

People expect us to be involved in the community and we demand it of ourselves. We recognise the need to balance our economic goals and achievements with our social responsibilities. Our involvement is not just driven out of a sense of corporate obligation but also a genuine passion. We believe in our ability to help make a difference. Our approach focuses on understanding the issues facing communities today, knowing how best to get involved and ensuring that our effort has the maximum positive impact. We're proud of what we've achieved and are committed to continuing our involvement.

Indigenous issues

Unemployment rates for indigenous people are 26% compared to the national average of 7%. Training and life skills education is key to providing better opportunities for indigenous Australians.

Rescue services

The first 60 minutes after an accident occurs are critical to the patient's survival.



Assisting Indigenous Australians

We are committed to working with indigenous communities to develop solutions and support programs that foster self-sufficiency. We are supporting education, employment and cultural initiatives including providing scholarships with the Australian Indigenous Leadership Centre, sponsorship of the Garma Festival, and support of NASCA 'Hunting for an Australian Tiger' program.

Indigenous Enterprise Partnership

We are playing an active role in assisting indigenous communities in Cape York. As part of our three-year secondee program, ten Westpac volunteers will work in the Cape in November 2001 to help the communities to develop the Family Income Management Scheme and Micro Business Facilitation initiatives, as part of a broader plan to build financial independence. We will be providing a further 100 staff secondees over the next two years.

Westpac Rescue Helicopters

More than 2,000 people are assisted each year by Westpac Rescue Helicopter crews. We began providing support 28 years ago. Today, Rescue Helicopter Services operate from five bases in New South Wales, two in Queensland, and four in New Zealand – 24 hours a day, every day of the year.

Surf Life Saving Queensland

Our 25 year partnership with Surf Life Saving Queensland was recognised by winning the 'Outstanding Long Term Sponsorship' Award in the Australian Financial Review Awards. And the *Beach to Bush* education program teaches kids (especially those that live inland) about safety in the surf.

Green piece

Our commitment to the environment

Whether it is planting trees, providing environmentally responsible investment, living up to our Greenhouse Challenge commitments, or simply installing office systems which reduce energy consumption, Westpac is demonstrating that corporate leadership and an environmental commitment are not just essential – they're utterly compatible.

Deep within the second basement level of Westpac's headquarters at 60 Martin Place in Sydney, there exists something you might not normally associate with a bank. Hundreds of worms are at work around the clock composting much of our kitchen refuse.

A corporate worm farm may seem an engaging quirk, but it's actually just one of a plethora of our energy efficiency and waste management programs. Some, like our worm farm, are small; others have involved multi-million dollar investments.

Our approach is centred on our environmental management system, which includes a set of specific environmental objectives and targets. And we've implemented several sector-leading environmental programs including energy management and emissions reductions, environmental auditing, and environmental credit risk assessment.

As part of this we've developed inventories and performance indicators for greenhouse gas emissions; discharges to water; discharges to sewers; production of waste; water consumption; and raw material use.

In 1992, we became one of the founding signatories to the United Nations Environment Program Statement on Financial Institutions and the Environment. Today we remain the sole Australian banking signatory. We're also a member of the United Nations Environmental Management and Reporting Group, a voluntary Geneva-based initiative which is developing international guidelines for environmental management and reporting for the financial sector.

To extend our environmental commitment, we joined the Australian Government's Greenhouse Challenge

in 1996, the first bank to do so. We committed to reduce our greenhouse gas emissions by 24,000 tonnes by the turn of the century. Westpac achieved this target by the start of 1999. And we have now taken our total emissions reduction to approximately 55,000 tonnes.

We were also one of the first corporations in Australia to recognise the need to provide investors with a means of investing in socially responsible companies. In fact, we established Australia's first index of share price performance for eco-rated listed companies.

In conjunction with Monash University, Westpac Investment Management was declared the inaugural recipient of the Banksia Environmental Foundation Award for Socially Responsible Investment in June this year. The Award recognised our innovation and leadership in socially responsible investment practices and services.

In August 2001, we joined with Landcare Australia to administer our staff volunteer-driven, community-based environmental program Operation Backyard. While more than \$600,000 has been committed to 130 projects since 1998, Landcare Australia's involvement will mean we can utilise their expertise in identifying projects suitable for our staff involvement and in providing access to environmental networks.

The environmental catchcry "think globally, act locally" is something we not only believe in, but genuinely work towards. That's why we'll keep striving to improve our understanding and management of the full impact of our business actions on the environment.

Environmental milestones



1992 Founding signatory to UNEP Statement on Financial Institutions and the Environment.



1993 Launch of Westpac's Environmental Policy and Energy Savings Program.



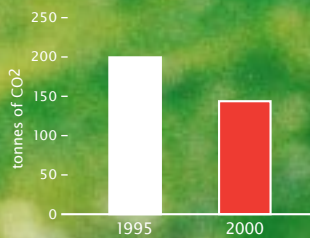
1996 Joins the Australian Greenhouse Challenge, committing to 24,000 tonnes of emissions reductions.



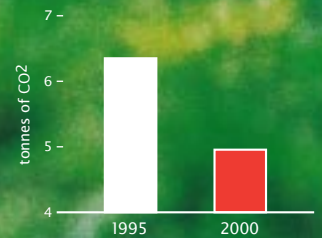
1997 Builds a call centre in Tasmania that uses geothermal energy.



Total greenhouse gas emissions



Greenhouse gas emissions per employee



1998 Launches Operation Backyard, a staff-driven, community-based environmental program.



1999 Achieves Greenhouse Challenge reduction targets two years ahead of schedule.



2000 Australian Eco Share Fund and the Westpac-Monash Eco Index launched.



2001 Westpac Investment Management wins the inaugural SRI Banksia Award.

Going about our

Westpac at a glance

Who's responsible for what

David Morgan BEd, MSc, PhD
Chief Executive Officer

Philip Chronican B Com(Hons), MBA, FAIBF
Chief Financial Officer

David Clarke LLB
Group Executive, Business & Consumer Banking



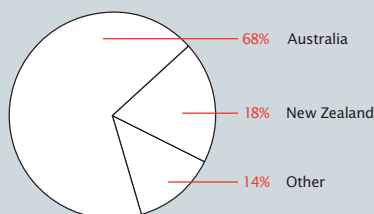
Appointed CEO in 1999, David has led all the major businesses in Westpac, including Westpac Financial Services, Retail Banking, Commercial Banking, Corporate and Institutional Banking, and International Banking, since joining the company in 1990. David has extensive experience in the financial sector, having worked in the International Monetary Fund in the 1970s, and the Federal Treasury in the 1980s as Senior Deputy Secretary.

Phil was appointed Chief Financial Officer in February 2001 with responsibility for Westpac's finance, tax, treasury, risk management, legal, strategy, business services and investor relations functions. Prior to Phil's appointment to Chief Financial Officer he held the position of Deputy Chief Financial Officer and has held the business group CFO roles in both Retail and Institutional Banking. Phil has been with Westpac for 19 years in a variety of positions including Treasury, major project management and Finance, both in Australia and in New Zealand.

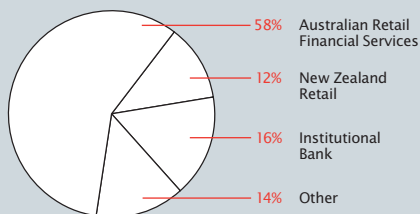
David joined Westpac in July 2000 as Group Executive, Banking and Financial Solutions. David now leads the Australian Business and Consumer Bank. In addition, he has responsibility for the Bank's technology and eBusiness initiatives. David was previously an Executive Director with the Lend Lease Group and has substantial financial services experience.

Facts and figures

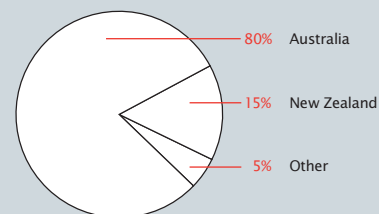
Profit by region



Revenue by key business unit



Assets by region



Customers

	million
Australia	6.5
New Zealand	1.4
Other	0.3
Total	8.2

Personnel by region (FTE)

Australia	21,548
New Zealand	5,537
Other	1,449
Total	28,534

Total assets

	\$billion
Australia	\$151.4
New Zealand	\$29.0
Other	\$9.4
Total	\$189.8

business

Who we are

Westpac Banking Corporation was founded in Sydney in 1817 as the Bank of New South Wales; and in 1982 we changed our name. With more than eight million customers, Westpac today is a leading provider of banking and financial services in Australia, New Zealand and nine Pacific Island nations. In these markets we operate through more than 1,300 points of bank representation.

Ann Sherry MAICA, BA, Grad Dip IR
Group Executive, People and Performance and CEO, Bank of Melbourne



After joining Westpac in 1995 Ann headed the Human Resources function for the International and Institutional Bank, and subsequently led the team managing human resources, change management and public affairs for the merger with the Bank of Melbourne. She was appointed Head of Westpac Group Human Resources in 1999. Ann has had extensive experience in Government. She was First Assistant Secretary of the Office of the Status of Women, advising the Prime Minister. Ann is also the Chief Executive Officer of Bank of Melbourne.

We maintain offices in the key financial centres around the world. Across the company we provide a broad range of banking and financial services for personal, business and institutional customers. Our activities include a full range of banking services, plus investment management and insurance, and finance company activities.

David Willis BCom, MAICA, MNZSA
Group Executive, Westpac Institutional Bank, WestpacTrust and Pacific Banking



David joined Westpac in 1996 and now leads our global wholesale banking operation, spanning Australia and New Zealand, US, UK and Asia, and the New Zealand Retail and Pacific Banking Businesses. Previously with Lloyds Bank PLC as Managing Director of its Australian operations, he has extensive experience in Financial and Capital Markets, Corporate Lending, Private Banking and Corporate Advisory Services. This included extensive periods living and working in Boston, New York, London and Tokyo.

What we value

Our values represent the essential spirit of our company – our corporate religion.

We have three core values.

Teamwork – Working together to achieve common goals.

Integrity – Acting honestly. Doing what we say we will do.

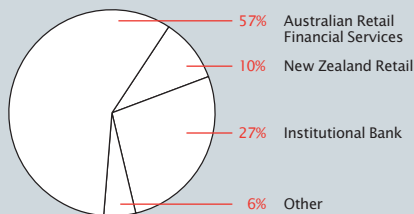
Performance – Staying focused, delivering superior results.

Ilana Atlas BJuris, LLB, LLM
Group Secretary and General Counsel

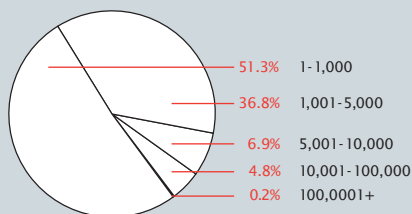


Ilana joined Westpac in 2000. She works closely with the Chairman of the Board and the other directors. She is responsible for the legal, secretariat and regulatory functions. Prior to joining Westpac, she was a partner of Mallesons Stephen Jaques where she worked extensively as a corporate lawyer and in managerial roles including responsibility for Human Resources and as Managing Partner.

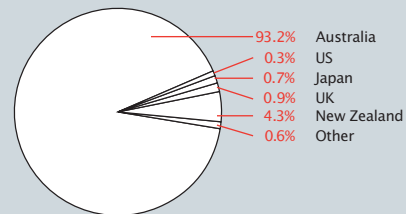
Assets by key business unit



Shareholders by size



Shareholders by region



Distribution	Branches/In-stores	ATMs
Australia	806	1,517
New Zealand	211	491
Other	57	8
Total	1,074	2,016

Credit ratings	Short term	Long term
Moody's		
Investor Services	P-1	Aa3
Standard & Poor's	A-1+	AA-
Fitch IBCA	F1+	AA-

Market capitalisation	\$24 billion*
30 Sept 2001	
Listed on	<ul style="list-style-type: none"> Australian Stock Exchange New York Stock Exchange (ADR's) Tokyo Stock Exchange New Zealand Stock Exchange

*Based on Westpac ordinary and NZ Class shares.

Australian Retail Financial Services

Who we are and what we do

Australian Retail Financial Services represents the regional bank operations branded Westpac in Australian Capital Territory, New South Wales, Queensland, South Australia, Tasmania and Northern Territory, Bank of Melbourne in Victoria, and Challenge Bank in Western Australia, plus the Australian operations of Australian Guarantee Corporation, and Westpac Financial Services Group.

We conduct our activities via a nationwide network of 1,031 branches, banking centres, in-store branches, and other specialist banking centres; 1,517 automatic teller machines (ATMs); and over 59,000 electronic funds

transfer (EFTPOS) terminals; as well as a national telephone banking service and an internet banking service providing 7-24 convenient access.

Our retail banking operations cater for personal and business customers, and include deposit taking, transaction accounts, credit cards and other lending. We are a major home loan provider, and we meet the finance needs of business customers up to \$20 million.

Investment, superannuation and general and life insurance products are also sold through our branch network.

Australian Guarantee Corporation, our finance company, is one of Australia's largest and provides motor dealer finance, business finance, personal finance and personal investment products.

The details	2001	2000	1999
Profit on operations (after tax)	\$1,142m	\$1,038m	\$873m
Economic profit	\$937m	\$802m	\$543m
Total assets	\$107.2bn	\$99.0bn	\$79.4bn
Expense to income ratio	55.8%	57.5%	60.9%
Personnel numbers	19,708	22,297	23,851



Private Banking

Leadership position

- 21,500 high net worth clients, representing a growing market share of this segment
- Industry leader in client service through dedicated executive managers
- Complete client account planning service inclusive of advising investment solutions and banking services

Opportunities for growth

- Improve competitive differentiation through superior relationship management
- Consolidate our client relationships by earning greater share of total financial and investment services
- Product innovation for customised and exclusive investment opportunities
- Greater emphasis on strategic advice
- Deepen understanding and delivery of customised wealth creation solutions for the Private Bank segment

Priority Customers

Leadership position

- 948,000 customers and expanding rapidly – some relationship-managed
- 72 dedicated Priority Banking Relationship Managers
- Specially tailored product offerings and packages for professionals
- 20% of total housing market

Opportunities for growth

- Improve customer retention through superior customer service and targeted product initiatives
- Increase cross-sales to this high potential customer base
- Deepen customer relationships by product packaging
- More focused, timely and coordinated customer contact programs
- Special offers for professionals and other high income groups based upon specific needs
- Migration from our 3.6 million personal customers

Personal Banking

Leadership position

- 3.6 million customers representing 25% market reach
- Nationwide multi-channel distribution network with 806 branches and in-stores
- Comprehensive product range with 7-24 convenient access
- Specialist offerings to market segments, including youth and the elderly
- 600 mobile lenders

Opportunities for growth

- Increase the number of products per customer
- Use customer information better to drive product offers and service
- Identify potentially valuable customers and grow to priority customer status
- Lower the cost to serve
- Fully e-enable customer services and processes
- Speed up our credit decisions via customer scoring and improved credit scorecards

Business group results

To enable a more detailed analysis of our results, the results of our business operations shown on pages 40 to 43 of this report have been presented on a management reporting basis. Internal charges and adjustments have been included in the performance of each business group to reflect the management of our business rather than our legal structure.

Therefore these results cannot be compared directly to public disclosure of the performance of our individual legal entities or geographic disclosures elsewhere in this report.



Small Business

Leadership position

- 520,000 customers serviced through either Business Banking or the branch network
- 297,000 customers managed by Business Direct, providing access to specialised business banking manager
- Highest penetration of small business customers using internet services
- Services expanded significantly over the last 12 months to provide added value access for small businesses (eg EZY BAS)
- Professional call centre facilities dedicated to resolving operational matters for business customers

Opportunities for growth

- Realise the potential for expanded relationships and multiple product sales
- Use customer information better to anticipate and respond to customer needs
- Broaden services and access via development of a business desktop (internet)

Middle Market Business

Leadership position

- Significant growth in customer numbers to 150,000
- Market penetration 29% (up from 25% in 1999)
- Customer access to institutional bank products through a new segment known as corporate banking
- In excess of \$22 billion of loans committed to Australian business
- Full range of financial services covering local and global operations
- Wide distribution of business banking teams throughout the branch network
- Sector specialists, including agribusiness, franchising, imports/exports, property finance, providing specialist advice

Opportunities for growth

- Realise the potential for expanded customer relationships by meeting more of their financial needs
- Improve sales management and sales force productivity through Customer Relationship Management technology and practices
- Target industries with opportunity gaps, such as health and community services, communication services and agribusiness growth sectors

Australian Guarantee Corporation Limited

Leadership position

- Wholesale finance provided to in excess of 200 motor dealers and retail finance provided to new and used car buyers through dealers at point of sale
- Leading provider of vendor finance via 8,000 retail stores and specialist suppliers
- Provides a wide range of business finance – equipment finance, vendor rental, insurance premium funding and current asset finance
- Funded by 126,000 personal investors providing \$5.7 billion via a range of fixed rate/fixed term debentures, short-term deposits and money market access accounts

Opportunities for growth

- Expand the products offering to AGC customers through integration with Westpac group offerings
- Increase efficiency by rationalising systems and processes with the wider group

Westpac Institutional Bank

Who we are and what we do

Westpac Institutional Bank (WIB) provides financial services to the corporate and institutional customer base, assisting and advising in the management of cash, funding, capital and market risk for companies and institutions in Australia and New Zealand.

WIB operates through eight industry groups, supported by specialised product expertise in Financial Markets, Corporate Finance, Advisory and Transactional Services.

The Institutional Bank does business through branches and subsidiaries located in Australia, New Zealand, New York, London, Tokyo,

Singapore and Hong Kong. It is also represented in Thailand, Indonesia and China and maintains correspondent relationships with approximately 1,500 international financial institutions in over 90 countries.

WIB's superior customer service and market leadership position is backed up by diverse independent research. Westpac is rated Australia's Leading Principal Corporate Banker with a 22% share by East and Partners (June 2001). Additionally, 25% of respondent Australian companies cited Westpac as one of their two Lead Bankers in the 2001 Greenwich Large Corporate Banking Survey.

The details	2001	2000	1999
Profit on operations (after tax)	\$385m	\$316m	\$252m
Economic profit	\$267m	\$227m	\$158m
Total assets	\$51.9bn	\$48.8bn	\$36.5bn
Expense to income ratio	36.9%	45.3%	49.2%
Personnel numbers	1,264	1,227	2,444



Financial Markets

Leadership positions

- No.1 Bank in AUD Interest Rate Swaps (2 - 10 years), AUD Interest Rate Caps, USD/AUD Cross Currency Swaps/Floors, USD/AUD Currency Forwards – Risk Magazine – September 2001
- No.1 FX Bank in Australia/New Zealand – Global Finance Magazine – June 2001
- No.1 Bank in Australian Dollars – The Journal of Foreign Exchange and Money Markets – 2000 Annual Survey
- No.1 Bank for Currency Swaps – Asiamoney Magazine – April 2001
- No.1 Bank for Australian Dollar Foreign Exchange Options – Asia Risk Magazine – December 2000
- Leaders in industry-based research with publications such as the Westpac-Melbourne Institute Index of Consumer Sentiment and the Westpac-ACCI Survey of Industrial Trends

Opportunities for growth

- Continued development of new products in commodities
- Increased cross-sell of institutional products and services to smaller business banking customers
- Further enhancement of the manufacture and distribution of structured investment products into the retail market
- Continued efficiencies through Internet-enabled products
- Continued development of risk management

Funding (debt and equity)

Leadership positions

- Leading corporate bond house
- No.1 Bank for Domestic Fixed Rate Bonds – Asiamoney Magazine Capital Raising Poll – September 2001
- Well developed capability to cross-sell into retail markets
- Leading provider of on-balance sheet finance

Opportunities for growth

- Increased equity capital markets activities
- Enhance range of capital offerings for retail customers
- Focus on the development of more structured products for customers with specific needs

Advisory

Leadership positions

- Australian and New Zealand expertise
- Capacity to leverage intellectual capital of the entire Westpac group
- Capacity to enhance the growth strategies of customers

Opportunities for growth

- Improve cross-sale of advisory services to transactional customers and introduce advisory clients to transactional services
- Continued promotion of the specialised understanding of business in Australia and New Zealand

Transactional Services (cash management and payments)

Leadership positions

- Leading provider of domestic and international payment and trade services
- Principal transaction banker to 35% of the top 500 companies in Australia – East and Partners – 2001

Opportunities for growth

- Leverage strong product offering and eCommerce position to enhance customers' operating efficiency
- Expand solutions across the supply chain to assist customers to manage payment relationships with their customers
- Continue to expand application and transactional solutions to business customers

WestpacTrust

Who we are and what we do

WestpacTrust has been operating in New Zealand since 1861 and is one of New Zealand's leading full service banks. With 1.4 million customers, more than one in three New Zealanders have a banking relationship with WestpacTrust. It is the leading provider of banking services to small to medium business and is the banker of the New Zealand government.

WestpacTrust has 5,200 staff, 211 branches and almost 500 ATMs nationwide, as well as its phone assist call centres and 24-hour phone banking services. Its online banking service was launched in April 2000 and reached 125,000 registered users by end September 2001.

The details	2001	2000	1999
Profit on operations (after tax)	\$283m	\$251m	\$264m
Economic profit	\$142m	\$115m	\$123m
Total assets	\$18.5bn	\$16.0bn	\$16.3bn
Expense to income ratio	49.1%	51.5%	53.7%
Personnel numbers	5,228	5,310	5,671

(The figures above relate to retail operations in New Zealand. Any institutional banking activities carried out under the WestpacTrust banner are included in the figures for Westpac Institutional Bank on page 42.

Operating results reflect the impact of the change in the NZ dollar relative to the Australian dollar over the period between 1999 and 2001).

Pacific Banking

Who we are and what we do

Pacific Banking provides a full range of deposit, loan, transaction account and international trade facilities to personal and business customers. In selected locations finance company and motor vehicle loans are also offered. It is represented in eight Pacific Island nations, and operates through 53 outlets, eight ATMs and an extensive EFTPOS network.

The details	2001	2000	1999
Profit on operations (after tax)	\$53.9m	\$31.1m	\$58.7m*
Economic profit	\$42m	\$20m	\$42m
Total assets	\$1,251.3m	\$840.8m	\$690.8m
Expense to income ratio	39.2%	44.4%	52.1%
Personnel numbers	1,290	1,083	1,174

*Includes profit from the sale of French Territory operations.



Personal Banking

Leadership position

- Largest New Zealand bank by customers, staff, branch and ATM network
- 140 years of business in New Zealand
- Strong community focus
- Supporter of important community initiatives, including Rescue Helicopters and Life Education Trust

Opportunities for growth

- Increasing market share in Auckland
- Increasing focus on wealth management solutions and risk management products
- Distribution of third party solutions through WestpacTrust network
- Leverage Private and Priority banking relationships
- Improve credit card take-up and usage
- Extend online banking services
- Develop more tailored product packages
- Leverage business and corporate relationships
- Increase mobility of sales force (i.e. mobile mortgage managers)

Business Banking

Leadership position

- Relationships with a third of small to medium businesses
- Largest provider of card processing (merchant) services
- Dominant in payments and transactional business
- Commitment to supporting NZ business

Opportunities for growth

- Leverage small/middle business relationships through development of distribution capability
- Continue to improve market share positioning in middle business market
- Win disproportionate share of market growth in the agribusiness sector
- Integrate products and services in targeted packages
- Further leverage our relationships with corporates and professional associations

Pacific Banking

Leadership position

- Depth of experience (Fiji Centenary 2001)
- Breadth of representation: eight Pacific countries
- Low cost operation
- Local focus, global strength

Opportunities for growth

- Enhance electronic banking channel functionality
- Leverage new branding
- Develop eBusiness capability
- Develop electronic interchange arrangements with other financial institutions
- Leverage the wider Westpac group to achieve greater synergies and lower costs
- Leverage Australian investment/funds management and insurance capabilities
- Adapt a standardised operating model across all Pacific business units

The buck stops

Board of Directors

As at 2 November 2001

Leon Davis ASAIT, DSc(h.c.), FRACI, FAustIMM. Age 62.



Appointed Chairman December 2000. Director since November 1999. Leon Davis has had many years of experience in mining, both in Australia and overseas. He has lived and worked in senior positions in Australia, Papua New Guinea, Singapore and the United Kingdom. He was formerly Chief Executive of Rio Tinto and is now Deputy Chairman. He is a director of Huysmans Pty. Limited, Codan Pty. Limited and Trouin Pty. Limited and a Board Member of The Walter and Eliza Hall Institute of Medical Research. Trustee of The Westpac Foundation and the Rio Tinto Aboriginal Foundation.

Barry Capp BE(Civil), BCom, BA. Age 68.



Director since May 1993. Barry Capp was employed for many years in financial and commercial roles and has had experience in company reconstructions. Chairman of National Foods Limited and Australian Infrastructure Fund Limited. Director of Tassal Limited, Touchcorp Limited, Hellaby Holdings Limited and Melbourne University Private Limited.

The Hon. Sir Llewellyn Edwards AC, MB, BS, FRACMA, LLD(h.c.), FAIM. Age 66.



Director since November 1988. Sir Llewellyn Edwards has had extensive experience in Queensland State politics (including five years as Treasurer), business and in community service (Chairman World Expo 88 Authority and Chancellor of University of Queensland). Chairman of Webmatchit Interactive Marketing Limited, AMACA Pty. Limited, AMABA Pty. Limited, and the Medical Research and Compensation Foundation. Also Chairman of UQ Holdings Pty. Limited and Pacific Film & Television Commission. Director of TCNZ Australia Pty. Limited and Uniseed Pty. Limited. He also acts as a consultant to business and government.

Warren Pat Hogan MA, PhD, DSc(h.c.), DEcon(h.c.). Age 72.



Director since August 1986. Warren Hogan was a Professor of Economics at the University of Sydney from 1968 to 1998 and is now an Emeritus Professor. He is an Adjunct Professor in the Faculty of Business of the University of Technology, Sydney. Adviser to business, government and international organisations including the World Bank, Harvard University Development Advisory Service and the Australian Associated Stock Exchanges. Director of Australian Mutual Provident Society 1993 to 1995.

Helen Lynch AM. Age 58.



Director since November 1997. Helen Lynch had thirty five years experience in Westpac including membership of Westpac's executive team before retiring in 1994. She is a director of Coles Myer Limited, Southcorp Holdings Limited, CRI Australia Holdings Limited and the Institute of Molecular Bioscience. Deputy Chairman of OPSM Protector Limited and Chairman of the Sydney Symphony Orchestra Holdings Pty. Limited.

here

Eve Mahlab AO, LLB,
LLD(h.c.). Age 64.



Director since October 1993. Eve Mahlab has practiced as a solicitor, managed a family, owned and operated several successful small businesses and served on government and community boards. She has been extensively involved in community activities particularly those relating to business education, women and social change. Deputy Chairman of Film Australia Limited, Board Member of The Walter and Eliza Hall Institute of Medical Research. Trustee of The Westpac Foundation.

John Fairfax AM. Age 59.



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

Ian Harper AM, BA, LLB.
Age 69.



Director since July 1987. Ian Harper, previously a partner of Allen Allen & Hemsley and now a consultant to that firm (now known as Allens Arthur Robinson), has practiced extensively in corporations law. He has held a variety of financial service company board positions over many years. Director of Mayne Nickless Limited. Chairman of the Westpac Staff Superannuation Plan Pty. Limited Board and The Westpac Foundation.

David Morgan BEc, MSc, PhD.
Age 54.



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

Peter Ritchie BCom, FCPA.
Age 59.



Director since January 1993. Peter Ritchie has broad consumer marketing and commercial experience. Chairman and founding director of McDonald's Australia Limited and Chairman of Solution 6 Holdings Limited. Director of Seven Network Limited, 1800 Reverse Pty. Limited and Bakers Delight Holdings Pty. Limited.

Policy matters

Corporate governance

Principles that guide us, practices that protect us, and controls that govern us.

The Westpac Deed of Settlement

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

Following shareholder approval at the Annual General Meetings in December 1999 and December 2000 and the enactment of the Westpac Banking Corporation (Transfer of Incorporation) Act 2000 which became effective on 6 September 2000, we are progressing with plans to change the status of Westpac to a Corporations Act company. Shareholders adopted a new constitution in December 2000 which will take the place of the Deed. It is anticipated that the process of Westpac’s transfer of incorporation will be completed in early 2002.



From left: A page from the original 1850 Deed of Settlement, The First Report – 1851.

The board

Role of the board

The board of directors is accountable to shareholders for the performance of the parent entity, Westpac Banking Corporation (“Westpac”) and the consolidated group being Westpac and its controlled entities (“Group”) and is responsible for the corporate governance practices of the Group.

The board’s principal objective is to maintain and increase shareholder value while ensuring that the Group’s overall activities are properly managed.

Our corporate governance practices provide the structure which enables the board’s principal objective to be achieved, whilst ensuring that the business and affairs of the Group are conducted ethically and in accordance with the law. The board is committed to the highest standards of corporate governance, which it sees as fundamental to performance, integrity and professionalism in all its activities.

The board’s overall responsibilities include:

- providing strategic direction and approving corporate strategies;
- monitoring management and financial performance;
- monitoring financial reporting;
- monitoring and ensuring the maintenance of adequate risk management controls and reporting mechanisms; and
- ensuring our business is conducted ethically and transparently.

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

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

Composition and independence of the board

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

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

As at 2 November, the board has ten members, with nine non-executive directors including the Chairman, and one executive director. Details of individual directors are set out at pages 44 and 45.

Board access to independent information and other resources

All directors have unrestricted access to company records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

The board collectively and each director individually has the right to seek independent professional advice at Westpac's expense to assist them to carry out their responsibilities.

While prior approval of the Chairman is required, it may not be unreasonably withheld and, in its absence, approval by the board may be sought.

The Deed sets out rules dealing with the indemnification of and insurance cover for directors and former directors of Westpac. Any such arrangements are undertaken in accordance with limitations imposed by law. To reflect current practices and to clarify the legal position of non-executive directors, shareholders at the December 1999 Annual General Meeting approved a deed of access and indemnity being entered into between Westpac and each director.

All new directors receive induction training at the time of their appointment to the board appropriate to their experience, to familiarise them with matters relating to our business, its corporate strategy and current issues before the board.

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

In addition to its formal meetings, the board undertakes regular workshops on matters of topical interest. In 2001 there have been workshops on, amongst other things, credit risk and client relationship management.

Board nominations

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

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

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

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

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

Board performance review

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

Conflicts of interest of directors

In addition, the board has guidelines dealing with disclosure of interests by directors and participation and voting at board meetings where any such interests are discussed. In accordance with the Corporations Act, any director with a material personal interest in a matter being considered by the board must not be present when the matter is being considered, and may not vote on the matter.

Retirement of directors

The new constitution proposes a reduction in the retirement age to 70. The Deed sets a retirement age of 72. One third of the directors must offer themselves for re-election each year at the time of the Annual General Meeting. In November 1999 the board adopted fixed terms of office for its non-executive directors.

Board meetings

The board meets formally at least 10 times a year, and also from time to time, to deal with specific matters that require attention between scheduled meetings. Meeting agendas are established by the Chairman and the Chief Executive Officer to ensure adequate coverage of financial, strategic and major risk areas throughout the year.

Regular board meetings consider a broad range of matters, including strategy, financial performance reviews, capital management and acquisitions.

Details of meetings and attendances are set out at pages 58 and 59.

Board committees

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

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

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

Four of the five committees are currently composed of non-executive directors only and membership is reviewed and rotated on an ongoing basis. The Board Social Responsibility Committee also has the Chief Executive Officer as a member. Executive directors and senior executives may be invited to attend committee meetings.

Board Audit and Compliance Committee

The Board Audit and Compliance Committee oversees all matters concerning internal control, the appropriateness of the Group's accounting policies and principles and financial reporting including reviewing the interim and annual financial statements. It considers whether the accounting methods chosen by management are consistent and comply with accounting standards and concepts and it monitors the methods used to account for unusual transactions. The committee also reviews and assesses any significant estimates and judgements in financial reports and the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting by the Group of financial and non-financial information.

The Board Audit and Compliance Committee also reviews and assesses internal processes for determining, monitoring and assessing key risk areas. It ensures that the Group has an effective risk management system in place, clear policies and procedures for reporting, actioning and documenting breaches of laws including fraud and theft, and meets periodically with management and external and internal auditors to discuss the Group control environment including the processes in place for improvement.

The committee monitors the relationship with the external auditors and reviews and assesses the independence of those external auditors. It makes recommendations to the board on the appointment and removal of external auditors, their terms of engagement, and the scope and quality of the audit. The committee also reviews and assesses non-audit service provision by the external auditor, with particular consideration given to the potential for the provision of those services to impair or appear to impair the external auditors' judgement or independence in respect of the Group.

Additionally, the committee sets the scope of the internal audit function, reviewing the internal auditors' mission, charter and adequacy of resources and the output of its work. The committee also reviews the adequacy and effectiveness of management's control of risk in relation to operational activities, financial reporting and compliance.

It is Westpac's policy to employ PricewaterhouseCoopers, the firm of which its auditors Rahoul Chowdry and Michael Codling are partners, on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with Westpac are important. These assignments relate principally to regulatory reporting, tax advice and other assurance services, or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

Present membership of the committee: Helen Lynch (Chairman), Ian Harper, Peter Ritchie, Barry Capp and Leon Davis.

Board Credit and Market Risk Committee

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

Present membership of the committee: Warren Hogan (Chairman), Leon Davis, John Fairfax and Eve Mahlab.

Board Nominations Committee

The Board Nominations Committee develops and reviews policies on director tenure, non-executive director remuneration and retirement schemes, board composition,

strategic function and size, eligibility criteria for election of directors, and Board and Board Committee effectiveness. In addition, the committee reviews director appointment criteria from time to time and considers and makes recommendations to the board on candidates for appointment as directors.

Present membership of the committee: Helen Lynch (Chairman), Barry Capp, Warren Hogan, Leon Davis and Sir Llewellyn Edwards.

Board Remuneration Committee

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

A fuller discussion of Westpac's remuneration philosophy forms part of the Directors' Report at pages 54 and 55.

Present membership of the committee: Barry Capp (Chairman), Sir Llewellyn Edwards, Peter Ritchie and Leon Davis.

Board Social Responsibility Committee

The Board Social Responsibility Committee was established in 2001. Its purpose is to review the social and ethical impacts of Westpac's policy and practice and oversee initiatives to enhance our reputation as a socially responsible corporate citizen.

Present membership of the committee: Sir Llewellyn Edwards (Chairman), Leon Davis, John Fairfax, Peter Ritchie and David Morgan.

Executive Office

The Chief Executive Officer oversees the implementation of the strategies approved by the board, and the day to day running of the business with the assistance of the Executive Office.

To strengthen accountability and leadership, the Chief Executive Officer has put in place an Executive Office structure that accentuates communication, efficiency, and responsiveness across functions and geography. Meetings are held at least fortnightly and more often when necessary. The discussions help to maintain organisational cohesiveness while emphasising openness, customer focus, and participative management at all levels and across boundaries.

Current membership of the Executive Office is: Chief Executive Officer; Chief Financial Officer; Group Executive, Westpac Institutional Bank; Group Executive, Business and Consumer Banking; and Group Executive, People and Performance. Personal details of the incumbents are shown on pages 38 and 39 of this report.

Remuneration policy

The total remuneration available to non-executive directors is fixed by the shareholders at Annual General Meetings. The current fee pool limit of \$1.5 million was approved by shareholders at the Annual General Meeting held in December 1999.

When setting fees for individual directors, account is taken of the responsibilities inherent in the stewardship of Westpac and the demands made of directors in the discharge of their responsibilities. The board takes advice from independent consultancy sources to ensure remuneration accords with market practice.

Remuneration of the Chief Executive Officer and key executives is determined in accordance with our executive compensation program, which is administered by the Board Remuneration Committee. In keeping with our philosophy of pay for performance, the committee evaluates performance in three key areas: group, business unit and individual. Total reward has four components: base salary, short term incentive, long term incentive and other compensation (including superannuation). With respect to our key executives, the committee takes into account the recommendations of the Chief Executive Officer, who takes advice from independent consultancy sources to ensure remuneration accords with market practice.

Details of our remuneration philosophy and practice and fees and other entitlements paid to non-executive directors, executive directors and the top six senior executives are set out in full in the Directors' Report.

Market disclosure and communication with shareholders

Westpac has a comprehensive market disclosure policy governing our communications with shareholders and other stakeholders. We are committed to providing our shareholders with comprehensive information about our activities, and to fulfilling our obligations to the broader market for continuous disclosure.

Consistent with best practice disclosure and continuous disclosure requirements, all market-sensitive data, corporate presentations and reports are simultaneously released to the stock exchange and to the market via press release and posting on Westpac's internet site.

Information on pages 72 and 73 and on page 76 and the inside back cover of this report contain details of how information is provided to shareholders and how it can be obtained.

The internet now provides the quickest way of disseminating information, and so we encourage all our shareholders, customers, the media, and any other interested parties, to visit our website www.westpac.com.au. You will find copies of annual reports, briefings and presentations given by our Chief Executive Officer and other executives, public announcements, economic updates and, of course, information on our products and services. There is even a history of Westpac covering its 184 years of operation.

To enhance disclosure, shareholders can also now elect to selectively receive, via the internet, market information disclosed by Westpac.

Risk management

Taking and managing risk are central to our business and to creating shareholder value. We regard risk as the potential for damage or loss associated with the business activities we undertake.

For management purposes we recognise three types of risk:

- credit risk is the risk of financial loss from the failure of customers to honour fully the terms of their contract with us;
- market risk is the risk to earnings from changes in market factors such as interest and foreign exchange rates, or our liquidity and funding profiles; and
- operational risk is the risk of unexpected financial, reputational, or other damage arising from the way our organisation pursues its business objectives.

Management is accountable to the board for maintaining an effective control environment that reflects risk appetite and business objectives.

To monitor risk we use a dynamic approach in which our board and the executive team link the active management of risk with the pursuit of agreed business strategies and objectives. It has five elements: strategic intent, business objectives, risk assessment, risk response and continuous assessment and review.

Management is required at regular intervals to report to the executive office and the board on the effectiveness of their risk management systems. Independent assessment of this process is provided by Group Audit and Portfolio Risk Review.

A more detailed coverage of the types of risk and how we manage them is contained in our Annual Financial Report on page 24.

Compliance

Compliance, with the many legal, regulatory, and prudential requirements of our industry, is of vital importance to us. We take our obligations seriously and constantly look for initiatives to improve our standard of compliance.

Compliance is primarily a line management responsibility with business heads required to demonstrate they have in place effective processes.

To strengthen our ability to monitor and make progressive improvement we have a Chief Compliance Officer who reports directly to the Board Audit and Compliance Committee.

Code of Conduct

We have a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities to the highest ethical standards. The Code was updated and reissued in June 2001 and is subject to regular review so that it continues to reflect the standards of behaviour and corporate culture expected of the best corporations. It is based on the following key principles:

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

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

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

Insider trading

Directors and other officers are subject to restrictions under the Corporations Act relating to dealings in securities. As required by law and by our own insider trading policy, buying or selling Westpac securities is not permitted at any time by any person who possesses price-sensitive information not available to the market in relation to those securities.

In addition to these restrictions, the board's policy is that directors may only buy or sell Westpac shares or options

in the six weeks immediately following our half year and full year financial results announcements with the approval of the Chairman and the Chairman may only do so with the approval of the Chairman of the Board Audit and Compliance Committee. Any approvals are to be notified to the Board.

Corporate social responsibility

Social responsibility

Our statement of our social responsibility practices, released in June 2001, is an important step in ensuring constructive dialogue with customers, governments, communities and our staff.

It seeks to put what we see as our social accountabilities into plain language and to make them widely available.

Our 'Social Accountability' statement sets down what our stakeholders can expect from us when it comes to social responsibility. It is the foundation on which we conduct our business. We expect everyone at Westpac to live up to these practices and we're ready to be judged against them.

These policies and practices have developed over time and they reflect, among other things, practices that the community expects from companies like us in the key areas of:

- governance and ethical conduct;
- marketplace practices;
- human rights and employee practices;
- occupational health and safety;
- care for the environment;
- community involvement; and
- financial controls and risk management.

While reference is sometimes made to Australian legislation and practices, the policies apply across the Group, recognising the need to comply with individual country legislative requirements.

Our aim is for stakeholders to know what we stand for and how we are performing against our policies and practices. We plan to regularly monitor our effectiveness while seeking to ensure we continue to understand the development of society's expectations.

A full copy of our 'Social Accountability' statement is available at www.westpac.com.au under the 'Westpac Info' tab.

Personal customer charter

The Westpac Personal Customer Charter governs our relationship with customers. Released in Australia in November this year, this charter spells out our commitment to customers on the service levels they can expect.

The charter sits alongside our 'Social Accountability' statement and the other financial services industry codes, such as the Code of Banking Practice, which we fully support and comply with.

We will report publicly our compliance with this charter and our auditors will independently review that report. A full copy of the charter is available at www.westpac.com.au.

Occupational health and safety

The safety and welfare of our employees is important to us, and so we are committed to occupational health & safety ("OH&S") through a process of continual improvement while meeting our legislative responsibilities. The new OH&S legislation was passed in 2001 and has a greater focus on employee consultation. We prepared for this change by reviewing our consultation mechanisms during the past year. The methods for consulting with employees have been improved and are now more varied and flexible, and accommodate the range of environments in which our businesses operate.

The environment

We believe we have a responsibility to maximise the environmental performance of our business wherever we can.

We were the first Australian financial institution to commit to greenhouse measures when we joined the Greenhouse Challenge in 1996, and since then we have been introducing energy saving initiatives and extending the scope of environmental actions to waste, transport, and cultural change. In our experience, adopting innovative technology and practices to reduce energy and save greenhouse gas emissions can deliver both cost savings and environmental benefits.

We are the only Australian bank to be a signatory to the United Nations Environment Program (UNEP) Statement by Financial Institutions on the Environment and Sustainable Development. We are also the first Australian bank to be included in the Dow Jones Global Sustainability Index which rates companies worldwide on their performance against social and environmental measures. Further information on our environmental programs can be found at pages 36 and 37 of this report.

Political donations

Each year the board gives consideration to making political donations. The policy is that if political donations are to be made they should be made on a generally even-handed basis to major political parties with a broad cross-section of parliamentary representation. All donations are declared in accordance with electoral laws and are detailed on page 58 of this report.