scrutiny of Bank Secrecy Act and anti-money laundering compliance programs by US federal bank regulatory and law enforcement authorities.

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.

Westpac is aware from reports in the media and other public statements that class action proceedings relating to exception fees have been commenced against one Australian bank, and may be commenced against other Australian banks. At this stage no such proceedings have been commenced against Westpac.

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 3 November 2010.

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 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 take into account the *Corporations Act 2001* (Corporations Act) and the Corporate Governance Principles and Recommendations (ASXCGC s Recommendations) published by the ASX Corporate Governance Council (ASXCGC). As an ADI, we must also comply with governance requirements prescribed by APRA under Prudential Standard APS 510 Governance.

This statement addresses each of the eight ASXCGC s 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 s Recommendations can be found on the 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 s Recommendations, and NZX have adopted a similar comply or explain general approach to corporate governance. However, the ASXCGC s 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 as a foreign private issuer.

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 United States 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 2010 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 at the AGM. 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 2010.

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.

Our constitution states that at each AGM one-third of our Directors (excluding the CEO and any Director appointed during the year to fill a casual vacancy) and any other Director who has held office for three or more years since their last election, must retire. In 2010, none of our Directors met this three-year threshold. Westpac considered that it was appropriate for the full Board, rather than the Nominations Committee, to determine the Board candidates for retirement under the rotation policy, and to review and recommend their re-election by shareholders at the 2010 AGM.

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 our charters, principles and policies.

These documents are also available to our shareholders in print from our Investor Relations department.

Governance framework

From time to time the Board may form other Committees or request Directors to undertake specific extra duties. During the year, the Board formed a new Committee to provide a specific focus on Occupational Health and Safety (OHS) across the Group. The role of that Committee, and Board-level oversight arrangements for OHS, will be reviewed in 2011.

The Executive Team, Disclosure Committee and Executive Risk Committees sit beneath the CEO and the Board Committees to implement Board-approved strategies, policies and management of risk across the Group.

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 The Westpac Group;
- evaluating Board performance and determining Board size and composition;
- appointing and determining the duration, remuneration and other terms of appointment of the CEO and Chief Financial Officer (CFO), and ratifying the appointments of other senior executives;
- evaluating the performance of the CEO and CFO, and monitoring the performance of other senior executives;
- succession planning for the Board, CEO and CFO;
- approving the annual budget and financial statements and monitoring performance against the approved budget;
- 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;

- maintaining a direct and ongoing dialogue with Westpac s auditors and, where appropriate, principal regulators;

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

- approving the Westpac Group s Remuneration Policy;

- determining the size of bonus/incentive pools; and

- monitoring OHS issues in The Westpac Group and considering appropriate OHS reports and information.

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 six established Committees, namely:

- Audit;

- Risk Management;

- Nominations;

- Remuneration;

- Sustainability; and
- Technology.

The Board establishes other Committees from time to time to consider matters of special importance or to exercise specific delegated authority from the Board.

The Delegated Authority Policy Framework outlines principles to govern decision-making within the 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 2010 Directors report.

All of our Non-executive Directors satisfy our criteria for independence, which are consistent with those 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 which he or she has directly or as a partner, shareholder or officer of a company or other entity that has an interest, or a business or other relationship, 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.

Size and membership of Board Committees as at 30 September 2010

	Status	Board Audit Committee	Board Risk Management Committee	Board Nominations Committee	Board Remuneration Committee	Board Sustainability Committee	Board Technology Committee
Ted Evans	Chairman, Non-executive, Independent	ü	ü	**Chair** ü			ü
John Curtis	Deputy Chairman, Non-executive, Independent	ü	ü	ü	ü		
Gail Kelly	CEO, Executive					ü	ü
Elizabeth Bryan	Non-executive, Independent	ü	ü	ü			**Chair** ü
Gordon Cairns	Non-executive, Independent	ü	ü	ü	**Chair** ü		