

SIMPLE THINGS



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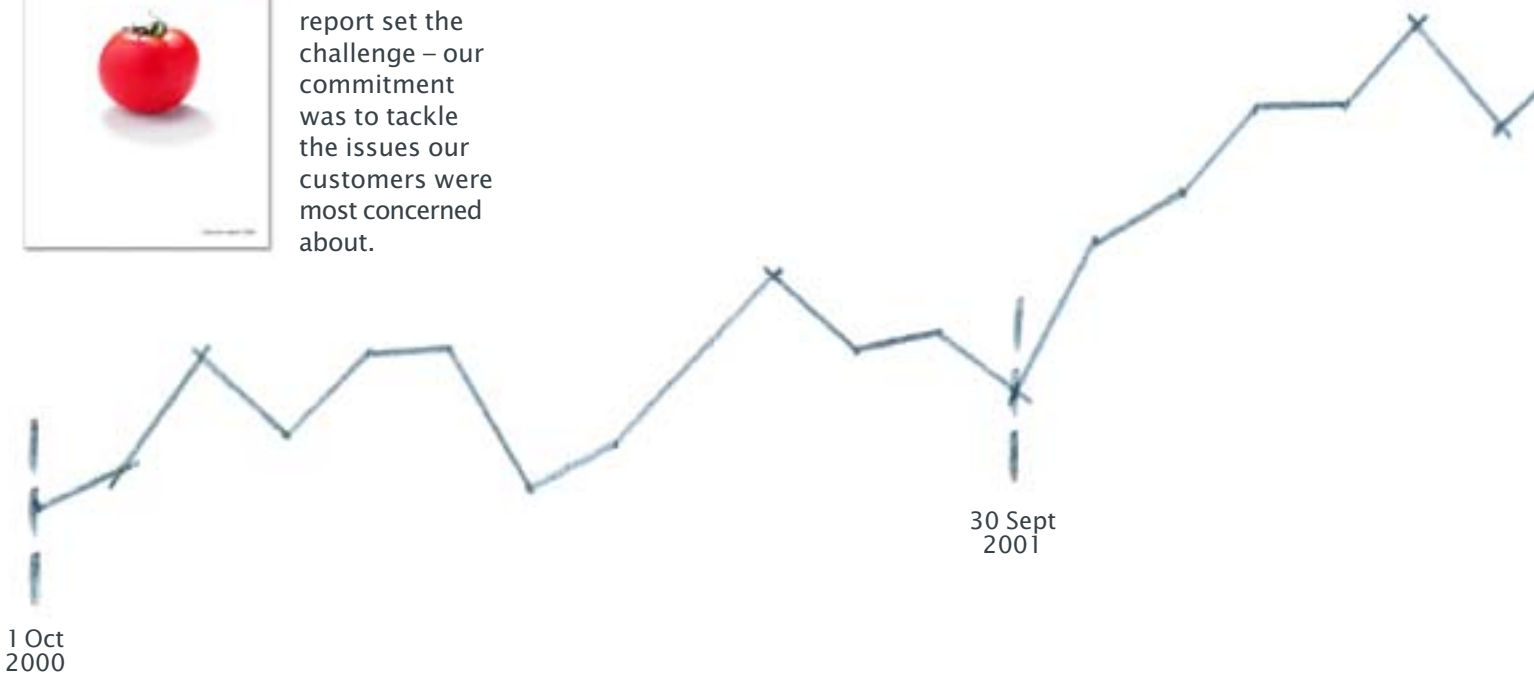
2001

The 'Tomato' report set the challenge – our commitment was to tackle the issues our customers were most concerned about.



2002

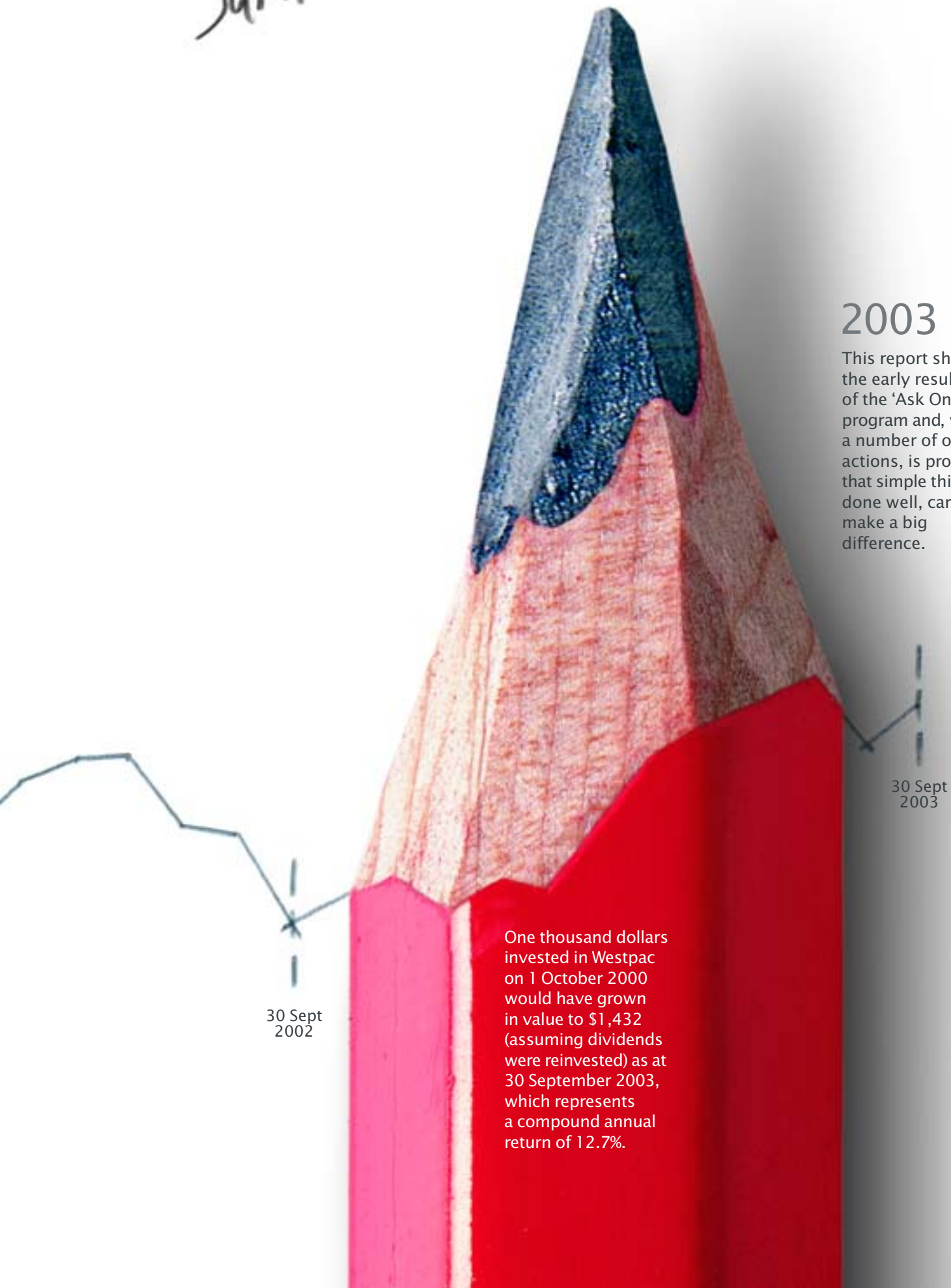
The 'Ask Once' report signalled actions speak louder than words – one simple new service promise was made that required total focus and commitment.



SURPRISING RESULTS

2003

This report shows the early results of the 'Ask Once' program and, with a number of other actions, is proving that simple things, done well, can make a big difference.



30 Sept
2002

30 Sept
2003

One thousand dollars invested in Westpac on 1 October 2000 would have grown in value to \$1,432 (assuming dividends were reinvested) as at 30 September 2003, which represents a compound annual return of 12.7%.

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Message to Shareholders

Delivering a customer experience so good that shareholders can expect to benefit from a satisfied and expanding customer base isn't a complicated idea.

Just about the simplest but most effective thing a business can do!

And yet turning the theory into a reality poses a major challenge.

Why? Because changing the way organizations work isn't a straightforward thing. We all know the cliché about how difficult it is to turn the 'Supertanker around'. Well, clichés become clichés because they accurately reflect reality.

Which makes the progress we have made in becoming a world leader in sustainability (for the second straight year!) and delivering on our 'Ask Once' service promise all the more remarkable.

But at the same time, we are all well aware of the improvements we need to make to go on delivering strong returns to you, our shareholders, and to differentiate ourselves from the rest.

We're more than ever determined to sustain our improvement into the future. And under David Morgan's continued leadership, you can expect more of the same straightforward customer strategy delivering superior performance across all the three pillars of sustainability - financial, social and environmental.

Doing common things uncommonly well is certainly delivering some surprising results.



Leon A. Davis
Chairman



Leon Davis
Chairman

Real progress



I am pleased to report we are making real headway against the aspirations we outlined in our recent annual reports – real progress in changing the organisation for the long-term benefit of all of our stakeholders.

In 2003 we've been able to deliver another strong and balanced profit result, reflecting solid revenue growth, successful integration of our wealth management acquisitions and continued cost containment.

Net profit was \$2,183 million. On a reported basis, this was broadly in line with last year's result which benefited from significant non-recurring items, including the profit from the sale of Australian Guarantee Corporation Limited (AGC). On an underlying basis, that is, excluding the impact of the 2002 significant items, net profit was up 9% over last year.

The following commentary compares 2003 to 2002 on an underlying-basis. Cash earnings were up 10% and cash earnings per share (EPS) were up 9%, which is at the top end of our target range of 7 – 9%.

This strong result has allowed your Board to declare a final dividend of 40 cents per ordinary share, fully franked, to be paid on 19 December 2003, which together with the first half fully franked dividend of 38 cents, takes the total dividend for 2003 to 78 cents. This represents an increase of 11% on 2002 and maintains our policy of increasing the dividend broadly in line with the sustainable growth in cash earnings and our franking capacity. The dividend payout ratio rose to 62.7% of reported cash earnings, up from 56.5% in 2002.

Cash return on equity was 21%, with a reported return on equity for the year of 19%. Economic profit – essentially our net earnings in excess of the cost of capital – was broadly unchanged at \$1,379 million, but up 15% after adjusting for the 2002 non-recurring significant items.

A pleasing aspect of the result was that strong earnings growth has been achieved across all the Group's businesses. Net operating income growth was 10%, despite the sale of the relatively high revenue, but higher risk, AGC business.

Profit from our Business and Consumer Banking operations on an underlying basis was up a strong 16%, reflecting a one percentage point increase in market share.

In New Zealand, strong lending and deposit growth more than offset margin compression, with profit on operations up 12% in New Zealand dollar terms. After a disappointing result last year, the Institutional Bank bounced back to lift profit on operations by 39% from a more normal trading performance and sharply lower bad debt experience.

Of no less importance, the integration of Westpac Financial Services, Rothschild Australia Asset Management (RAAM) and BT Funds Management (BTFM) into the new BT Financial Group (BTFG), has proceeded ahead of plan. Profit on operations for the year was \$127 million with continued growth in life and risk insurance premiums, and a return to above industry benchmark investment performance. Cash earnings for BTFG were up a strong 48% to \$190 million for the year.

The expense to income ratio for the Westpac Group fell to 51.3% from 54.7%, reflecting continued cost constraint and the net effect of the sale of AGC and the wealth management acquisitions. We expect that actions already taken will continue to deliver further efficiencies, even after additional investment in growth enhancing activities.

The net impaired assets to equity and general provisions ratio, our 'Asset Quality' ratio, improved significantly, falling to 2.9% from 3.5%. Total provisions to total loans and acceptances fell marginally to 0.9% from 1.0%, reflecting in large part our strong loan growth, up 18% on 2002. We remain confident that our asset quality and provisioning have us well positioned to sustain our earnings performance.

During the year we undertook steps to enhance our capital mix. In December 2002, we launched a Tier 1 hybrid capital transaction known as Westpac FIRsTS raising \$667 million, to which over 5,500 Australian and New Zealand investors subscribed. FIRsTS are traded on the Australian Stock Exchange Limited. In August 2003 we completed a US\$750 million Tier 1 hybrid capital securities raising, that was sold primarily to US institutional investors.

We remain prudently capitalised, but now with a broader capital mix. Our Tier 1 capital ratio of 7.2%, up from 6.5% as at 30 September 2002, remains well in excess of the regulation minimum.

Chairman's report

At year-end, our market capitalisation was \$30 billion, up from \$25 billion a year ago. Beyond our financial results we have made real progress through the year.

As set out in David Morgan's CEO Review that follows, we have focused and harnessed the considerable power within our 26,800 talented and diverse people around our determination to be number one for customer service in our industry. Leveraging off our view that you can only deliver superior service through highly committed and engaged staff, we are already delivering tangible proof of real progress against our Ask Once service promise.

On a broader front, it is with some pride that I'm able to report that our focus on embedding good governance and responsible business practices across the Group is gaining domestic and international recognition and underpinning our long-term sustainability.

In July this year we released our second Social Impact Report, which details our progress, targets and aspirations across the three pillars of financial, social and environmental performance. The report details our progress in integrating corporate responsibility into our business model and documents our performance across some 90 key indicators of corporate health and performance.

Reflecting our progress, Westpac has been ranked the number one bank globally in corporate sustainability in the Dow Jones Sustainability Index for 2003-2004, the second year in a row that we have achieved such significant recognition. Westpac was also rated number one and the only company to be awarded a AAA rating in the 2003 RepuTex sustainability ratings of the top 100 Australian companies.

We intend to continue to pay particular attention to differentiating Westpac around those three pillars of sustainability – financial, social and environmental – that will underpin our performance and see us firmly positioned as a leader in good governance and responsible business practices.

This year has been one of consolidation, following the sale and acquisition activity in 2002. At the start of the year the acquisition of the BT Funds Management was completed, eliminating capability gaps in our business mix. We now have the full capabilities to more effectively leverage off our valuable Australian and New Zealand customer bases.

As already mentioned, the results in our wealth business this year demonstrate that we have made rapid progress in integrating both the BT and Rothschild acquisitions, achieving significantly higher synergy benefits than initially targeted.

At the same time, the purchase of a 51% shareholding in Hastings Funds Management (Hastings) in October 2002 complements the strengths of our Institutional Bank, with significant capabilities in the infrastructure, private equity and asset management markets.

I continue to be impressed by the strength and diversity of the great people that make up the Westpac community. Their dedication and contribution is immeasurable, and we thank them sincerely for their tireless efforts throughout the year.

We have seen some reorganisation of the senior executive team during the year, with the elevation of Ilana Atlas, previously Group Secretary and General Counsel, to Group Executive People and Performance. This follows the appointment of Ann Sherry as Group Executive New Zealand and Pacific Banking. Richard Willcock, our previous head of Group Legal has taken on the role of Group Secretary and General Counsel.

Your Board has had two changes this year. I would like to take this opportunity to welcome Ms Carolyn Hewson who joined the Board on 6 February 2003 as a Non-executive Director. Carolyn has extensive experience in the financial sector and broad community board and advisory appointments.

On 1 September 2003, John Fairfax resigned after seven years of distinguished service on the Board. I would like to take this opportunity to recognise John's valuable contribution on behalf of the Board and shareholders.

Whilst the global economic outlook has improved this year, there remains a degree of uncertainty particularly with respect to global security. The Australian and New Zealand economies, however, continue to perform on most measures, and we are confident that we can continue to benefit from the solid base set during the past year. It is very much easier to make change and take new initiatives against a background of domestic economic stability.

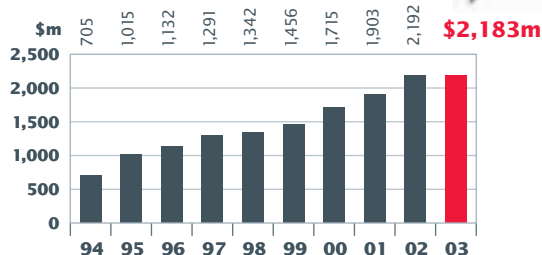
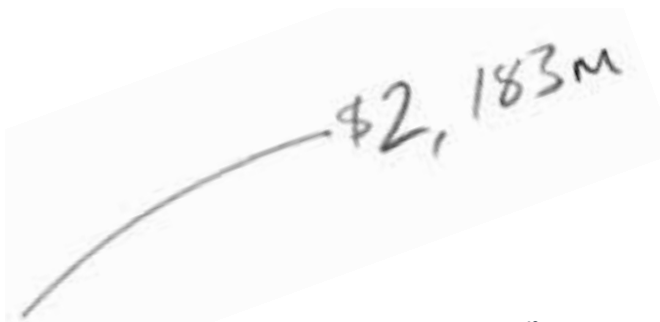
The success of the many initiatives that are well underway right across the Group, in support of our customer experience objective should provide additional momentum.

In conclusion, your Board remains confident that Westpac is well positioned to continue to deliver strong outcomes for all of its stakeholders.



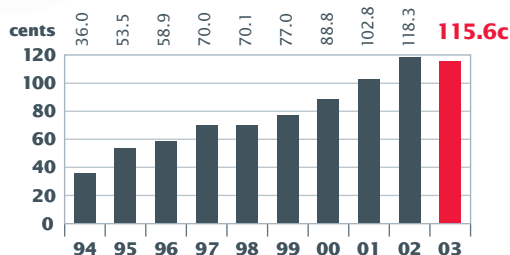
Leon A. Davis
Chairman

Our performance



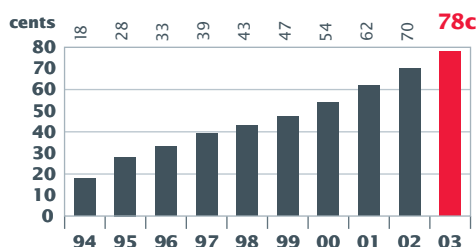
Profit

Operating profit after tax attributable to shareholders.



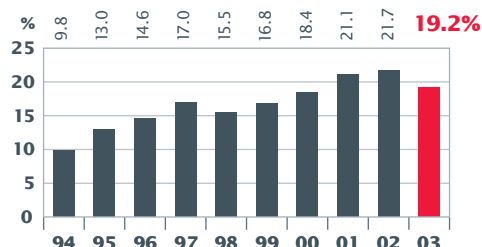
Earnings

Earnings per ordinary share.



Dividends

Dividends per ordinary share.



Returns

Return on average ordinary equity.

	2003 Reported	2002 Reported	2002 Underlying ¹	% change Reported 2003/2002	% change Underlying ¹ 2003/2002
Net profit² (\$m)	2,183	2,192	2,011	0%	9%
Cash earnings³ (\$m)	2,271	2,244	2,063	1%	10%
Earnings per share (cents)	115.6	118.3	108.3	(2%)	7%
Cash earnings per share (cents)	124.5	123.8	113.9	1%	9%
Dividends per share (cents)	78	70	70	11%	11%
Economic profit⁴ (\$m)	1,379	1,380	1,198	0%	15%
Return on equity (%)	19.2	21.7	19.8	(12%)	(3%)
Cash return on equity (%)	20.7	22.7	20.9	(9%)	(1%)
Expense to income ratio⁵ (%)	51.3	54.7	51.8	(6%)	(1%)
Tier 1 capital ratio (%)	7.2	6.5	6.5	11%	11%
Asset quality ratio⁶ (%)	2.9	3.5	3.5	(17%)	(17%)

¹ Adjusted for \$181 million of net gains in 2002 from non-recurring significant items, including the sale of AGC.

² Net profit attributable to equity holders.

³ Net profit plus goodwill amortisation minus distributions on hybrid equity instruments.

⁴ Economic profit means the excess of adjusted profit over a minimum required rate of return (12%) on equity invested. For this purpose, adjusted profit is defined as net profit after income tax, but before amortisation of goodwill, plus a portion (70%) of the face value of franking credits paid to equity holders.

⁵ Expenses excluding goodwill amortisation.

⁶ Net impaired assets to equity and general provisions.



David Morgan
Chief Executive Officer

Simple things

but done well!

It should come as no surprise to anyone that if you do the simple things well you get surprising results. And having put the stake in the ground last year with our 'customers should only have to ask once' promise, we're seeing it play out in real life. Some thought the Ask Once promise was a brave and difficult one – even impossible! We didn't, and I'm pleased to be able to lay out the progress we are making in ensuring once is enough!

In the following pages we've laid out the proof points on our progress. Our customers have told us in no uncertain terms to move beyond the promises and begin delivering. We've listened and we're acting.

But you might ask, how could anyone be confident that we'll stick at it over the long haul and fundamentally revolutionise the service experience? What's so different this time?

Our answer is simple. Just about everything is different. In fact, we've been working behind the scenes over the past five years to build the foundations for this customer service revolution.

We've rebuilt the Westpac DNA – from the base up. In the same way that Deoxyribonucleic acid (DNA) carries the defining information of an organism, so too does the Westpac DNA capture the defining characteristics of Westpac – the lifeblood and spirit of our company.

Our DNA defines what we stand for, where we're heading and how we're going to get there. It defines our vision, our mission, our values, our strategy, and our key objectives.

Our vision is to be a great Australasian company, as judged by our customers, staff, shareholders and the broader community. Customer focus is our strategy and our mission is to be at the forefront for service in our industry by September 2005. Weaved throughout everything we do are our values of teamwork, integrity and performance.

But at the end of the day it's all about how the rubber hits the road. This is where the service-profit chain comes in – it establishes the relationship between our practices, employee commitment, customer satisfaction and loyalty, and profitability and value creation. We strongly believe that the only way to sustainably deliver value across our businesses is through the service-profit chain. One can draw a straight line between making superior service second nature and sustainable profit growth.

A picture of how our DNA all fits together is provided on the next two pages.

Today, wherever I go in Westpac I can feel the energy and momentum to revolutionise the customer experience.

Our Ask Once express is starting to pick up speed, driving us to deliver the level of service our customers value. And the market is increasingly looking at what we're doing and why.

So the baseline is to maintain the solid progress we're making and make sure the improvements are sustainable. That's the really important point.

Which is why we have spent so much time on the front end of the service-profit chain – on supporting our staff and lifting their commitment.

In what we think may be a world-record response rate of 84% for a company of our size and complexity, staff told us in our Staff Perspectives Survey this year that they believe they have lifted their work effort and engagement. They're switched on to Ask Once and the customer experience levels we aspire to.

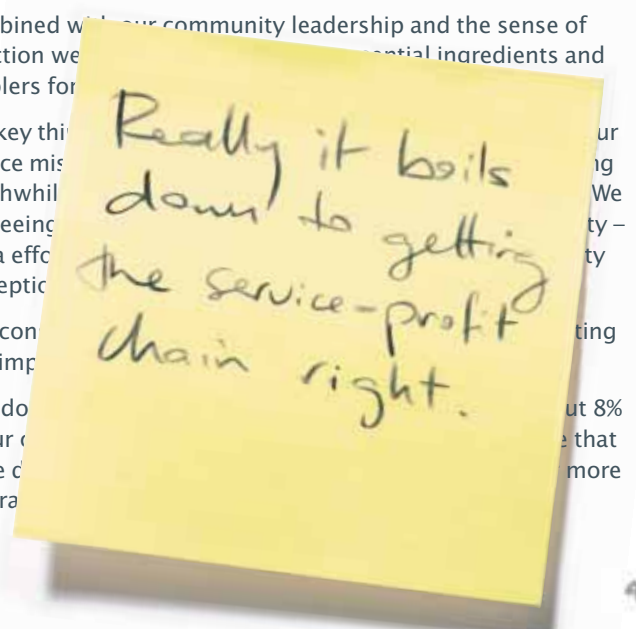
Over recent years we have lifted Westpac to a leadership position with our progressive workplace practices, advancing diversity and equity outcomes for all. Policies such as paid maternity, paternity and adoption leave, mutual negotiation of work hours, as well as innovative childcare, job sharing and home-based work arrangements, have firmly positioned us as an employer of choice.

Combined with our community leadership and the sense of direction we have, these are the essential ingredients and enablers for our success.

The key thing is that our service mission is worthwhile and we are seeing extra effort and perceptible improvements.

And combined with our community leadership and the sense of direction we have, these are the essential ingredients and enablers for our success.

Why do we care? Well, 84% of our staff believe they have lifted their work effort and engagement. That's more than 84% of our staff.



Combined with our community leadership and the sense of direction we're providing, these are essential ingredients and enablers for a high performance culture.

The key thing is that we're getting ever-stronger support for our service mission amongst our people and they feel they're doing worthwhile things – doing something valuable in their jobs. We are seeing lower turnover in our staff and higher productivity – extra effort is up, intention to leave is down, and job security perceptions are also up. And consistent with the service-profit chain, this is translating into improved customer satisfaction across the Group.

Why does service matter so much? Because we churn about 8% of our customer base every year and around 65% of those that leave do so because of the service they have received (or more accurately they have not received). Studies have shown that reducing customer defection has a dramatic impact on revenue

and costs. And the best way to do that is through improved customer service.

In Australia, we are well on track towards our milestone to be number one for customer service amongst the Australian major banks.

In the year to 30 June, we have lifted customer satisfaction by one percentage point with consumer customers, two percentage points with small and medium size enterprise (SME) customers and seven percentage points with our middle market business customers.

In New Zealand the trends are also positive, with customer satisfaction up five percentage points.

Given it takes time for improved customer service to fully reflect in customer satisfaction, these results show that our Ask Once and other service initiatives are delivering positive and tangible improvements for our customers.

Westpac DNA

Vision

'To be a great Australasian company'

A great place to work.
A superior customer experience.
First quartile shareholder returns.
A good corporate citizen.

Mission

'To be at the forefront for service in our industry by September 2005.'

Values

Teamwork
Integrity
Performance

Strategy

Customer focus

Know and respect our customers.
Understand our customers' needs.
Consistently deliver what we promise.
Work to build great customer relationships.
Act honestly.

Service-profit chain

Employee

Internal service quality

Employee commitment

Employee retention

Employee productivity



We now need to raise the bar even higher if we are to achieve our mission to be at the forefront for service in our industry by September 2005.

Already we are seeing the improvement in customer satisfaction carry over into improved customer loyalty, as reflected in our market share growth and the growth in product holdings per customer. With our relentless focus on the specific geographic markets of Australia and New Zealand, we are now consolidating our position across all key segments.

Our businesses are in good shape and we have a very low-risk profile. And, our recent strategic wealth management acquisitions are delivering value. This has translated into 10% revenue growth across our businesses.

A further feature of our DNA is our corporate responsibility agenda, which is firmly focused on sustainably enhancing shareholder value. Starting with the Board, corporate

responsibility and good governance are embedded throughout the company and are building valuable reputational capital.

Customers and staff are attracted to businesses that manage their social and environmental impacts on the community in an ethical and responsible way. Trust and ethics are absolutely critical to both the brand and to improving customer loyalty value in our business. Appropriate everyday performance in these areas is fundamental to a credible, responsible business positioning.

In September 2003 we began to communicate our progress through a new advertising campaign based on our proof points including: the Ask Once promise; Saturday trading and extended opening hours; customer greeters; and Business Life and Pay Anyone facilities. These proof points are, of course, the crucial 'moments of truth' in a customer service business like ours. The following pages provide a brief insight into the simple things we are doing and the real results we are seeing across the service-profit chain.

How?

Differentiator: superior execution

Our high performance culture:

- quality people
- effective processes
- values and mind-set.

Outcomes

Core group objectives

- Best practice employee commitment.
- Service leadership in our industry.
- Top quartile shareholder returns.
- Leader in Corporate Responsibility.

Customer

Shareholder

Superior customer experience

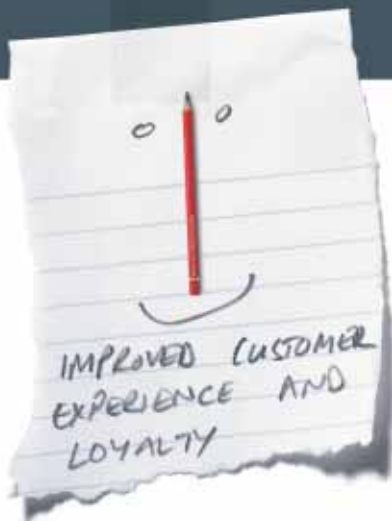
Customer satisfaction

Customer loyalty

Revenue growth

Profitability

Shareholder value



Redefining employee commitment

The way employee commitment delivers profitable and sustainable growth is no longer regarded as an 'act of faith'. In any successful service company, everyone having a sense of ownership, loyalty and pride in their work is an essential ingredient. Just having happy employees is not enough, real commitment across the board is needed.

To deliver on our Ask Once promise, we need our staff to have the right kind of attitudes and behaviours and personal commitment to service. When that's all in place we not only find customer satisfaction improves, so does customer retention and loyalty.

And here is the real point – we know that the commitment of our employees is driven by how they feel about the Westpac Group's strategy and culture – what we value, support and promote.

So we've sought to 'bring them all into the Boardroom' and share our strategy and Ask Once service mission. We've used innovative learning maps, and we've been investing in developing their skills and promoting the values and mind-set that complement high performance, high integrity, and outstanding teamwork.

We've put in place better performance management processes, encouraged new styles of learning, and developed a range of tools to help our leaders inspire and develop their teams.

Put simply, we want all our people to be the best they can be and to have the loyalty, pride and sense of ownership that will set Westpac apart.

Here's a snapshot of some of our initiatives to support our employees in going the extra mile.



Helping in the community

Our staff give generously of their time to help the community, and the least we can do is to support them through paid volunteer days and flexible work arrangements.

In Australia, around two-thirds of our staff regularly volunteer in the community and it is a similar story in NZ and the Pacific.

They also actively fundraise for charities. Westpac Matching Gifts in Australia matches funds raised \$ for \$, contributing some \$5.2 million to 600 charities since 1998.

Balancing pay and performance

Executive remuneration is tightly linked to performance. We use a 'Balanced Scorecard' with clear objectives relating to delivering for our people, our customers, our shareholders and the community. We reward performance when shareholder value is created and where key stakeholders are benefiting.

Westpac Academy

The Westpac Academy got underway this year. It's a global best-practice approach is helping our people grow and excel. It's a key initiative in providing the tools, knowledge and skills needed to deliver outstanding customer service.

Courses cover leadership development, as well as e-learning initiatives for product-based training. The learning approach is flexible and tailored to best fit staff needs.

Listening to our people

It is critical we listen to the views of staff and respond. Our most important feedback channel is the annual Staff Perspectives Survey. It provides deep insights into our employees' views and guides improvements. This year's survey achieved a record response rate of 84%.

Our frontline →



Edward



Helen



Charlie



Brinda



Hong Leng



Manuel



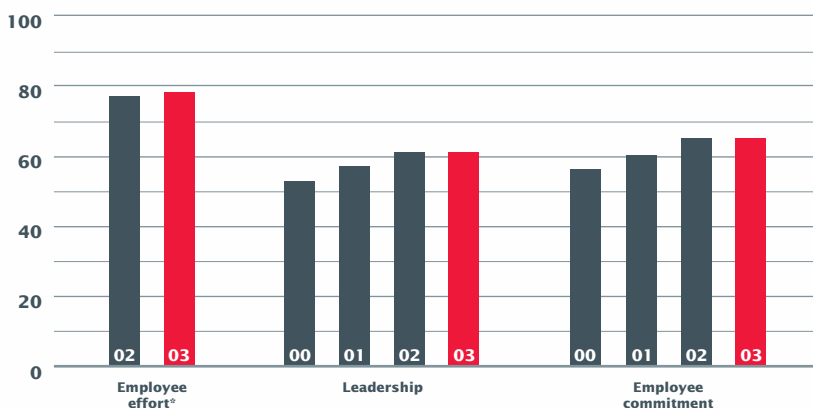
Matt

The Westpac Academy's innovative customer experience module is raising the bar for service across the company. Using real customers to uncover real issues and reaching all frontline employees.

David Marriott
Customer
Haymarket Branch

Staff feelings

% of staff who are positive.



Source: Staff Perspectives Survey.
*Question added in 2002.

Making it easier for our people

Our most productive employees are the most engaged and committed employees – they understand and support Westpac's direction, know the opportunities for them within the company, and feel supported in getting their work done effectively and efficiently.

Little surprise then, that employee productivity plays such a direct role in the value our customers see in our services and products. That's why, starting with our frontline people, we've been investing heavily during the past year to support our people in getting their work done more effectively and efficiently.

Our staff have told us that they need better support technology and work processes to be able to fully deliver on Ask Once.

So it is a priority for us to respond and to provide them the support they need to boost their productivity and deliver on our service promise.

As the examples below show, we're working across the board to provide our staff with better tools. We're providing them with a holistic view of our customers and we're rolling out new systems and processes to simplify our credit and lending processes for staff and customers alike.

These improvements will free up time for our people to focus on our customers and make it easier for them to deliver on the Ask Once promise.



Aligning all of our efforts

The Align program is revitalising our people-management processes and aligning individual objectives, so that everyone can see how their efforts are helping to deliver on our service mission.

With the revamp, we are strengthening leadership skills and reinforcing the values and behaviours that underpin the Westpac DNA.

Leading edge technology

Staff having standardised PC technology and operating systems is a pre-requisite for superior service. Our One Bank Platform (1BP) will keep us at the leading edge.

With 1BP, staff are able to handle customer queries from their PC more efficiently.

Holistic customer view

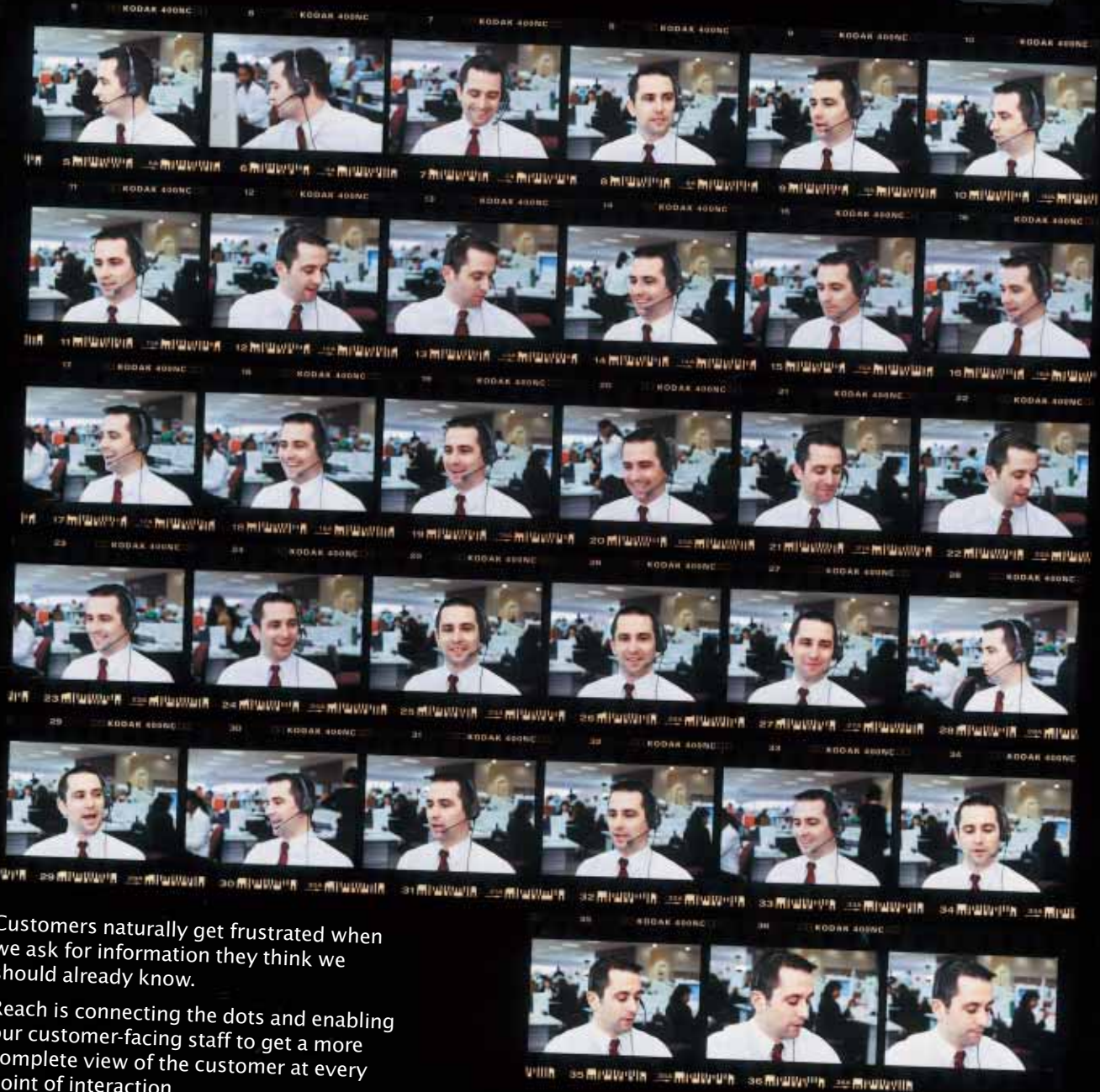
Imagine being able to contact any one of our relationship managers and have all your account queries solved at once. Through Reach, staff now have a holistic view of our customers' relationship with us when providing service.

We've started rolling Reach out in our Business bank with positive results.

Simplified processes

The Pinnacle program when fully rolled-out will allow staff to make loan approvals faster and speedily provide the funds to customers.

Roll-out will begin with business lending. Business customers will soon be able to walk into a branch, talk to their business banking manager, and have their lending needs resolved quicker than ever.

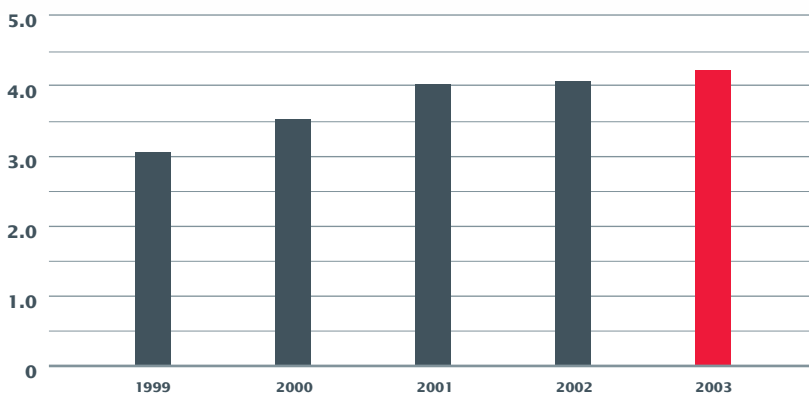


Customers naturally get frustrated when we ask for information they think we should already know.

Reach is connecting the dots and enabling our customer-facing staff to get a more complete view of the customer at every point of interaction.

Productivity ratio

Net operating income/personnel costs (excluding restructuring expenses).



A better customer experience

One year ago we declared that Westpac customers should only have to Ask Once. We stated our determination to create a service organisation second to none in the financial services industry and laid out our bold plan in the Annual Report.

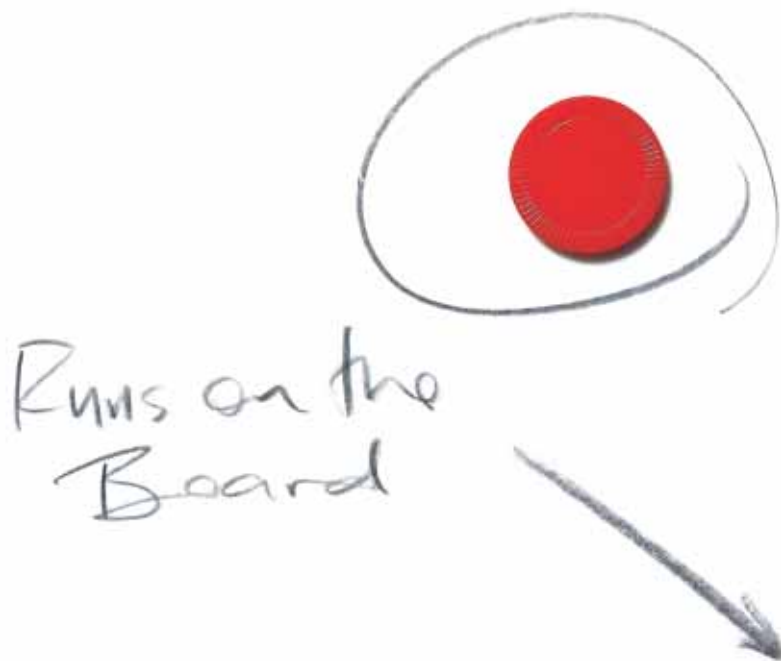
One year on, this seemingly impossible promise is now a series of tangible actions which are delivering improved customer experiences.

The first step in improving our service was to listen better to our customers. So each week we now survey 1,000 customers within 48 hours of their contact with us to gain a better understanding of how they viewed their experience.

Among other things, our customers told us they would like our branches to be open at more convenient times. They also want us to resolve queries faster and at the first point of call. And our small business customers want improved business services at the branches.

The second step was to act – and we have. We've addressed these issues or are well on the way to resolving them. And this is just the beginning.

We are committed to being a great service organisation and that commitment is from the Board down – no exceptions. We're not there yet. But step by step, we're moving in the right direction.



Ask Once Coordinators

Ask Once Coordinators work with branch and contact centre staff to resolve problems faster. Where they are in place we are seeing a substantial improvement in customers reporting a positive experience and a 47% reduction in customer problems being referred on from branches.

Extended hours

We have extended the business hours for some of our busiest branches. Depending on customer needs and traffic, select branches are now open on Saturdays, some open earlier on pension days, and some stay open for late-night shopping.

Specialist roles in branches

We are putting specialist staff into branches to better meet customer needs. For example, in Australia we are putting around 80 new Business Finance Managers into the branch network to provide solutions to business customers on the spot.

Here to help you

We now have staff in most of our branches to greet customers and point them in the right direction. Nothing is more frustrating for a customer than to line up only to later find out they are not in the right spot. Our greeters ensure customers get to speak to whomever they need to faster.

Customer service commitment

If our branch and contact centre staff cannot answer a customer's question on the spot, they now give the customer their name and contact number as well as an agreed follow-up date.

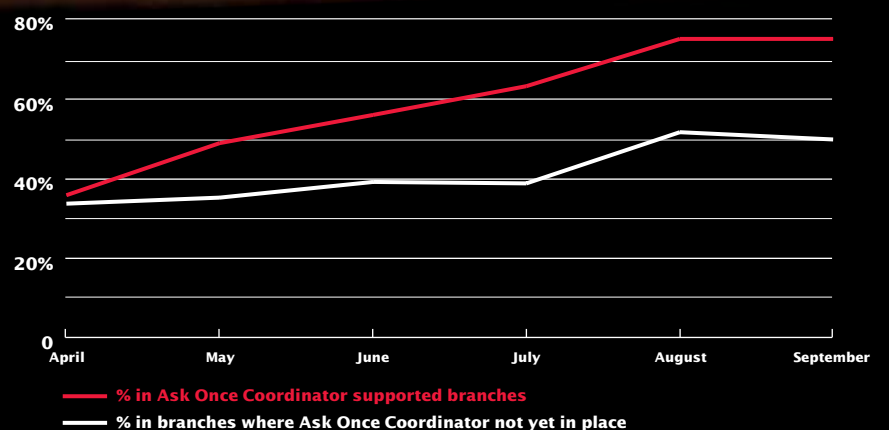
The new Customer Service Commitment Forms log and track the resolution of the queries.



Why wait for lengthy feedback? The 'Runs on the Board' program is a unique in-branch program that allows customers to give immediate feedback on their service experience by placing a token in an assessment box as they leave a branch.

Complaints resolved at first contact

% of complaints resolved at branches without referral to other areas of Westpac.



Delivering new value to customers

Many of our customers want more than the traditional savings and transaction accounts and loans. They want ways to create, manage and protect their wealth for their future.

And when we consistently meet their service and product expectations, it's little surprise to see them approach us first when they have new needs. So we've been responding on all fronts, broadening the range of services we provide and tailoring them to the changing needs of our customers.

Our wealth management acquisitions last year have provided us with a real boost. Our investment, superannuation and retirement products under the new BT brand provide a full suite,

spanning wealth management needs. And we've added top tier international expertise to our in-house investment capabilities.

With growing investor appetite for high-yield income securities and other structured investments, our Institutional Bank has also been bringing a range of new investment options to the market.

Not to mention our ongoing product innovation for customers in more traditional banking products, such as the new Virgin credit card, and Westpac One, which takes the hassle out of managing multiple transaction and savings accounts.

Here are a few examples of where we are delivering new value to customers.



Corporate Super

Superannuation can be a headache for businesses – including many of our small and medium sized business banking customers.

Our new BT Corporate and Business Super offers a full-service superannuation solution suited to the needs of a business – regardless of its size.

Wealth protection

Wealth creation and wealth protection are two sides of the same customer need – financial security. That's why this year we brought together our Wealth and Risk businesses to enable us to address our customers' wealth needs in a more holistic manner.

Margin Lending

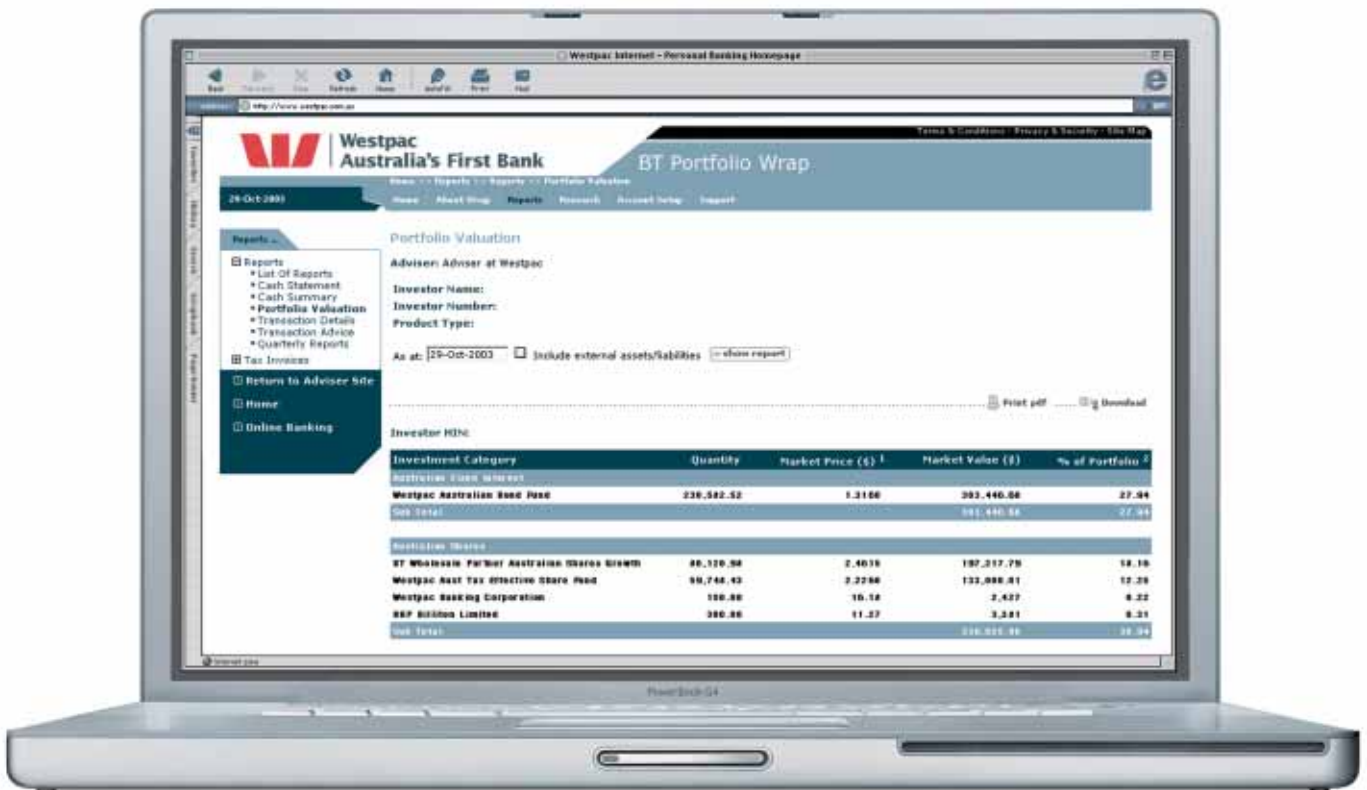
BT Margin Lending allows clients to accelerate wealth creation by measured gearing into approved shares and managed funds – without putting any other assets on the line.

Structured Investments

Many customers are looking for investments that provide opportunities to access high yield and capital growth through alternative investments.

The Institutional Bank has launched a range of structured investments that meet this demand.

This year, for example, we launched the Westpac Office Trust which provides the opportunity to invest in a quality commercial property through an instalment structure, with liquidity provided through listing on the ASX.



* Laptop image courtesy of Apple.

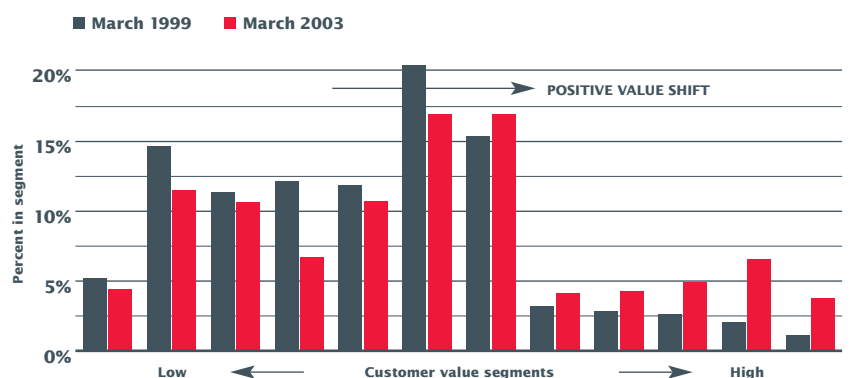
VIRTUAL PORTFOLIO.

Investment advisers want to spend more time where it counts – giving clients the attention they deserve. That's where the BT Wrap comes in.

Our Wrap is a high-tech portfolio administration platform that provides clients with consolidated management and reporting – bringing together a range of investment options under one convenient administration account for their portfolios.

Shift in customer value

Percentage of Australian customers in each value segment (based on economic profit per customer).



Greater value for shareholders

We know that consistently delivering sound financial results and returns for our shareholders is our number one priority. But we also know that just focusing on the short-term financial dimension at the expense of the long-term interests of our staff, customers and the broader community will put this at risk. After all, companies such as Westpac need more than a legal licence to operate – we require a community licence as well.

That's why we have sought to consistently deliver for our shareholders by aligning our financial performance with best practice governance and corporate responsibility. With our total return to shareholders substantially outpacing the returns

from the All Ordinaries Accumulation Index, the results are there to see. Added to this is Westpac's widespread recognition as a leader in corporate responsibility.

At the same time we believe that it is important not to lose sight of the little things that shareholders value. So we have sought to improve access for investors to key company information and to improve the transparency around our performance. And we have sought to encourage shareholders to also be customers. Here are a few of the little things in the past year that have added greater value for our shareholders.

ENGAGING SHAREHOLDERS



Shareholder

Ensuring shareholders have a say

This year we're asking shareholders unable to attend the Annual General Meeting (AGM) to let us know of any questions relevant to the meeting that they would like asked. We will make our best effort to deal with the questions raised at the AGM.

Shareholders benefiting

Following feedback from shareholders, we've enhanced our Shareholders Benefits Package by extending the property loan benefits to family members, and a grant of free Altitude points for Westpac's Altitude Card holders.

To date more than 7,500 shareholders have registered for the free points, many being new card holders to Westpac.

Shareholders donate to charity

This year we offered shareholders who held less than 500 shares, the opportunity to either sell their holdings or top-up to 500 shares to access the Shareholders Benefits Package. Shareholders were able to donate any small sale amounts or residual balances to either the Salvation Army or the Smith Family. Each received half of the \$21,000 donated.

Westpac Investor Centre

In August 2003, Westpac was the top rated company in the inaugural Global Reviews Investor Relations benchmark. Our site got top ratings in the areas of communication, company information, share information, and site organisation, and was second in the company reporting category.

This recognition confirms the success of the significant redesign of our Investor Relations website carried out this year.



Westpac Australia's First Bank

Westpac's share performance

One thousand dollars invested in Westpac on 1 October 1998 would have grown in value to \$2,121 (assuming dividends were reinvested) as at 30 September 2003, which represents a compound annual return of 16.2%.

The same investment in the All Ordinaries Accumulation Index (which adjusts for all dividends paid on stocks in the index) would have grown to \$1,537, representing a compound annual return of 9.0%.

Accumulated value chart



Executive team

Getting down to business

At 30 September 2003 our Group Executives were:



David Morgan

BEC, MSc, PhD. Age 56

Chief Executive Officer

David 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, prior to being appointed CEO in March 1999.



Ilana Atlas

BJur, LLB, LLM. Age 49

*Group Executive,
People and Performance*

Ilana joined Westpac in 2000 as Group Secretary and General Counsel.

In October 2002 she was appointed to her present role, and is accountable for people strategy and management. She was previously a partner of Mallesons Stephen Jaques, where she worked extensively as a corporate

lawyer and in managerial roles including human resources and as managing partner.



Philip Chronican

BCom(Hons), MBA, FAIBF. Age 47

Chief Financial Officer

Phil was appointed Chief Financial Officer (CFO) in February 2001 with

responsibility for Westpac's finance, tax, treasury, risk management, legal, strategy and investor relations functions. He was previously Deputy Chief Financial Officer and has held

business group CFO roles in both retail and institutional banking. Phil has been with Westpac in a variety of positions in Australia and in New Zealand since 1982.



David Clarke

LLB. Age 48

*Chief Executive Officer,
BT Financial Group*

Since joining Westpac in July 2000, David has led both Banking and Financial Solutions and the Australian

Business and Consumer Bank. In September 2002, he assumed responsibility for developing Westpac's expanded wealth management business. In November 2002, following the acquisition of Rothschild Australia Asset Management Limited and BT

Financial Group, David was appointed the Chief Executive Officer of the new business. David was previously an executive director with the Lend Lease Group and CEO of MLC Limited.



Philip Coffey

BEC(Hons). Age 45

*Group Executive,
Westpac Institutional Bank*

Phil joined Westpac in 1996 and since 2002 has lead the global wholesale

banking operations with offices spanning Australia, New Zealand, USA, UK and Asia. Previously with AIDC and Citicorp Global Asset Management, he has extensive experience in financial and capital

markets. Phil began his career with the Reserve Bank of Australia and has had over ten years experience with Citibank in London and New Zealand.



Michael Coomer

CEng, GradDipDigitalComms, AMP(Harvard), FAIBF, FAIM, ATS, MAICD. Age 50

*Group Executive, Business and
Technology Solutions and Services*

Michael joined Westpac in January 2002 and is responsible for

information technology, outsourcing governance, banking operations and back office functions and corporate services (including fraud, anti-money laundering and security). Michael has almost 30 years of experience at the forefront of information technology,

having had associations in the telecommunications, financial services, aerospace and defence industries, primarily in senior executive roles.



Mike Pratt

CBkg, GradDipOrgBeh, FAIBF, MAIM. Age 50

*Group Executive, Business and
Consumer Banking*

Mike joined the Westpac executive team in April 2002 as Group Executive

for New Zealand and Pacific Banking. In August 2002, he was appointed Group Executive, Business and Consumer Banking for Australia and is also CEO for Bank of Melbourne. Mike has had an extensive career in

retail banking and was previously CEO, Australian Financial Services, National Australia Bank and CEO of Bank of New Zealand.



Ann Sherry

BA, GradDipIR, MAICD, FAIBF, FIPAA. Age 49

*Group Executive, New Zealand and
Pacific Banking*

After joining Westpac in 1994, Ann headed Human Resources for the

institutional and international bank and subsequently led a team driving the merger with the Bank of Melbourne, later becoming its CEO. Ann was appointed Head of Westpac Group Human Resources in 1999 and

Group Executive in 2000. In October 2002, she was appointed CEO of Westpac (NZ) and Group Executive, New Zealand and Pacific Banking. Ann also has had extensive experience in government at a senior level.



Richard Willcock

LLB, BA(Hons), MBA. Age 44

Group Secretary and General Counsel

Richard joined Westpac in 1997 as Senior Counsel, Institutional and International Banking Group and was

appointed to his present role in February 2003 with responsibility for the management and delivery of company secretarial, legal and compliance services to the Westpac Board, executive and business.

Prior to his current appointment he was General Manager, Risk, for BT Financial Group. Richard previously practiced law in private practice from 1982 and was a partner at law firm Abbot Tout.

Business unit performance

Finance



Philip Chronican,
Chief Financial Officer

“Within the finance function, my key objective is to ensure that Westpac has a comprehensive and effective

accounting and control, and risk-based performance management framework. By having the right organisational, capital and investment resources available, we can ensure a financial structure that meets Westpac’s strategic goals.”

Business unit performance

The following highlights the performance of the key business units. To enable a more detailed analysis the following business unit results have been presented on a management reporting basis. Internal charges and transfer pricing adjustments have been included in the performance of each of the business units,

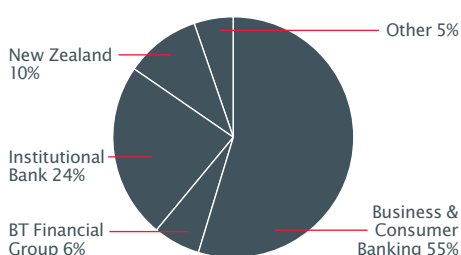
reflecting the management of the business within our organisation, rather than the legal structure. Therefore the results cannot be compared directly to public disclosure of the performance of individual legal entities within our organisation.

Business unit cash earnings \$m	2003	2002	% Mov't 2003/2002
Business and Consumer Banking	1,236	1,072	15%
Westpac Institutional Bank	384	275	40%
New Zealand Banking	318	278	14%
Pacific Banking	58	52	12%
BT Financial Group	190	128	48%
Other¹	85	152	(44%)
Discontinued business – AGC²	0	106	n/a
Significant items³	0	181	n/a
Reported cash earnings	2,271	2,244	1%
Deduct goodwill amortisation	(163)	(100)	63%
Add back distribution on hybrid equity	75	48	56%
Net profit attributable to equity holders	2,183	2,192	0%

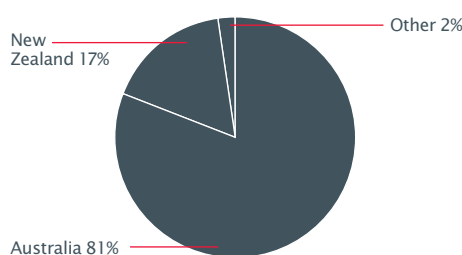
Notes

- 1 Other includes the results of Business and Technology Solutions and Services, Group Treasury and Head Office functions.
- 2 The results for AGC, sold in 2002, have been identified separately from Business and Consumer Banking and New Zealand Banking for clarity of ongoing business trends.
- 3 Non-recurring significant items recognised in the Group’s 2002 reported results are not recognised in the relevant business units for this analysis.

Assets by key business unit



Operating revenue by region



Credit ratings

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

Business and Consumer Banking (BCB)



Mike Pratt,
Group Executive BCB and Chief
Executive Officer, Bank of Melbourne

“My priority is to drive growth and profit by enhancing customer loyalty and satisfaction through delivering a

superior customer experience every time. Key to this is creating an environment where our people are empowered and enabled to deliver results for customers, themselves and for shareholders, so that by 2005 we will be rated the number one financial services organisation.”

Business scope

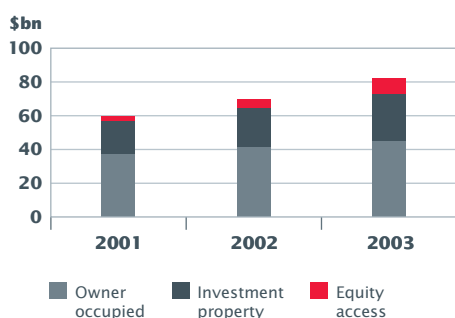
BCB encompasses our consumer and business banking operations branded “Westpac” in NSW, Queensland, SA, Tasmania, ACT and NT, “Bank of Melbourne” in Victoria and “Challenge Bank” in WA.

BCB is responsible for sales, service and product development for our over five million consumer, small to medium sized

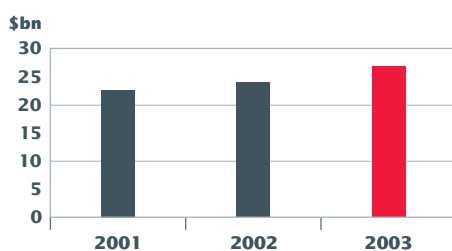
business and wealth customers in Australia and parts of Asia. Activities are conducted through a nationwide network of 812 branches and in-store branches, call centres, 1,587 ATMs, e-channel banking services, over 82,000 EFTPOS terminals and a strong mobile sales force.

Business unit performance	2003	2002	% Mov't 2003/2002
Operating income (\$m)	4,447	4,026	10%
Operating expenses (\$m)	(2,365)	(2,250)	5%
Cash earnings (\$m)	1,236	1,072	15%
Economic profit (\$m)	981	862	14%
Total assets (\$bn)	121.1	101.6	19%
Deposits and other public borrowings (\$bn)	69.5	61.5	13%
Net loans and acceptances (\$bn)	118.5	98.9	20%
Expense to income ratio (%)	53.2	55.9	(5%)
Employee numbers	12,181	11,647	5%

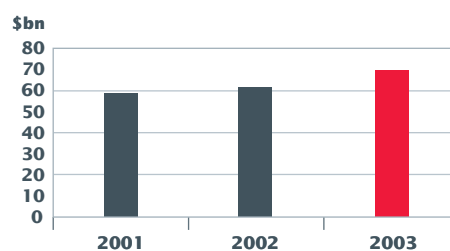
Mortgage outstandings



Business lending outstandings



Deposits and other public borrowings outstandings



Westpac Institutional Bank (WIB)



Philip Coffey,
Group Executive, Westpac
Institutional Bank

"My aim is to take the Institutional Bank to outright leadership in wholesale banking in Australasia.

To achieve this, we have to leverage excellent relationships with first-rate products and to focus on borrowing customers and investors. Success in this will drive superior and sustainable shareholder returns."

Business scope

WIB meets the financial needs of corporations, institutions and government customers that are based in, or have interests in, Australia and New Zealand.

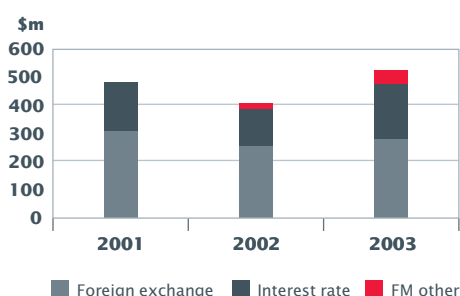
This is achieved through dedicated industry teams supported by specialised expertise in financial markets, debt capital

markets, transactional banking and lending. We support our customers through branches and subsidiaries located in Australia, New Zealand, New York, London and Asia.

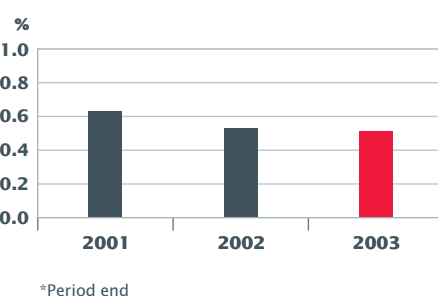
WIB also provides specialist services to middle market and business banking customers in Australia.

Business unit performance	2003	2002	% Mov't 2003/2002
Operating income (\$m)	1,119	960	17%
Operating expenses (\$m)	(471)	(408)	15%
Cash earnings (\$m)	384	275	40%
Economic profit (\$m)	216	124	74%
Total assets (\$bn)	52.2	49.1	6%
Deposits and other public borrowings (\$bn)	10.9	12.0	(9%)
Net loans and acceptances (\$bn)	22.2	21.5	3%
Expense to income ratio (%)	42.1	42.5	(1%)
Employee numbers	1,257	1,192	5%

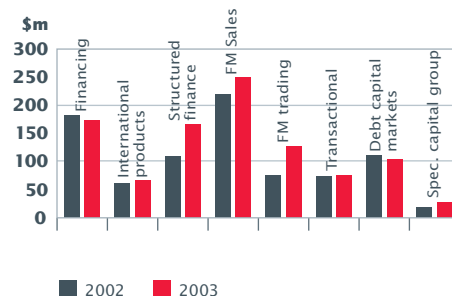
Financial markets product income



Impaired assets/total WIB committed exposure*



Top revenue products



New Zealand and Pacific Banking



Ann Sherry,
Group Executive,
New Zealand and Pacific Banking

“Our priorities in New Zealand are to capitalise on our strong market presence and growth by further enhancing the

quality of customer service. In the Pacific region, we will continue to partner with these nations in developing their financial and economic base.”

Business scope

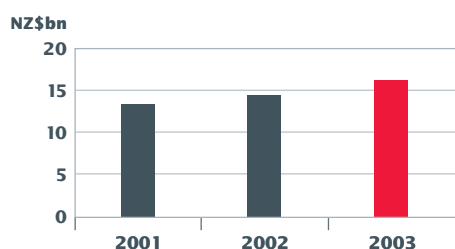
New Zealand and Pacific Banking provide banking and wealth management products and services to consumer and business customers in New Zealand and the Pacific region. In New Zealand, a full range of retail banking products and services, wealth management and commercial banking services are provided through a nationwide network of 200 branches,

call centres and 480 ATMs serving 1.3 million customers, whilst our online banking service has over 320,000 registered users.

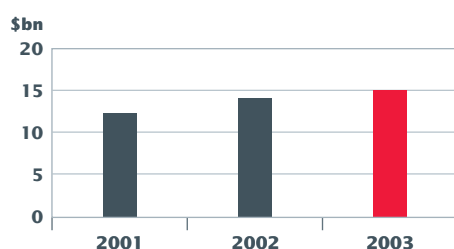
Our Pacific region operations include the Cook Islands, Fiji, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu and span 57 branches, 38 ATMs and an extensive EFTPOS network.

Business unit performance	New Zealand			Pacific Banking		
	2003	2002	% Mov't 03/02	2003	2002	% Mov't 03/02
Operating income (\$m)	1,014	904	12%	132	116	14%
Operating expenses (\$m)	(505)	(442)	14%	(51)	(51)	0%
Cash earnings (\$m)	318	278	14%	58	52	12%
Economic profit (\$m)	153	119	29%	47	40	18%
Total assets (\$bn)	22.4	19.9	13%	1.0	0.9	11%
Deposits and other public borrowings (\$bn)	15.1	14.2	6%	1.0	1.0	0%
Net loans and acceptances (\$bn)	21.4	18.9	13%	0.7	0.6	17%
Expense to income ratio (%)	49.8	48.9	2%	38.4	44.2	(13%)
Employee numbers	4,782	4,686	2%	1,123	1,121	0%

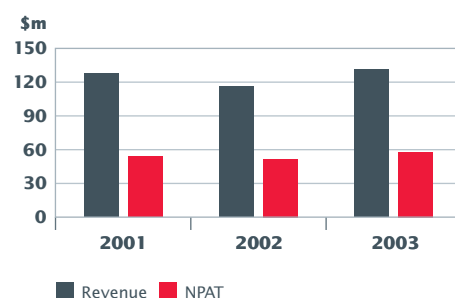
NZ Housing outstandings



NZ Deposits and other public borrowings



Pacific Banking



BT Financial Group (BTFG)



David Clarke,
Chief Executive Officer,
BT Financial Group

“Growing our expanded wealth management business under the revitalised BT brand and restoring

it to a pre-eminent position in the market in terms of product, service and performance is my priority. The opportunities are large and the progress in integrating the new business is encouraging.”

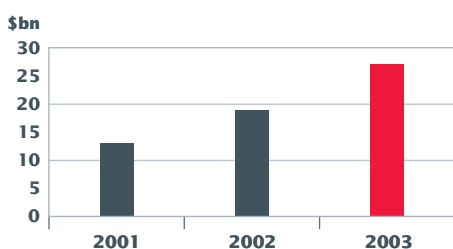
Business scope

BTFG designs, manufactures and services financial products that enable customers to achieve their financial goals through accumulation, management and protection of their personal wealth. Products include managed investments, personal and business superannuation, life insurance, income protection,

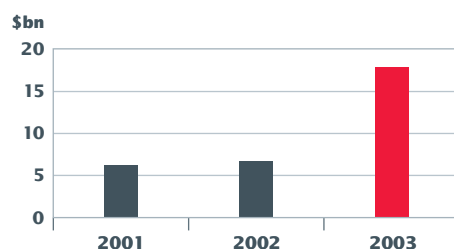
discount securities broking, margin lending, client portfolio administration (wrap) platforms and portfolio management and administration of corporate superannuation. Distribution of BTFG products is through Westpac’s own financial planners and advisors and an extensive range of independent financial advisors.

Business unit performance	2003	2002	% Mov’t 2003/2002
Operating income (\$m)	612	335	83%
Operating expenses (\$m)	(375)	(181)	107%
Cash earnings (\$m)	190	128	48%
Economic profit (\$m)	15	75	(80%)
Funds under administration (\$bn)	13.0	2.8	Large
Funds under management (\$bn)	43.3	33.0	31%
Expense to income ratio (%)	61.3	54.0	14%
Employee numbers	2,021	832	143%

Retail funds under management



Platform – Master Funds and Wrap



In-force premiums



Business unit performance

People and Performance (P&P)



Ilana Atlas,
Group Executive,
People and Performance

“Our goal is to create a competitive advantage for Westpac through our people and our culture. Through our

initiatives, we are supporting our people to acquire the knowledge and skills for Westpac to deliver a consistently better customer experience.”

Business scope

P&P supports our businesses in achieving their goals, through many specialist, people-focused services. These services include recruitment; workforce planning and policy;

remuneration advice; employee training; learning and development; employment policy and communication; and executive development.

Business and Technology Solutions and Services (BTSS)



Michael Coomer,
Group Executive, Business and
Technology Solutions and Services

“With responsibility for technology, e-business innovation and execution across our banking operations, my

aim is to ensure that Westpac has the right infrastructure, now and in the future, to satisfy the day-to-day banking requirements of our diverse customer base.”

Business scope

BTSS people perform the back office functions for our products, define our overall information technology (IT) architecture, support and enhance software systems, and manage and implement major projects. BTSS also provides infrastructure

support for cash management, fraud, physical security, business services and records management, and manages our property portfolio and outsourcing contracts.

Customers

Million	2002	2003
Australia	6.0	6.1
New Zealand	1.3	1.3
Other	0.2	0.3
Total	7.5	7.7

Branch representation

Branches	2002	2003
Australia	806	812
New Zealand	200	200
Other	51	57
Total	1,057	1,069

Westpac workforce (Australia)

	2003
Part-time	31%
Full-time	68%
Temporary	1%
Total	100%

On-line banking customers

Million	2002	2003
Australia	1.5	1.8
New Zealand	0.2	0.3
Total	1.7	2.1

ATM distribution

	2002	2003
Australia	1,552	1,587
New Zealand	484	480
Other	13	38
Total	2,049	2,105

Personnel by business unit

	2003
Business & Consumer Banking	12,181
BT Financial Group	2,021
Westpac Institutional Bank	1,257
New Zealand	4,782
Business and Technology Solutions and Services	4,530
Pacific Banking	1,123
Head Office Functions & other	886
Total	26,780

Responsible actions



For Westpac, corporate responsibility means having a set of decent values and behaviours that underpin our everyday activities. It's about meeting our financial, social and environmental responsibilities in an aligned way and delivering for all stakeholders.

Westpac's 2003 Social Impact Report was released in July. It set out our progress in Australia, against more than 90 performance indicators. We plan to publish a report covering our performance in New Zealand in the first half of 2004.

Our Social Impact Report and responsibility policies are available at www.westpac.com.au/internet/publish.nsf/Content/WI+Social+accountability

Our responsibility report card

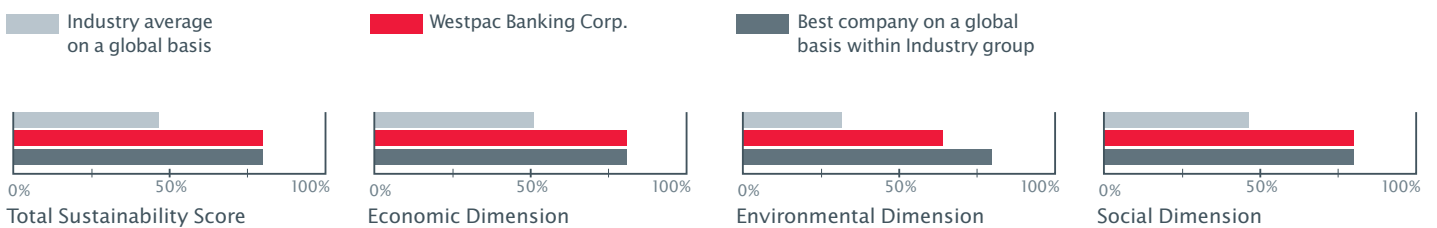


Westpac was assessed as the global sustainability leader for the banking sector for 2003-2004 in the Dow Jones Sustainability Index, for the second year running.

"The company's strong capabilities in integrating corporate sustainability into strategic planning, codes of conduct, as well

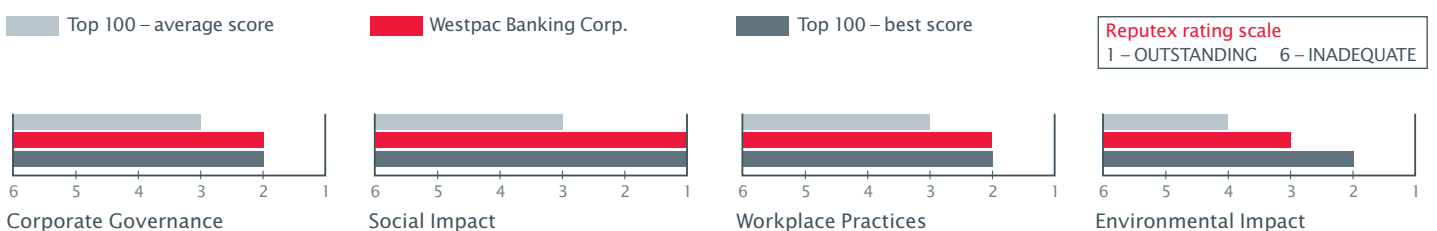
into its controlling and reporting processes, position it well to embrace future challenges..."
 – Sustainable Asset Management Group 2003.

The charts below summarise Westpac's performance. Detail on the index and the assessment process is available at www.sustainability-indexes.com



Westpac was top ranked out of the 100 largest Australian companies and received the only AAA rating, in the 2003 Reputex Social Responsibility Ratings.

This follows Westpac's number one ranking in the 2002 Good Reputation Index. The charts below summarise Westpac's performance. The details are available at www.reputex.com.au.



Employees



"Having a job that is flexible when it comes to working hours and time away has made the difference. With my husband spending many months away from home, I depend on a little understanding from my Manager when it comes to changing my hours to suit my family's needs."

Pip Kent, Employee, Perth

One of our key strategic objectives is to be an employer of choice, attracting committed and highly motivated employees who support our core values. That is why our employee policies and practices are the cornerstones of a successful and sustainable business.

Progress has been made this year in looking out for our employees through:

- A voluntary diversity census to better understand the ethnicity and disability of our workforce.
- Better alignment of the age, gender and diversity of our workforce with the broader Australian community, including a successful start to our recruitment campaign for mature age workers.
- The launch of the Westpac Academy to support our high performance culture.
- Embedding corporate responsibility performance objectives within each business unit.

The Social Impact Report sets out progress against 20 workplace-related performance indicators.

Customers



"I've learned never to take anything for granted and I think Westpac and other smart companies are learning that also. Situations change and the onus is on the big boys to make sure they never lose sight of the little guy."

John Nicoll, Customer, Bathurst

Our customer service mission is to be at the forefront for service in our industry by September 2005. It's a big challenge because it means no less than revolutionising the customer experience. Our 'Ask Once' promise is a central commitment.

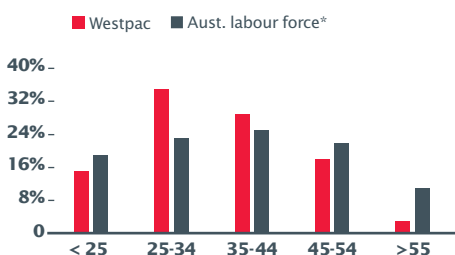
Progress has been made this year in earning the respect of customers through:

- Extending branch opening hours in key branches, including Saturday trading.
- Improving branch access for people with disabilities.
- Maintaining our commitment to rural and regional Australia.
- Enhancing industry-specific banking solutions for small and medium sized businesses.
- Better resolution of customer complaints.

The Social Impact Report sets out progress against 20 customer-related performance indicators as well as our performance against Westpac's Personal Customer Charter.

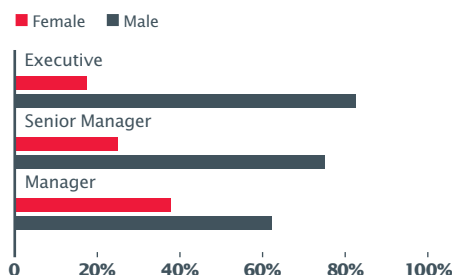
The following measures are a sample of the over 90 performance indicators contained in the 2003 Social Impact Report and relate to the policies, practices and performance of Westpac Banking Corporation in Australia for the year ending 30 September 2002 unless otherwise stated.

Age profile of workforce



*Source: ABS 6203

Women in management*



*Excluding all non-managerial roles.

Complaint types

Complaint Type	2002 %
Commercial & business	6
Information & advice	16
Fees, charges & interest rates	17
Process & procedure	34
Staff service quality	27

Community



Our society has left many Australians without the traditional social and economic networks which connect and support people. On any given night, more than 100,000 Australians are homeless.

'Homelessness: what Australia says,' Mission Australia, June 2002

Every company has a responsibility to the communities from which they profit. With the aim of directly building social capital, we use the London Benchmarking Group model to categorise our community involvement into community investment, charitable gifts, eco-projects and in-kind assistance including, social subsidies and commercial sponsorships.

Progress has been made this year in developing community capacity through:

- Maintaining total community contributions above the accepted best practice level of 1% of pre-tax profits.
- Making financial literacy a core focus of our activities.
- Award winning programs addressing the educational, employment and financial disadvantages faced by indigenous Australians.
- Maintaining best practice employee involvement through Westpac Matching Gifts, paid leave and flexible working arrangements.

The Social Impact Report sets out progress against 25 community and social capital related performance indicators (including corporate governance and corporate responsibility management).

Environment



"I want banks and other corporates to implement the practices that can create wealth whilst still honouring and contributing to the well being of all these environments. It simply takes an adjustment in the way you think, and to know there is enough for all."

Maryanne Cantwell, Environmentalist, Newcastle

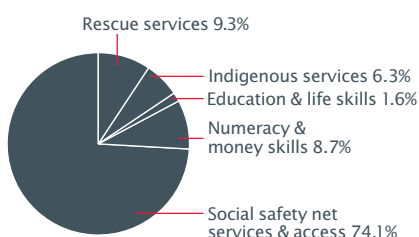
Westpac's environmental policies cover energy and resource management, environmental auditing and environmental credit risk assessment. An Environmental Management System, based on ISO14001, is the foundation of how we manage our impact on the environment. Westpac also offers a portfolio of environmentally sound investment (SRI) products, and other products which promote responsible environmental performance.

Progress has been made this year keeping our corporate conscience green through:

- Adopting the Equator Principles relating to environmental screening of project finance.
- Rolling out the Sydney Water 'Every Drop Counts' program to reduce water consumption.
- Various energy saving projects across our network to reduce greenhouse gas emissions from energy consumption.
- Improving environmental governance with new internal groups to benchmark and drive environmental performance.
- Expanding energy trading to include trading of Renewable Energy Certificates.

The Social Impact Report sets out progress against 25 environmental performance indicators.

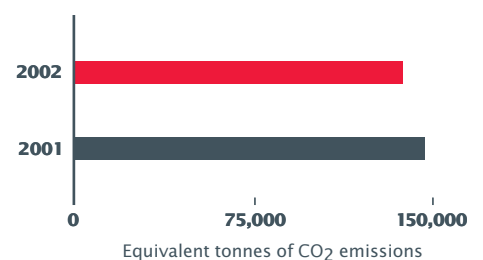
Breakdown of community investment



Eco performance ratios

Emissions ratios	Equivalent tonnes of CO ₂ emissions	
	2002	2001
CO ₂ /person	7.4	6.7
CO ₂ /m ²	0.2	0.2
CO ₂ paper/person	0.7	0.8
CO ₂ car fleet/vehicle	6.3	5.4

Total greenhouse gas emissions



Corporate governance

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1. Westpac's approach to corporate governance

1a) Framework and approach to corporate governance and responsibility

The Board is committed to maintaining the highest standards of corporate governance.

At its base, the Board believes that corporate governance is about having a set of values and behaviours that underpin the company's everyday activities – values and behaviours that ensure transparency, fair dealing and protection of the interests of stakeholders. Consistent with this belief, the Board's approach is to consider corporate governance within the broader framework of corporate responsibility and regulatory oversight.

The business case for good governance is compelling. A company's level of governance and responsibility has emerged as a significant indicator of its overall health as a business. With corporate integrity remaining under question globally, a genuine commitment to good governance is fundamental to the sustainability of our business and its performance.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- review and improve its governance practices;
- monitor global developments in best practice corporate governance; and
- contribute to local and overseas debates on what represents best corporate governance practice.

Over the past year this has involved monitoring and reviewing a number of significant developments in contemporary thinking about corporate governance principles and processes, both in Australia and overseas.

In the international arena, these have included the US Sarbanes-Oxley Act of 2002 and consequential Securities and Exchange Commission ("SEC") rules; the New York Stock Exchange Corporate Governance Rule Proposals; the Higgs Report (UK) on the role and effectiveness of non-executive directors; and the New Zealand Exchange Limited proposed listing rule changes and Corporate Governance Best Practice Code.

In Australia, we have examined the "Principles of Good Corporate Governance and Best Practice Recommendations" published in March 2003 by the Australian Stock Exchange Limited's Corporate Governance Council, the Commonwealth Government's CLERP 9 proposals and the Australian Standard AS8000 Good Governance Principles.

We have analysed these developments and adapted practices where appropriate to ensure Westpac remains at the forefront in protecting stakeholder interests.

The Board's approach has been to be guided by the principles and practices that are in our stakeholders' best interests while ensuring full compliance with legal requirements. Where international and Australian guidelines are not consistent, the best practice guidelines of the Australian Stock Exchange Limited ("ASX"), Westpac's home exchange, have been adopted as the minimum baseline for our governance practices.

1b) Compliance with the ASX best practice recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the 28 ASX best practice recommendations in the reporting period. Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision.

As detailed in this Governance Statement, Westpac's considers its governance practices comply with 27 of the ASX best practice recommendations. A checklist summarising this is on pages 46 and 47 of this Governance Statement. There is one recommendation where Westpac's past practices do not materially comply.

ASX best practice recommendation 9.4 recommends companies seek shareholder approval of equity-based reward schemes for executives. Westpac's current equity-based reward schemes were introduced in 2002, prior to the release of the ASX guidelines, and were extensively disclosed to shareholders in the 2002 Corporate Governance Statement and are again set out in this statement on pages 42 to 43. As shareholders have not raised any material issues, it is not proposed to re-present the schemes to shareholders for approval.

In addition, as required by the ASX best practice recommendations, Westpac has or is in the process of posting copies of its corporate governance practices to its website.

In this statement, the relevant governance items are linked to each of the 28 ASX best practice recommendations and a table on pages 46 and 47 of this Governance Statement also links this statement to the ASX recommendations.

@ Westpac's Corporate Governance Statement is available at www.westpac.com.au/investorcentre

2. Date of this statement

This statement reflects our corporate governance policies and procedures as at 30 October 2003.

3. The Board of Directors

3a) Membership and expertise of the Board

The Board has a broad range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, with details of individual Director's backgrounds, is set out below. *ASX Best Practice Recommendation 2.5*

	<p>Name: Leon Davis, ASAIT, DSc(h.c.), FRACI, FAustIMM Age: 64 Term of Office: Director since November 1999. Chairman since December 2000. Independent: Yes External Directorships: Deputy Chairman of Rio Tinto; Director of each of Huysmans Pty Limited, Codan Limited and Trouin Pty Limited; Board Member of The</p>	<p>Walter and Eliza Hall Institute of Medical Research; Trustee of each of the Westpac Foundation and the Rio Tinto Aboriginal Foundation. Skills, experience and expertise: Leon has had many years of experience in resource management, both in Australia and overseas. He has lived and worked in senior positions in Australia, Papua New Guinea, Singapore and the United Kingdom.</p>	<p>He was formerly Chief Executive of CRA Ltd and then Rio Tinto in the United Kingdom. Westpac Board Committee membership: Chairman of the Board Nominations Committee; and Member of each of the Board Audit and Compliance Committee, Board Credit and Market Risk Committee, Board Remuneration Committee and Board Social Responsibility Committee.</p>
	<p>Name: Barry Capp, BE (Civil), BCom, BA Age: 70 Term of Office: Director since May 1993. Independent: Yes External Directorships: Chairman of National Foods Limited and Chairman of Trustees of William</p>	<p>Buckland Foundation; Director of each of Australian Infrastructure Fund Limited, Hellaby Holdings Limited and Melbourne University Private Limited. Skills, experience and expertise: Barry was employed for many years in financial and commercial roles</p>	<p>and has had experience in company reconstructions. Westpac Board Committee membership: Chairman of the Board Remuneration Committee; and Member of each of the Board Credit and Market Risk Committee and Board Nominations Committee.</p>
	<p>Name: The Hon. Sir Llewellyn Edwards, AC, MB, BS, FRACMA, LLD (h.c.), FAIM Age: 68 Term of Office: Director since November 1988. Independent: Yes External Directorships: Chairman of each of AMACA Pty Limited, AMABA Pty Limited, The Medical Research and Compensation</p>	<p>Foundation, UQ Holdings Pty Limited and Pacific Film & Television Commission; Director of Uniseed Pty Limited; and Trustee of the Westpac Foundation. Skills, experience and expertise: Sir Llewellyn Edwards has had extensive experience in Queensland State politics (including five years as Treasurer), business and in community service (Chairman World</p>	<p>Expo 88 Authority and Chancellor of University of Queensland), as well as acting as a consultant to business and government. Westpac Board Committee membership: Chairman of the Board Social Responsibility Committee; and Member of each of the Board Nominations Committee and Board Remuneration Committee.</p>
	<p>Name: John Fairfax, AM Age: 61 Term of Office: Director from December 1996 to 1 September 2003 (resigned effective 1 September 2003). Independent: Yes External Directorships: Chairman of each of Rural Press Limited and the Westpac Foundation; Director of</p>	<p>each of Crane Group Limited, Cambooya Pty Limited and Marinya Holdings Pty Limited. Skills, experience and expertise: John 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</p>	<p>experience in the media industry and takes an active interest in community organisations and is a Counsellor of the Royal Agricultural Society of NSW. Westpac Board Committee membership: John was a Member of the Board Credit and Market Risk Committee and Board Social Responsibility Committee.</p>
	<p>Name: Helen Lynch, AM Age: 60 Term of office: Director since November 1997. Independent: Yes External Directorships: Chairman of each of Sydney Symphony Orchestra Holdings</p>	<p>Pty Limited and the Westpac Staff Superannuation Plan Pty Limited; Director of each of Southcorp Limited and Institute of Molecular Bioscience. Skills, experience and expertise: Helen has had thirty-six years' experience in Westpac including</p>	<p>membership of Westpac's executive team before retiring in 1994. Westpac Board Committee membership: Member of the Board Audit and Compliance Committee.</p>



Name: David Morgan, BEc, MSc, PhD
Age: 56
Term of Office: Appointed Managing Director and Chief Executive Officer in March 1999. Executive Director since November 1997.
Independent: No
External Directorships: Nil

Skills, experience and expertise: David 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.
Westpac Board Committee membership: Member of the Board Social Responsibility Committee.



Name: David Crawford, BCom, LLB, FCA, FCPA
Age: 59
Term of Office: Director since May 2002.
Independent: Yes
External Directorships: Chairman of each of Lend Lease Corporation Limited and the Australian Ballet; Director of each of BHP Billiton Limited, Foster's Group Limited and National Foods Limited; Member

of the Council of the University of Melbourne; and Treasurer of the Melbourne Cricket Club.
Skills, experience and expertise: David was National Chairman of KPMG from 1998 until 2001, a member of KPMG's International Board and, prior to that, Chairman of KPMG's Southern Regional Practice (1996-1998). He was Chief Executive Officer of the Rural Finance Corporation in

Victoria managing the integration and merger of the activities of the Victorian Economic Development Corporation with the Rural Finance Corporation.
Westpac Board Committee membership: Chairman of the Board Audit and Compliance Committee; and Member of the Board Nominations Committee.



Name: Ted Evans, AC, BEcon
Age: 62
Term of Office: Director since November 2001.
Independent: Yes
External Directorships: Nil
Skills, experience and expertise: Ted has extensive experience in the financial sector, having joined the Australian Treasury in 1969, heading the Fiscal and Monetary

Branch in 1980 and the General Financial and Economic Policy Division in 1982. From 1984 to 1989 he held the position of Deputy Secretary and was Secretary to the Treasury from 1993 to 2001. From 1976 to 1979 he was a member of the Australian Permanent Delegation to the OECD in Paris and, from 1989 to 1993, executive director on the Board of the International Monetary Fund, representing Australia and

a number of other countries, mainly in the Asia Pacific region. He was a Director of the Reserve Bank of Australia from 1993 to 2001 and the Commonwealth Bank of Australia from 1993 to 1996.
Westpac Board Committee membership: Chairman of the Board Credit and Market Risk Committee; and Member of the Board Nominations Committee.



Name: Carolyn Hewson, BEc, (Hons.), MA (Econ.)
Age: 48
Term of Office: Director since February 2003.
Independent: Yes
External Directorships: Director of each of the Australian Gaslight Company, CSR Limited and the Economic Development Board of

South Australia; Board and advisory roles with the Royal Humane Society, YWCA of Sydney (President), the Australian Charities Fund and The Neurosurgical Research Foundation – Royal Adelaide Hospital.
Skills, experience and expertise: Carolyn has had 15 years experience in the finance sector and was an Executive Director of Schroders

Australia Limited between 1989 and 1995.
Westpac Board Committee membership: Member of each of the Board Audit and Compliance Committee and the Board Credit and Market Risk Committee.



Name: Peter Wilson, CA
Age: 62
Term of Office: Appointed Director effective from 31 October 2003.
Independent: Yes
External Directorships: Chairman of each of Port Napier Limited, Evergreen Forests Limited and Global Equities Market Securities

Limited. Director of each of The Colonial Motor Company Limited, Westpac (NZ) Investments Limited, Urbus Properties Limited and Hill Country Corporation Limited.
Skills, experience and expertise: Peter is a chartered accountant and formerly a partner with Ernst & Young, with extensive experience

in banking, business establishment, problem resolution, asset sale and management of change functions. Peter was a Director and (from 1991) Chairman of Trust Bank New Zealand Limited which was acquired by Westpac in 1996.
Westpac Board Committee membership: Nil

Corporate governance

3b) Board role and responsibility

The Board is accountable to shareholders for Westpac's performance.

The Board has formalised its roles and responsibilities into a Charter. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary, the Board's responsibilities include:

- providing strategic direction and approving corporate strategic initiatives;
- selecting and evaluating future Directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO");
- planning for Board and executive succession;
- setting CEO and Director remuneration within shareholder approved limits;
- approving Westpac's budget and monitoring management and financial performance;
- considering and approving Westpac's Annual Financial Report (including the Directors' Declaration and the Annual Report on Form 20-F (for the purposes of filing with the United States Securities and Exchange Commission) and the interim and final financial statements);
- approving Westpac's risk management strategy, monitoring its effectiveness and maintaining a direct and ongoing dialogue with Westpac's auditors and regulators; and
- considering and reviewing the social and ethical impact of Westpac's activities, setting standards for social and ethical practices and monitoring compliance with Westpac's social responsibility policies and practices.

The Board has delegated to management responsibility for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing Westpac's annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget;
- managing day-to-day operations in accordance with standards for social and ethical practices which have been set by the Board; and
- making recommendations for the appointment of senior management, determining terms of appointment, evaluating performance, and developing and maintaining succession plans for senior management roles.

@ Westpac's Board Charter will be available in the corporate governance section at www.westpac.com.au/investorcentre

ASX Best Practice Recommendation 1.1, 2.5

3c) Board size and composition

The Board determines its size and composition, subject to the limits imposed by Westpac's Constitution. The Constitution requires a minimum of seven and a maximum of 15 Non-executive Directors. In addition, up to three members of the Board may be Executive Directors.

As at 30 October 2003, there are seven Non-executive Directors and one Executive Director on the Board.

@ Westpac's Constitution is available at www.westpac.com.au

3d) The selection and role of the Chairman

The Chairman is selected by the Board from the Non-executive Directors.

The Chairman's role includes:

- ensuring that, when all Board members take office, they are fully briefed on the terms of their appointment, their duties and responsibilities;
- providing effective leadership on formulating the Board's strategy;
- representing the views of the Board to the public;
- ensuring that the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings; and
- reviewing the performance of Board Directors.

The current Chairman, Leon Davis, is a Non-executive independent Director appointed by the Board. He has been a Director of Westpac since November 1999 and Chairman since December 2000. The Chairman is a member of each of the Board Committees.

ASX Best Practice Recommendation 2.2, 2.3

3e) Directors' independence

The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement.

Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds.

In assessing independence, the Board considers whether the Director has a business or other relationship with Westpac, either 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 another Westpac group member.

It is the Board's view that each of its Non-executive Directors is independent.

@ Board criteria for assessing independence will be available in the corporate governance section at www.westpac.com.au/investorcentre

ASX Best Practice Recommendation 2.1, 2.5

3f) Avoidance of conflicts of interest by a Director

In accordance with the Corporations Act 2001 (Cth), 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.

3g) Meetings of the Board and their conduct

The Board meets formally at least ten times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings. This year the full Board has met 13 times.

The Chairman and the CEO establish meeting agendas to ensure adequate coverage of financial, strategic and major risk areas throughout the year. In addition to its formal meetings, the Board undertakes regular and relevant workshops. Over the past year these included workshops on executive and senior management succession planning, corporate governance, Westpac's risk/reward approach, BT Financial Group business, customer experience and segmentation projects and other major strategic initiatives.

Directors are always encouraged to participate with a robust exchange of views and to bring their independent judgements to bear on the issues and decisions at hand.

Executive management regularly attend Board meetings and are also available to be contacted by Directors between meetings. The Board also meets without executive management (other than the CEO and any Executive Directors) at the commencement of each meeting. The Board meets without the CEO and any Executive Directors once a year or as required.

Meetings attended by Directors for the past financial year are reported in the Directors' Report on page 57.

3h) Succession planning

The Board plans succession of its own members in conjunction with the Board Nominations Committee, taking into account the skills, experience and expertise required and currently represented, and Westpac's future direction. The Board is also responsible for CEO and CFO succession planning.

3i) Review of Board performance

The Board regularly reviews its overall performance, as well as the performance of Committees, individual Directors and executive management.

The performance of Non-executive Directors (including the Chairman) is subject to annual peer and executive management review. The process is facilitated externally and includes written surveys of Directors, the Group Secretary and General Counsel and a selection of Group Executives. The survey results are independently collated and the Chairman formally discusses the results with individual Directors and Committee chairs.

ASX Best Practice Recommendation 8.1

3j) Nomination and appointment of new Directors

Recommendations for nominations of new Directors are made by the Board Nominations Committee and considered by the Board as a whole.

External consultants are used to access a wide base of potential Directors. Those nominated are assessed by the Board against a range of criteria including background, experience, professional skills, personal qualities, whether their skills and experience will augment the existing Board and their availability to commit themselves to the Board's activities.

If the Board appoints a new Director during the year, that person will stand for election by shareholders at the next annual general meeting. Shareholders are provided with relevant information on the candidates for election.

When appointed to the Board, all new Directors undergo an induction program appropriate to their experience to familiarise them with matters relating to our business, our strategy and current issues before the Board.

ASX Best Practice Recommendation 2.5

3k) Retirement and re-election of Directors

Westpac's Constitution states that one-third of our Directors must retire each year. This means that the maximum time that each Director can serve in any single term is three years. The Constitution also states that any Director who has been appointed during the year must retire at the next annual general meeting. Eligible Directors who retire each year may offer themselves for re-election by shareholders at the next annual general meeting. The Board Nominations Committee evaluates the contribution of retiring Directors prior to the Board endorsing their candidature.

3l) Compulsory retirement of Directors

The Board has limited the number of terms of office which any Director may serve. Directors (other than the Chairman) may not hold office as a Director for more than three consecutive terms. The Chairman may not hold office as a Director for more than four consecutive terms. Special arrangements are in place for Directors who were on the Board at the time the policy was adopted.

In addition, our Constitution requires that all Directors must retire at the age of 70.

3m) Board access to information and advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports from executive management to enable them to carry out their duties.

Westpac's Group Secretary and General Counsel provides Directors with ongoing guidance on issues such as corporate governance, Westpac's Constitution and the law. The Chairman and other independent Non-executive Directors also regularly consult with the CFO, General Manager Group Assurance, the Chief Compliance Officer, the General Manager Group Risk, and the Group General Manager Stakeholder Communications and

Corporate governance

may consult with, and request additional information from, any Westpac employee.

The Board collectively, and each Director individually, has the right to seek independent professional advice at Westpac's expense to help them carry out their responsibilities. While the Chairman's prior approval is needed, it may not be unreasonably withheld and, in its absence, Board approval may be sought.

ASX Best Practice Recommendation 2.5

4. Board committees

4a) Board committees and membership

There are currently five Board Committees whose powers and procedures are governed by Westpac's Constitution and the relevant Committee's Charters, as approved by the Board.

The five Board Committees and their membership are set out in the table below.

Other Committees may be established from time to time to consider matters of special importance.

4b) Committee Charters

The roles and responsibilities of each Committee are set out in the Committee Charters.

@ Copies of the Committee Charters will be available in the corporate governance section at www.westpac.com.au/investorcentre

4c) Committee procedures

Operation of the Committees and reporting to the Board

The Board Committees meet quarterly and at any other times as necessary. Each Committee is entitled to the resources and

information it requires, including direct access to employees and advisers. The CEO, senior executives and other employees are invited to attend Committee meetings. All Directors receive all Committee papers and can attend all Committee meetings.

Composition and independence of the Committees

Committee members are chosen for the skills, experience and other qualities they bring to the Committees. Four of our five committees are currently composed of only independent Non-executive Directors. The CEO is a member of the Board Social Responsibility Committee.

How the Committees report to the Board

As soon as possible following each Committee meeting, the Board is given a verbal report by each Committee Chair and all Committee minutes are tabled at Board meetings.

How Committees' performance is evaluated

The performance of Committees is discussed and reviewed initially within each Committee and then reviewed as part of the Board's performance review.

The performance of each member of the Committees is evaluated as part of the performance review of each Director.

ASX Best Practice Recommendation 4.5, 7.3, 8.1, 9.5

4d) Board Audit and Compliance Committee

Role of the Committee

At Westpac, responsibility for risk management is divided between this Committee and the Board Credit and Market Risk Committee.

The Board Audit and Compliance Committee oversees all matters concerning:

- integrity of the financial statements;

	Board Audit and Compliance Committee	Board Credit and Market Risk Committee	Board Nominations Committee	Board Remuneration Committee	Board Social Responsibility Committee
Leon Davis ¹	●	●	Chair ●	●	●
David Morgan					●
Barry Capp ²		●	●	Chair ●	
David Crawford ³	Chair ●		●		
The Hon. Sir Llewellyn Edwards			●	●	Chair ●
Ted Evans ⁴		Chair ●	●		
John Fairfax ⁵		●			●
Carolyn Hewson	●	●			
Helen Lynch ⁶	●				

See page 57 of Directors' Report for Director attendances at Committee meetings.

¹ Appointed Chair of the Board Nominations Committee on 25 July 2003.

² Retired from the Board Audit and Compliance Committee on 1 November 2002 and appointed to the Board Credit and Market Risk Committee.

³ Appointed Chair of the Board Audit and Compliance Committee on 6 February 2003.

⁴ Appointed member of the Board Nominations Committee on 3 October 2002.

⁵ Resigned from the Board and its Committees effective 1 September 2003.

⁶ Resigned as Chair of the Board Audit and Compliance Committee on 6 February 2003 and as the Chair of the Board Nominations Committee on 25 July 2003.

- making recommendations to the Board for the appointment of external auditors;
- external auditor's qualifications, performance and independence;
- performance of internal audit function;
- management of operational risk; and
- compliance with legal and regulatory requirements.

Integrity of the financial statements

The Committee considers whether the accounting methods applied by management are consistent and comply with accounting standards and concepts. The Committee reviews and assesses any significant estimates and judgements in financial reports and monitors the methods used to account for unusual transactions. In addition it assesses the processes used to monitor and ensure compliance with laws, regulations and other requirements relating to external Group reporting of financial and non-financial information.

External audit

The Committee is responsible for making recommendations to the Board concerning the appointment of our external auditors and the terms of their engagement. The Committee reviews the performance of the external auditors and annually reviews Group policy on maintaining independence of the external auditor. The independent external auditor reports directly to this Committee and the Board.

This Committee meets with the external auditor in the absence of management and Committee members are able to contact the external auditor directly at any time.

Internal audit function

The Committee approves the appointment of the General Manager Group Assurance (Head of Internal Audit) and also reviews the Internal Audit responsibilities, budget and staffing. The Committee also reviews significant reports prepared by Internal Audit and management responses and the Committee Chairman meets separately with the General Manager Group Assurance.

Operational Risk

The Committee reviews the appropriateness of the framework adopted by the Group for managing operational risk and reviews operational risk issues and action plans to address control improvement areas.

Compliance with legal and regulatory requirements

The Committee ensures conformity with applicable legal and regulatory requirements and the Group's Code of Conduct. The Committee also establishes procedures for the receipt, retention and treatment of complaints, including accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Committee also discusses with management and the external auditor correspondence with regulators or government agencies and published reports which raise material issues. The Committee discusses with the Group's Group Secretary and General Counsel,

legal matters that may have a material impact on the financial statements or the Group's compliance with regulatory policies.

Composition of the Committee

The current Committee membership is: David Crawford (Chairman), Leon Davis, Carolyn Hewson and Helen Lynch, each of whom is a Non-executive, independent Director. The Committee includes members who have appropriate financial expertise and an understanding of the industry in which Westpac operates. All members of the Committee satisfy the independence requirements under the US Sarbanes-Oxley Act 2002, and the Chairman is an Audit Committee financial expert as specified under the US Sarbanes-Oxley Act.

ASX Best Practice Recommendation 4.2, 4.3, 4.4, 4.5

4e) Board Credit and Market Risk Committee

Role of the Committee

The Board Credit and Market Risk Committee oversees matters relating to managing credit, market, equity investments and liquidity risks inherent in Westpac's operations. The Committee:

- reviews and approves our risk management framework, particularly prudential policies, risk exposure limits and controls;
- delegates authority to the CEO and the General Manager Group Risk to approve risk exposures;
- monitors management's credit, market risk, liquidity funding and equity investment performance; and
- monitors whether provisions for credit loss, both specific and general are adequate through management reporting and independent reports from Portfolio Risk Review.

The Board Audit and Compliance Committee is responsible for approving the framework and providing oversight of the management of Operational Risk.

Composition of the Committee

The current Committee membership is: Ted Evans (Chairman), Leon Davis, Barry Capp and Carolyn Hewson.

ASX Best Practice Recommendation 7.1, 7.3

4f) Board Nominations Committee

Role of the Committee

The Board Nominations Committee develops and reviews policies on:

- Director tenure;
- Board composition, strategic function and size;
- eligibility criteria for nominating Directors; and
- the effectiveness of the full Board and Board committees.

In addition, the Committee periodically reviews our criteria for appointing Directors and considers and recommends to the Board Directors who are retiring by rotation and candidates to be nominated as Directors. The Committee also reviews periodically the process for orientation and education of new Directors.

Corporate governance

Composition of the Committee

The current committee membership is: Leon Davis (Chairman), Barry Capp, David Crawford, The Hon. Sir Llewellyn Edwards and Ted Evans.

ASX Best Practice Recommendation 2.4, 2.5

4g) Board Remuneration Committee

Role of the Committee

The Board Remuneration Committee reviews pay and reward policies and practices. The Committee also:

- makes recommendations to the Board on the CEO's remuneration;
- approves the reward levels for our senior management group;
- approves merit recognition arrangements and long and short-term incentive arrangements; and
- makes recommendations to the Board on Directors' fees.

The Committee engages independent remuneration consultants to ensure that our pay and reward practices are consistent with the market practice.

Composition of the Committee

The current Committee membership is: Barry Capp (Chairman), Leon Davis and The Hon. Sir Llewellyn Edwards.

ASX Best Practice Recommendation 9.2, 9.5

4h) Board Social Responsibility Committee

Role of the Committee

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

The Committee monitors compliance with Westpac's published social responsibility policies and practices, ensuring Westpac meets its obligations to its stakeholders.

Details of Westpac's corporate responsibility objectives, are addressed in section 8.

Composition of the Committee

The current Committee membership is: The Hon. Sir Llewellyn Edwards (Chairman), Leon Davis, and David Morgan.

5. Audit governance and independence

5a) Approach to audit governance

Best practice in financial and audit governance is changing rapidly. The Board is committed to three basic principles:

- Westpac must produce true and fair financial reports;
- its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies; and
- the external auditors are independent and serve shareholder interests by ensuring that shareholders know Westpac's true financial position.

Local and overseas developments are monitored and practices reviewed accordingly.

5b) Engagement and rotation of external auditor

Westpac's independent external auditor is PricewaterhouseCoopers ("PwC"). PwC were appointed by shareholders at the 2002 Annual General Meeting in accordance with the provisions of the Corporations Act.

The Board has adopted a policy that the lead signing and review audit partners' responsibilities can be performed by the same person for no longer than five years. The present lead PwC partner for Westpac's audit is David Armstrong who assumed this responsibility from Rahoul Chowdry this year.

The Board also requires a minimum five-year 'cooling off' period before an audit partner is allowed back onto the audit team.

5c) Certification and discussions with external auditor on independence

The Board Audit and Compliance Committee requires the external auditor to confirm that they have maintained their independence. Westpac's external auditor gives quarterly assurance to the Board Audit and Compliance Committee and to the Board, that they have complied with the independence standards, promulgated by local and overseas regulators and professional bodies.

Periodically, the Board Audit and Compliance Committee meets separately with the external auditor.

5d) Relationship with external auditor

Westpac's current policies on employment and other relationships with our external auditor are:

- the audit partners and any audit firm employee on the Westpac audit are prohibited from being an officer of Westpac;
- an immediate family member of an audit partner or any audit firm employee on the Westpac audit is prohibited from being a Director or an officer in a significant position at Westpac;
- a former audit firm partner or employee on the Westpac audit is prohibited from becoming a Director or officer in a significant position at Westpac for at least five years and after the five years, can have no continuing financial relationship with the audit firm;
- members of the audit team and firm are prohibited from having a business relationship with Westpac or any officer of Westpac unless the relationship is clearly insignificant to both parties;
- the audit firm, its partners, its employees on the Westpac audit and their immediate family members are prohibited from having loans or guarantees with Westpac;
- the audit firm, its partners, its employees on the Westpac audit and their immediate family members are prohibited from having a direct or material indirect investment in Westpac;
- officers of Westpac are prohibited from receiving any remuneration from the audit firm;

- the audit firm is prohibited from having a financial interest in any entity with a controlling interest in Westpac; and
- the audit firm engagement team in any given year cannot include a person who had been an officer of Westpac during that year.

5e) Restrictions on non-audit services by the external auditor

The external auditor is not able to carry out the following types of non-audit services for Westpac:

- preparation of accounting records and financial statements;
- information technology systems design and implementation;
- valuation services and other corporate finance activities;
- internal audit services;
- temporary senior staff assignments, management functions;
- broker or dealer, investment adviser or investment banking;
- legal services;
- litigation services;
- actuarial services; and
- recruitment services for senior management.

For all other non-audit services, use of the external audit firm must be assessed in accordance with Westpac's policy requiring an independence assessment be done by the business manager requiring the service. The approval of the General Manager Group Assurance and the Chairman of the Board Audit and Compliance Committee must also be obtained.

5f) Attendance at Annual General Meeting

Westpac's external auditor attends the annual general meeting and is available to answer shareholder questions.

ASX Best Practice Recommendation 6.2

6. Controlling and managing risk

6a) Approach to risk management

Taking and managing risk are central to business and to building shareholder value.

Westpac's approach is to identify, assess and control the risks which affect its business. This enables the risks to be balanced against appropriate rewards for the taking and managing of the risks. The risk management approach links Westpac's vision and values, objectives and strategies, and procedures and training.

Westpac recognises three main types of risk:

- credit risk, being the risk of financial loss from the failure of customers to honour fully the terms of their contract;
- market risk, being 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, which arises from inadequate or failed internal processes, people and systems or from external events.

There are various other categories of risks for which we allocate capital. Included are:

- Liquidity – the risk of failure to adequately fund cash demand in the short-term.
- Operating Leverage – the risk associated with the vulnerability of a line of business to changes in the strategic environment.
- Insurance – the risk of not being able to meet insurance claims (related to insurance subsidiary).
- Interest rate – the risk associated with being forced to liquidate or unwind the balance sheet hedge portfolio.
- Goodwill – the risk that the future profitability of acquired businesses will not support the purchase price paid.

These risk categories are interlinked and therefore we attempt to take an integrated approach to managing them.

ASX Best Practice Recommendation 7.1

6b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing Westpac's risk management strategy and policy.

Executive management is responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of Westpac's activities.

Group Assurance provides independent assurance to the Board, senior management and external auditors on the adequacy and effectiveness of management controls for risk.

6c) CEO and CFO assurance

The Board receives regular reports about the financial condition and operational results of Westpac and its controlled entities.

The CEO and the CFO periodically provide formal statements to the Board that in all material respects:

- the company's financial statements present a true and fair view of Westpac's financial condition and operational results, and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

ASX Best Practice Recommendation 4.1, 7.2

6d) Internal review and risk evaluation

Group Assurance provides independent assurance to the Board, senior management and external auditors on the adequacy and effectiveness of management controls for risk. A description of Westpac's approach to risk management is available in the corporate section at www.westpac.com.au.

7. Remuneration framework

7a) Overview

Westpac has a robust framework in place to ensure that the level and composition of remuneration is sufficient and reasonable and explicitly linked to performance. Details of framework and policies and practices are set out in the Directors' Report on pages 49 to 52, including a description of the broad structure and objectives of the remuneration philosophy and the measures used to continually link reward to performance.

Non-executive Directors

Non-executive Directors' fees and payments are reviewed annually by the Board. The Board also has accessed the advice of independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market.

Executives

The objective of Westpac's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework is designed to follow best practice for the alignment of executive reward with shareholder value as measured by economic profit.

7b) Equity-related reward plans overview

New equity-based reward plans were introduced in 2002 and the Board formed the view that appropriate safeguards had been put in place to protect the interests of shareholders.

The new plans were designed around stricter performance hurdles than existed in the previous plans and rewards are only paid if shareholders have benefited.

The plans were also designed in compliance with the Investment and Financial Services Association (IFSA) Guidance Note on Executive Share and Option Schemes and, where applicable, the Guidance Note on Employee Share Schemes.

In particular, the Westpac Performance Plan has a strict performance hurdle and is specifically designed to avoid rewarding short-term gains at the expense of performance over the longer term.

The total number of shares, share rights, or options that may be issued under Westpac's equity-based reward plans (including future awards to the Chief Executive Officer) on a rolling 5 year basis is capped at 5% of Westpac's issued share capital.

In anticipation of the increased disclosure requirements, the Board engaged an independent third party during 2003 to develop and subsequently operate a pricing model to value the long-term incentive benefits awarded to employees. These reforms in the reporting and disclosure of equity-based remuneration provide shareholders with more transparent information on the costs of long-term incentive benefits.

The 2002 Corporate Governance statement, provided details of the plans and a thorough explanation of how previous equity-based reward plans had been replaced by new plans with stricter performance hurdles. The inclusion of the explanation has been continued again this year.

The plans were introduced prior to the release of the ASX best practice recommendations and were not put to shareholders for approval at the time.

Consequently, the introduction of the plans in 2002 departed from recommendation 9.4 of principle 9 of the ASX best practice recommendations, introduced in 2003.

7c) Westpac Performance Plan

The Westpac Performance Plan (the WPP) has two methods of providing an allocation to executives – performance options and performance share rights.

The WPP has strict performance hurdles that result in executives forfeiting rights to all performance options and performance share rights for below median returns relative to a ranking group of 50 companies. The WPP only delivers equity to participants if performance hurdles are met. Eligibility to participate in this plan is limited to key executives.

Performance hurdles applying to the WPP

Executives will receive unconditional ownership of any performance options or performance share rights only if strict performance hurdles (which compare Westpac's total shareholder return (TSR) with the TSR of the ranking group companies) are met. The TSR measures the return to investors on their investment, reflecting both share price growth and the reinvestment of dividends in additional shares.

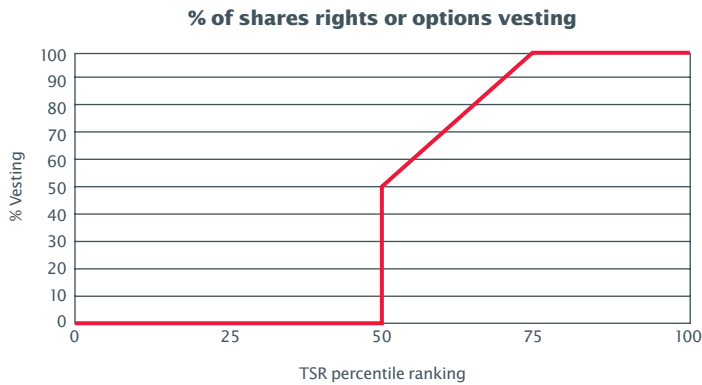
The 50 largest listed companies on the ASX by market capitalisation at the commencement of the performance period are used as the ranking group (excluding Westpac itself, property trusts and specified resources companies).

All rights to performance options and performance share rights are lost if Westpac's TSR performance fails to be at or above the (median) middle performance of the ranking group over the specific performance periods.

If Westpac's TSR performance is at or above this median position for the performance period, the proportion of performance options and performance share rights originally granted that actually vests depends entirely on where Westpac's TSR ranks against the ranking group TSRs:

- if Westpac's TSR is at the median position of the ranking group, then executives can choose to take unconditional ownership of 50% of the grant. If they choose to take ownership, then the remaining 50% are forfeited;
- if Westpac's TSR ranking is above the median, an additional 2% can be vested for each 1% improvement in Westpac's ranking against the ranking group. If for example, Westpac's TSR slots in at the 60th percentile, 70% ($50 + (10 \times 2)$) can be vested; and
- if Westpac's TSR ranking is at or above the 75th percentile of the ranking group, then 100% of the original grant can be vested.

The proportion that can be vested by executives is illustrated in the chart below.



Performance share rights

Eligible executives are given the opportunity to receive Westpac shares, subject to meeting the performance hurdles. There is no exercise price payable by eligible executives in respect of vested performance share rights.

Either a two-year or three-year initial performance-testing period applies to these allocations. Two-year TSRs are calculated and tested against the performance hurdle on the second anniversary of the date of issue. The executives can elect to vest based on the result of this testing or opt to test again on the third anniversary using the three-year TSRs.

Executives can again then elect to have their performance share rights vest based on the result of this testing on the third anniversary or opt to do a final test on the fourth anniversary using the four-year TSRs. Executives do not have the option to revert to the results based on the earlier testing. Any performance share rights that do not vest are forfeited.

Performance share rights with three-year initial testing periods operate in the same way except that the testing occurs on the third, fourth or fifth anniversaries. Once the performance share rights vest, the executive may receive the shares (ie exercise the performance share rights) at any time after vesting up to a maximum of 10 years from the date of grant. Performance share rights do not carry dividend or voting rights until after they are exercised.

Performance options

Eligible executives are given the opportunity to buy Westpac shares, subject to meeting the performance hurdles. The price to be paid by the executive, or the exercise price of the option, is equal to the average market price of Westpac ordinary shares over the five trading days up to the date the offer is made.

The initial period for testing against the performance hurdles is three years. The three-year TSRs are calculated and tested against the performance hurdles on the third anniversary of the date of issue. The executives can elect to have their performance options vest based on the result of this testing or opt to test again on the fourth anniversary using the four-year TSRs. Executives can again

then elect to have their performance options vest based on the result of this testing on the fourth anniversary or opt to do a final test on the fifth anniversary using five-year TSRs.

Executives do not have the choice to revert to the results based on the earlier testing. Any performance options that do not vest are forfeited. Once the performance options vest, the executive must fund the issue price of the performance options to receive the shares (ie exercise the performance options) at any time after vesting up to a maximum of 10 years from the date of grant. Performance options do not carry dividend or voting rights until after they are exercised.

7d) Other equity schemes in Westpac

The Deferral Share Plan

Westpac's Deferral Share Plan (DSP) was introduced in September 2002, replacing the previous similar Westpac Employee Share Plan (WESP1).

Under the DSP, eligible Australian-based employees have the opportunity to pre-elect to receive any prospective short-term incentive bonus as Westpac shares in the DSP. Participants pay the current market price and acquisition costs. The shares are acquired on-market and must generally remain in the DSP for 12 months, but can remain for up to 10 years.

Employee Share Plan

The Employee Share Plan (ESP) replaces the previous similar Westpac Employee Share Plan 2 (WESP2). Under the ESP, Westpac shares may be allocated to eligible Australian-based employees at no cost to recognise their contribution to Westpac's performance over the previous financial year.

The plan operates as a tax-exempt scheme with a maximum \$1,000 value allocation per employee each year. However, the actual allocation depends on the performance of Westpac's share price and includes a performance hurdle before any allocation is made. Access to the shares is restricted for three years unless the employee leaves Westpac.

The ESP is designed to:

- further align the interests of staff and shareholders;
- motivate employees to drive growth over the long-term for sustainable shareholder value;
- attract, retain and motivate key, high performing individuals; and
- help our staff achieve a better standard of living.

All full-time and part-time employees who have been in six months continuous employment as at 30 September each year are eligible, although they must register for the plan each year – allocation is not automatic. Executives who participate in the Westpac Performance Plan are not eligible to participate in the ESP.

A separate Employee Share Plan offers similar benefits to New Zealand employees, and again excludes executives who receive performance shares or options.

ASX Best Practice Recommendation 9.1, 9.3, 9.4, 9.5

8. Corporate responsibility and sustainability

8a) Approach to corporate responsibility and sustainability

Westpac's aim is to manage its business in a way that produces positive outcomes for all stakeholders and maximises economic, social and environmental value simultaneously. In doing so, Westpac accepts that the responsibilities flowing from this go beyond both strict legal obligations and just the financial bottom line.

Transparency, the desire for fair dealing, responsible treatment of staff and of customers, and positive links into the community underpin our everyday activities and corporate responsibility practices.

The Social Accountability Charter is at the core of these practices. This Charter sets out what stakeholders can expect from Westpac across marketplace practices, employee practices, occupational health and safety, community involvement, environmental practices, and risk management.

Westpac's approach goes beyond ASX best practice recommendations 3.1 and 10.1, in part reflecting the many legal, regulatory and prudential requirements applying to our industry.

@ Westpac's Social Accountability Charter is available at www.westpac.com.au

ASX Best Practice Recommendation 3.1

8b) Westpac's Code of Conduct and responsibility codes

Westpac's Code of Conduct applies to all Directors, executives, management and employees without exception. The Code governs workplace and human resource practices, risk management and legal compliance, and is aligned to Westpac's core values of teamwork, integrity and performance. The Code is reviewed periodically and has been specifically reviewed to reflect the ASX best practice recommendations.

Beyond the Social Accountability Charter, and Code of Conduct, Westpac complies with the Code of Banking Practice and has a series of further responsibility policies and codes including:

- Personal Customer Charter;
- Anti Money Laundering Policy;
- Conflicts of Interest Policy;
- Insider Trading Policy;
- Occupational Health & Safety Policy;
- Market Disclosure Policy; and
- Privacy Policy.

@ Westpac's responsibility policies and codes are available in the corporate governance section at www.westpac.com.au/investorcentre

ASX Best Practice Recommendation 3.1, 3.3, 10.1

8c) Code of ethics for senior finance officers

In 2003 Westpac developed a "Code of Accounting Practice and Financial Reporting" in response to the requirement of the US Sarbanes-Oxley Act that companies subject to that Act establish a Code of Ethics for their CEO and principal financial officers. This Code addresses the specific responsibilities that are borne by such officers due to the nature of their function within the Westpac Group, in addition to their more general responsibilities under the Westpac Code of Conduct.

@ The "Code of Accounting Practice and Financial Reporting" is available at www.westpac.com.au

ASX Best Practice Recommendation 3.1

8d) Compliance policy and practices

Westpac's compliance approach focuses on: ensuring strict adherence to all laws and regulations; maintaining the quality control of practices and processes; identifying any weaknesses; and moving to fix any gaps while enhancing the processes and practices.

A separate compliance governance framework operates across the Group involving the Board Audit and Compliance Committee, to the Chief Compliance Officer (who reports regularly to the Board Audit and Compliance Committee), and individual line businesses. The prime responsibility for compliance resides with line management, who are required to demonstrate that they have effective processes in place consistent with Westpac's compliance principles and practices.

@ Westpac's compliance principles and practices are available in the corporate governance section at www.westpac.com.au/investorcentre

ASX Best Practice Recommendation 3.1

8e) Concern reporting and whistleblowing

Employees are actively encouraged to bring any problems to the attention of management or the Board, including activities or behaviour which may not be in accord with the Code of Conduct, Code of Accounting Practice and Financial Reporting, Insider Trading Policy, other Westpac policies, or other regulatory requirements or laws.

Concerns can be raised directly with senior management through the concern raising process, including the CEO and CFO's intranet site or via the CEO's telephone hotline. Concerns can also be raised anonymously by phone and online through the concern reporting system, and are directed to the Chief Compliance Officer. This concern reporting system protects individuals who, in good faith, report any apparent or actual violations of our codes. The concern reporting system is being reviewed against the Australian standard AS 8004 (Whistleblower protection programs) released in 2003.

@ The concern reporting and whistle blowing policy is available in the corporate governance section at www.westpac.com.au/investorcentre

ASX Best Practice Recommendation 3.1, 3.3, 10.1

8f) Insider trading policy and trading in Westpac shares

Both Directors and employees are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company (including Westpac), if they are in possession of inside information.

Inside information is information that is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities of the company. In addition and subject always to the above legal restrictions, Westpac has policies in place which restrict the dates when Directors or employees who have access to inside information can trade in Westpac's securities.

In May 2003, an additional policy was introduced prohibiting employees who may be granted options or rights in the future from hedging those options or rights until such time as those options or rights have met their performance hurdles and vested.

@ Copies of Westpac's insider trading policies are available in the corporate governance section at www.westpac.com.au/investorcentre

ASX Best Practice Recommendation 3.2, 3.3

8g) Social impact reporting

Central to Westpac's governance and responsibility approach is transparent reporting of performance to stakeholders. Westpac's Social Impact Report measures and reports on social, environmental and financial performance against more than 90 key performance indicators.

Specialist social and environmental auditors independently verify the Social Impact Report to safeguard the integrity of our external reporting. Independent verification and auditing also assists in driving continuous improvement.

Allied to external verification, Westpac endorses the principle of independent external assessment by respected sustainability and governance ratings organisations. Westpac achieved the number one rating for banks globally in the Dow Jones Sustainability Index for 2003/2004, for the second year running, and has been rated the top company in the 2003 Reputex Social Responsibility Ratings, receiving the only AAA rating.

@ Westpac's Social Impact Report and performance in external sustainability assessments are available in the social accountability section at www.westpac.com.au

ASX Best Practice Recommendation 3.1, 3.3

8h) Market disclosure policy and practices

Westpac is committed to giving all shareholders comprehensive and equal access to information about our activities, and to fulfil continuous disclosure obligations to the broader market.

The Board-approved market disclosure policy governs how Westpac communicates with shareholders and the market. This policy is designed to ensure compliance with ASX Listing Rules continuous disclosure requirements and the requirements of other exchanges where Westpac is listed. It ensures any information that a reasonable person would expect to have a material effect on the price of Westpac's securities is disclosed.

When Westpac makes an announcement to the market, that announcement is released to each stock exchange where Westpac ordinary shares are listed – ASX, New York Stock Exchange, New Zealand Exchange Limited and Tokyo Stock Exchange Inc.

Westpac has a Disclosure Committee which is responsible for making decisions on what should be disclosed publicly under the market disclosure policy, and for developing and maintaining relevant guidelines, including guidelines on information that may be price sensitive. The Group Secretary and General Counsel has responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Westpac also publishes on its website the annual reports, profit announcements, CEO and executive briefings, economic updates, notices of meeting, media releases and meeting transcripts. Web-casting and teleconferencing facilities are provided for market briefings to encourage participation from all stakeholders, regardless of their location.

@ The market disclosure policy is available at www.westpac.com.au/investorcentre

ASX Best Practice Recommendation 5.1, 5.2, 6.1

9. ASX Corporate Governance Council Best Practice Recommendations

ASX Principle		Reference ¹	Compliance
Principle 1: Lay solid foundations for management and oversight			
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	3b	comply
Principle 2: Structure the board to add value			
2.1	A majority of the board should be independent directors.	3e	comply
2.2	The chairperson should be an independent director.	3d	comply
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	3d	comply
2.4	The board should establish a nomination committee.	4f	comply
2.5	Provide the information indicated in <i>Guide to reporting on Principle 2</i> .	3a,3b,3e,3j,3m,4f	comply
Principle 3: Promote ethical and responsible decision-making			
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	8a,8b,8e,8g	comply
	3.1.1 the practices necessary to maintain confidence in the company's integrity	8a,8b,8e,8g	comply
	3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	8b,8c,8d,8e	comply
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	8f	comply
3.3	Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	8b,8e,8f,8g	comply
Principle 4: Safeguard integrity in financial reporting			
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	6c	comply
4.2	The board should establish an audit committee.	4d	comply
4.3	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> ▪ only non-executive directors ▪ a majority of independent directors ▪ an independent chairperson, who is not chairperson of the board ▪ at least three members. 	4d	comply
4.4	The audit committee should have a formal charter.	4d	comply
4.5	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	4c,4d	comply
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	8h	comply
5.2	Provide the information indicated in <i>Guide to reporting on Principle 5</i> .	8h	comply

ASX Principle		Reference ¹	Compliance
Principle 6: Respect the rights of shareholders			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	8h	comply
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	5f	comply
Principle 7: Recognise and manage risk			
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	4e,6a	comply
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	6c	comply
	7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.	6c	comply
	7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	6c	comply
7.3	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	4c,4e	comply
Principle 8: Encourage enhanced performance			
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	3i,4c and Directors' report	comply
Principle 9: Remunerate fairly and responsibly			
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	7 and Directors' report	comply
9.2	The board should establish a remuneration committee.	4g	comply
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	7 and Directors' report	comply
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	1b,7b and Directors' report	do not comply
9.5	Provide the information indicated in <i>Guide to reporting on Principle 9</i> .	4c,4g,7	comply
Principle 10: Recognise the legitimate interests of stakeholders			
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations.	8b,8e	comply

Note 1: Reference refers to the relevant sections of this Corporate Governance Statement or to the Directors' Report.

Directors' report

The Directors of Westpac Banking Corporation ("Westpac") present their report together with the financial statements of the consolidated group, being Westpac and its controlled entities (collectively referred to as the "Group"), for the financial year ended 30 September 2003.

Directors

The names of the persons who have been Directors of Westpac during the period since 1 October 2002 are: Leonard Andrew Davis (Chairman), David Raymond Morgan (Managing Director and Chief Executive Officer), William Barrett Capp, David Alexander Crawford, The Hon. Sir Llewellyn Edwards, Edward Alfred Evans, John Brehmer Fairfax (resigned 1 September 2003), Carolyn Judith Hewson (appointed 6 February 2003) and Helen Ann Lynch.

Particulars of the skills, experience, expertise and responsibilities of the Directors at the date of this report are set out in the Corporate Governance statement on pages 34 and 35 and form part of this report.

Principal activities

The principal activities of the Group during the financial year which ended on 30 September 2003 were the provision of financial services including lending, deposit taking, payments services, investment portfolio management and advice, unit trust and superannuation fund management, nominee and custodian facilities, insurance services, leasing, general finance, foreign exchange dealing and money market services.

Review and results of operations

A review of the operations of the Group for the financial year ended 30 September 2003 is set out on pages 60 through to 70 and forms part of this report.

The operating result of the Group attributable to shareholders for the financial year ended 30 September 2003 was a profit of \$2,183 million after tax.

Dividends

Since 30 September 2003, the Directors have proposed a final dividend of A\$0.40 per fully paid ordinary share, totalling approximately \$715 million, for the year ended 30 September 2003 (2002: final ordinary dividend of A\$0.36 per fully paid ordinary share, totalling \$631 million). The final dividend will be fully franked and will be paid on 19 December 2003.

An interim dividend for the current financial year of A\$0.38 per fully paid ordinary share, totalling \$673 million, was paid as a fully franked dividend on 4 July 2003.

Significant changes in state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

- On 16 October 2002 Westpac acquired a 51% shareholding in Hastings Funds Management Limited (Hastings) for \$36 million. Further payments are contingent upon Hastings' financial and operating performance over the next three years.
- On 31 October 2002, Westpac acquired most of the business of BT Funds Management (BT) for \$900 million. The acquisition includes the funds management operations of BT in New Zealand.
- On 7 March 2003, Westpac announced it will consolidate ten Sydney Central Business District office sites into two locations, at the existing office at 60 Martin Place and new premises being developed at the northern end of Darling Harbour near King Street. The new site is bounded by Kent, Erskine, Napoleon and Sussex Streets (KENS). A non-controlled entity, the Westpac Office Trust (the trust) was established in March 2003 to acquire the KENS site.

Events after end of financial year

Peter Wilson was appointed a Non-executive Director effective from 31 October 2003.

Other than as noted here, the Directors are not aware of any matter or circumstance that has arisen since 30 September 2003 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments and expected results

Likely major developments in the operations of the Group in future financial years and the expected results of those operations are referred to in pages 3 to 28 and form part of this report.

Further information on likely developments in the operations of Westpac and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to Westpac.

Directors' interests in securities

The following particulars for each Director of Westpac are set out on page 49:

1. their relevant interests in shares of Westpac or any of our related bodies corporate;
2. their relevant interests in debentures of, or interests in any registered managed investment scheme made available by Westpac or any of our related bodies corporate;
3. their rights or options over shares in, debentures of, or interests in any registered managed investment scheme made available by Westpac or any of our related bodies corporate;
4. any contracts:
 - (a) to which the Director is a party or under which they are entitled to a benefit; and
 - (b) that confer a right to call for or deliver shares in, debentures of, or interests in any registered managed investment scheme made available by Westpac or any of our related bodies corporate.

Directors' holdings of our shares and options as at 30 October 2003

Name	Number of ordinary fully paid shares	Numbers of options	Non-Beneficial
Leon Davis	20,905		117,034 ¹
David Morgan	959,732	4,423,580 ²	
Barry Capp	14,338		
David Crawford	8,095		
Sir Llewellyn Edwards	3,572		117,034 ¹
Ted Evans	4,000		
Carolyn Hewson	3,110		
Helen Lynch	17,340		

¹ Certain Directors have relevant interests (non-beneficial) in shares, and shares subject to warrants, held beneficially by a staff/community related fund of which those Directors are trustees.

² Options issued under the 1999 Chief Executive Share Option Agreement and 2001 Chief Executive Share Option Agreement.

Other disclosable interests as at 30 October 2003

The following Directors hold interests in managed investment schemes made available by the BT Financial Group:

Leon Davis	741,913 units
David Morgan	7,008,019 units

Remuneration philosophy and practice

Non-executive Directors: fees and equity participation

Fees and payments to Non-executive Directors reflect the demands which are made and responsibilities of Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board also has agreed to the advice of independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees

The current base remuneration was last reviewed with effect from 1 January 2003. Non-executive Directors' base fees are currently \$125,000 per Director per year. The Chairman receives remuneration of \$440,000 per year, inclusive of Committee fees. Non-executive Directors who chair a committee receive additional yearly fees of \$20,000 per Committee and additional fees are also payable to Directors for their membership on subsidiary boards. To acknowledge the importance of each Committee to the operation of the Board, there is no differentiation between the fees for the Chairs of the various Committees. To encourage and recognise equal workload and contribution, no additional payments are made for membership of Committees or attendance at Committee meetings.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. A pool of \$1.5 million was last approved by shareholders in December 1999. Shareholder approval is to be sought to increase the fee pool to \$2.5 million to enable Westpac to attract and retain Directors of the highest calibre and to take account of the expected need to increase base fees for new Directors (who will not be entitled to receive retirement benefits).

Equity participation

Non-executive Directors do not receive share options. Non-executive Directors may opt each year to receive a percentage of their prospective fees in Westpac shares, which are acquired on-market at market price. Shareholders approved this arrangement in December 2000. Non-executive Directors have voluntarily agreed to build up a shareholding in Westpac equal in value to at least 100% of annual base fees, generally over the course of their tenure.

Retirement allowance for Directors

On 3 July 2003, the Board resolved to remove retirement allowances for Non-executive Directors appointed after 3 July 2003, in line with recent guidance on Non-executive Directors' remuneration. Base fees for Directors appointed after 3 July 2003 will be increased to reflect the fact that retirement allowances are no longer payable to new Directors.

There are seven Non-executive Directors who have been appointed prior to July 2003. These Directors continue to be eligible to receive retirement allowances after serving for more than three years in accordance with a service agreement (which was approved by shareholders at the 1989 Annual General Meeting). Where the Director's period of service is:

- less than three years, the Director is not entitled to a retirement allowance;
- at least three years but less than five years, the Director is entitled to a proportion of the retirement allowance that the Director would have been entitled had the Director served for a period of five years, that proportion being the same proportion as the period the Director's service bears to five years;

Directors' report

- five years, the Director is entitled to a sum equal to the total emoluments to which the Director was entitled during the period of three years ending on the date of his or her retirement or death before retirement; and
- greater than five years, the Director is entitled to the sum which would have been payable had the Director served for the period of five years, ending on the date of his or her retirement or death before retirement, plus 5% per annum of that sum for the period of service in excess of five years. This amount cannot exceed 5 times the average annual emoluments to which the Director was entitled during the period of three years ending on his or her retirement or death before retirement.

To ensure shareholders are aware of the full cost of employing their Board, an amount equal to the cost of providing the allowance to each Non-executive Director is disclosed to shareholders. This can be found in the table below.

Superannuation guarantee charge

Westpac pays the superannuation guarantee charge in relation to its eligible Non-executive Directors appointed prior to July 2003. Superannuation guarantee payments will be included in the total fees for any Non-executive Directors appointed after July 2003.

Details of the nature and amount of each element of the emoluments of Westpac's Non-executive Directors for the year ended 30 September 2003 is set out below.

	Fees \$	Superannuation Guarantee \$	Retirement Benefit Accrued During the Year \$	Total \$	Total Retirement Benefits Accrued \$	Retirement Benefits Paid During the Year \$
Leon Davis	427,731	–	424,774	852,505	859,716	–
Barry Capp	178,365 ^{1,3}	10,519 ⁴	128,286	317,170	512,927	–
David Crawford	134,596 ¹	10,519 ⁴	47,449 ⁶	192,564	50,969 ⁶	–
Sir Llewellyn Edwards	141,750 ¹	10,519 ⁴	108,629	260,898	532,946	–
Ted Evans	140,750 ¹	10,519 ⁴	73,055 ⁶	224,324	91,013 ⁶	–
John Fairfax ⁵	112,577	10,132 ⁴	71,473	194,182	–	353,344
Carolyn Hewson ⁷	81,250	7,313 ⁴	10,514 ⁶	99,077	10,514 ⁶	–
Helen Lynch	167,827 ^{1,2}	10,519 ⁴	104,244	282,590	433,546	–

1 Includes fees paid to Chairpersons of Board Committees.

2 Includes fees for services provided as Chairman of Westpac Staff Superannuation Plan.

3 Includes fees for serving on a subsidiary board.

4 Westpac pays the superannuation guarantee charge in relation to its eligible Non-executive Directors appointed prior to July 2003.

5 Resigned effective 1 September 2003.

6 Not presently entitled to retirement benefit as less than three years of service has been completed.

7 Appointed 6 February 2003.

Executive reward framework

Overview

The objective of Westpac's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework is designed to follow global best practice for the alignment of executive reward with shareholder value as measured by economic profit. Westpac's reward framework jointly aligns the interests of both shareholders and program participants as follows.

Alignment to shareholders' interests

- Has economic profit¹ as a core component of plan design
- Focuses on sustained growth in share price and earnings by incorporating reward for non-financial achievements as well as financial performance
- Attracts and retains high calibre executives

Alignment to program participants' interests

- Rewards capability and experience

- Reflects competitive reward for contribution to shareholder growth
- Provides a clear structure for earning rewards
- Provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority in Westpac, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

Westpac uses economic profit as the primary measure of performance. To earn a market competitive short-term incentive payment, both Westpac and program participants must meet economic profit related performance targets.

Westpac's long-term incentive schemes use straightforward and transparent performance hurdles that are expressly aligned to the creation of value for our shareholders. If the hurdles are not met, scheme participants forfeit the incentive. Westpac's philosophy is that:

1 See note 4 on page 7.

- pay and reward schemes should emphasise performance which goes beyond our shareholders' expectations, including superior shareholder return growth relative to Westpac's peer group of companies;
- the balance between fixed and variable components should reflect market conditions at each job and seniority level;
- the objectives set for all executives reflect the need to deliver sustainable outcomes for shareholders; and
- the provision of all variable pay should be tightly linked to measurable personal and business group objectives within clearly defined time frames.

The executive pay and reward framework has four components:

- base pay;
- short-term performance incentives;
- long-term equity-linked performance incentives; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Executives are offered a competitive base pay that reflects the fixed component of pay and rewards. Independent remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay is generally not revised unless an executive has been promoted or there has been a marked change in market rates.

Short-term performance incentives

If individual performance objectives are met – and these are always designed around specific business goals – a short-term incentive may be provided.

Each year the Board Remuneration Committee approves a pool of short-term incentive for allocation during the annual remuneration review. The size of the short-term incentive pool reflects Westpac's economic profit performance. The pool is capped at a maximum percentage of economic profit. This approach ensures that variable reward is only available where value has been created for shareholders.

Long-term equity-linked performance incentives

Our long-term incentives for the Chief Executive Officer (CEO) and senior executives are designed to align their financial interests with those of our shareholders by making use of carefully designed equity-based incentives. This provides an incentive to ensure Westpac has a healthy and growing share price and delivers sustained growth in value for shareholders.

The Westpac Performance Plan (the WPP), which is described on pages 42 to 43 of the Corporate Governance statement, is designed around strict performance hurdles that result in rewards only being received if shareholders have benefited from Westpac's performance. Awards under the WPP are determined based on a dollar based notional remuneration value.

Aggregate long-term incentive pools also based on a notional remuneration value are approved annually by the Board Remuneration Committee. Economic profit performance influences the amount of long-term incentive to be allocated. In 2003, retention awards relating to the acquisition of BT also influenced the amount of long-term incentive allocated.

Separate Chief Executive Share Option Agreements were approved by shareholders in 1999 and in 2001 for Westpac's CEO, David Morgan. Both agreements tie the vesting of share options to performance hurdles as approved by shareholders. Subject to shareholder approval, it is proposed to grant David Morgan long-term incentives in the form of performance options and performance share rights under the Chief Executive Securities Agreement to cover the period of his contract extension.

Other benefits – superannuation

Executives and staff are provided with superannuation via one of Westpac's staff superannuation funds. Westpac previously provided a defined benefit scheme, which is now closed to new members.

The process for linking rewards to performance

CEO

As CEO, David Morgan is entitled to annual short-term incentive payments if performance criteria determined by the Board are met. These performance criteria include effective leadership and management, financial criteria, implementation of business and strategic plans, employee commitment, customer satisfaction, corporate governance and reputation criteria. The short-term incentive payments may be adjusted up or down in line with under or over achievement against the target performance levels, at the discretion of the Board.

Executive team

Group Executives' rewards are linked to the achievement of Westpac's performance as measured by economic profit. Performance agreements for the Executive Team incorporate objectives designed around Westpac, business unit and individual goals. As part of these performance agreements, short-term and long-term incentive targets are set and agreed each year based upon target performance. Incentives are only payable if financial and non-financial objectives are met.

These objectives are approved by the Board Remuneration Committee after considering recommendations from the CEO. Reward targets are set using data provided by independent remuneration consultants, ensuring that the levels of expected pay and performance reflect market practice.

In the same way that equity participation via the long-term incentive plan is designed to deliver sustained growth in value for all shareholders, it is considered desirable that executives who participate in the Westpac Performance Plan should also be prepared to put their own money at risk and establish a shareholding of Westpac shares. The Board Remuneration Committee administers the following guidelines in this respect. It is expected that:

Directors' report

- the CEO should hold at least 500,000 shares;
- Group Executives should hold at least 60,000 shares; and
- General Managers should hold at least 15,000 shares.

Transition arrangements give executives a reasonable time to build up to these shareholding guidelines.

General management team

The CEO and the Group Executive team approve the pay and reward packages for key senior managers at General Manager level within the pools approved by the Board Remuneration Committee.

Performance agreements for General Managers incorporate objectives designed around business unit and individual goals. As part of performance agreements, short-term and long-term incentive targets are set and agreed each year based upon target performance. Reward targets are set using data provided by independent remuneration consultants ensuring that the levels of expected pay and performance reflect market practice.

CEO contract renewal and remuneration arrangements

David Morgan's current contract is due to expire in February 2004. The Board has renewed David Morgan's contract for a further term ending on 31 December 2007. (The proposed grant of long-term incentive in the form of performance share rights and performance options is subject to shareholder approval).

The terms of the new contract are in line with existing arrangements and are firmly linked to Westpac's performance. Enhanced elements include:

- the majority of the total potential remuneration being at risk and subject to strict performance criteria;
- performance hurdles which result in equity-linked long-term incentives being of zero value if Westpac performs in the bottom 50% of a Total Shareholder Return (TSR) Ranking Group of 50 companies. The TSR Ranking Group of companies comprises the first 50 bodies corporate drawn from a Peer Group that remain listed on the Australian Stock Exchange and which have published sufficient data to enable their respective TSR's to be determined. The Peer Group is set at the commencement of the performance period and comprises the 100 bodies corporate comprised in the Standard & Poors/Australian Stock Exchange 200 Index (excluding Westpac itself, all entities in the property trusts sector of that Index and such other entity or entities as the Board may from time to time determine), having the highest market capitalisation at the commencement of the performance period and ranked from descending order, from highest to lowest, according to their market capitalisation;

- Westpac will need to perform in the top 25% of the TSR Ranking Group of companies for David Morgan to realise 100% of his long-term incentives and there is no opportunity to re-test the performance at a later date should Westpac not perform against the performance hurdle;
- keeping the fixed pay component at the same level for the period of the contract with no annual increases; and
- ensuring a maximum payout of 12 months fixed pay and lapse of any ungranted long-term incentives should the Board terminate the contract for poor performance.

Remuneration of chief executive and top seven senior executives

Details of the nature and amount of each element of emolument of Westpac's executive Director, David Morgan, and the top seven senior executives for the financial year are set out in the following tables.

These tables disclose remuneration for the seven most highly paid senior executives involved in the management of Westpac's affairs. Other individuals who are rewarded under incentive-based systems according to results, consistent with market practice within the industry, may within any given year, receive remuneration at a level in excess of that received by some executives shown.

Individual remuneration may not be directly comparable to prior years due to changes in roles or new executive appointments to Westpac during a remuneration year.

	Base pay ¹ \$	Short term incentives ^{1,2} \$	Other ³ \$	Total cash remuneration \$	Total equity based remuneration ⁴ \$
David Morgan Managing Director and Chief Executive Officer	1,575,000	1,700,000	645,681	3,920,681	3,447,277
Ilana Atlas Group Executive People and Performance (started new role 11 November 2002)	512,100	325,000	45,695	882,795	423,270
Philip Chronican Chief Financial Officer	525,000	550,000	117,824	1,192,824	1,040,382
David Clarke Chief Executive Officer BT Financial Group	750,000	650,000	0	1,400,000	2,237,192
Philip Coffey Group Executive Westpac Institutional Bank	550,000	705,000	49,310	1,304,310	579,438
Michael Coomer Group Executive Business and Technology Solutions and Services	625,000	550,000	56,034	1,231,034	561,671
Michael Pratt Group Executive Business and Consumer Banking	674,875	865,000	0	1,539,875	378,148
Ann Sherry Group Executive New Zealand and Pacific Banking (started new role 11 November 2002)	533,375	560,000	406,083	1,499,458	663,718

1 Base Pay is the total cost to Westpac of salary and packaged benefits (including motor vehicles and parking) received in the year to 30 September 2003 and includes fringe benefits tax. Short-term incentive figures reflect annual performance awards accrued but not yet paid in respect of the year ended 30 September 2003.

2 The amount above is the entire short-term incentive (STI) relating to performance for this year. Where actual STI for senior executives exceeds their target STI, a portion of the STI is deferred. The deferred portion is the amount over the executive's target STI and the deferral period is up to three years from the first payment date. A portion of the deferred STI payment becomes due each year. Interest is applied to the balance outstanding each year and paid annually. Amounts paid in each year in respect of deferred STI are not included as part of the executives remuneration. In certain circumstances, any unpaid deferred payment (including interest) may be forfeited.

3 Other remuneration is determined on the basis of the cost to Westpac and includes notional surchargeable superannuation contributions (as determined by the Plan's actuary) for those executives who are members of the Westpac Staff Superannuation Plan, housing and other benefits (such as commencement incentives, relocation costs, staff discount on Westpac products and separation payments) and all fringe benefits tax.

4 The amount included in equity-based remuneration relates to the current year amortisation of the fair value of all share options, performance options and performance share rights granted (in the current and previous years) that have either vested during the financial year or remain unvested at 30 September 2003 and the increase in value of vested cash settled equity-based remuneration arrangements. The calculation of fair value for the purpose of the above table follows Australian Securities and Investments Commission (ASIC) guidelines issued in June 2003 on the value of options that should be included in the disclosure of the emoluments of each director and each senior executive. Included in David Morgan's equity-based remuneration is an amount related to the increase in value in the year ended 30 September 2003 of stock appreciation rights granted in 1997 in lieu of share options. For further details of equity-based remuneration granted in the year refer to the table on page 54.

Directors' report

Equity-based remuneration – Equity-based instruments granted in the year

	Type of equity-based instrument granted during the year	No. granted	Grant date	First possible Vesting date	Exercise price \$	Fair value per instrument ^{1,5}
David Morgan	Share options ²	1,100,000	4/03/03	1/03/06	13.87	2.29
Ilana Atlas	Performance options ³	124,381	20/01/03	20/01/06	13.59	2.35
	Performance share rights ⁴	35,081	20/01/03	20/01/05	–	8.86
Philip Chronican	Performance options ³	282,209	20/01/03	20/01/06	13.59	2.35
	Performance share rights ⁴	79,597	20/01/03	20/01/05	–	8.86
David Clarke	Performance options ³	428,540	20/01/03	20/01/06	13.59	2.35
	Performance share rights ⁴	120,870	20/01/03	20/01/05	–	8.86
Philip Coffey	Performance options ³	219,496	20/01/03	20/01/06	13.59	2.35
	Performance share rights ⁴	61,909	20/01/03	20/01/05	–	8.86
Michael Coomer	Performance options ³	198,591	20/01/03	20/01/06	13.59	2.35
	Performance share rights ⁴	56,013	20/01/03	20/01/05	–	8.86
Michael Pratt	Performance options ³	198,591	20/01/03	20/01/06	13.59	2.35
	Performance share rights ⁴	56,013	20/01/03	20/01/05	–	8.86
Ann Sherry	Performance options ³	177,687	20/01/03	20/01/06	13.59	2.35
	Performance share rights ⁴	50,116	20/01/03	20/01/05	–	8.86

- The fair value of share options, performance options and performance share rights (collectively referred to as equity-based instruments) granted is determined at grant date in accordance with Australian Securities and Investments Commission (ASIC) guidelines issued in June 2003. The pricing model used applies the same theoretical framework as that underlying the Black-Scholes formula, appropriately adapted and extended to reflect the vesting and performance hurdle features of the grant. Further detail of the assumptions included in the model is set out below. The fair value of options and performance options granted in respect of the year is amortised over the period from grant date to vesting date (normally three years). The fair value of performance share rights granted in respect of the year is amortised over the period from grant date to vesting date (normally two years). The proportion of the fair value allocated to this financial year is included in the equity-based remuneration of each executive. Details of equity-based instruments granted in prior years have been disclosed in previous annual reports.
- Pursuant to a resolution passed at the annual general meeting of our shareholders on 13 December 2001, the grant of two tranches of non-transferable options ("CEO 2001 options") to our Chief Executive Officer, David Morgan, was approved. Each tranche enables him to subscribe for 1,100,000 ordinary shares. The second tranche was granted on 4 March 2003. The exercise price of each tranche is the weighted average market price of our ordinary shares traded on the Australian Stock Exchange Limited during the one week period immediately preceding the grant date of the options. Each tranche is subject to performance hurdles which will determine the number of options, if any, that will vest at the end of the performance period. The initial period for testing against the performance hurdle is after three years. David Morgan can elect to vest based on the result of this testing or opt to test again on the fourth anniversary. David Morgan can elect to vest based on the result of this testing on the fourth anniversary or opt to do a final test on the fifth anniversary. David Morgan does not have the choice to revert to the results based on the earlier testing. In February 2003 the Board determined that the performance hurdle applying to the second tranche of CEO 2001 options would require Westpac's total shareholder return to be at or above the median performance of the peer group (which comprises the 50 largest listed companies by market capitalisation on the ASX at the commencement of the performance period excluding Westpac itself, property trusts and specified resources companies). If Westpac's total shareholder return is below the top 50% of the peer group over the performance period, none of the options granted will be exercisable. Each option vesting entitles the holder to one ordinary share in Westpac upon the payment of the exercise price.
- Performance options granted under the Westpac Performance Plan comprise options to acquire fully paid ordinary shares issued by Westpac, with vesting subject to meeting of a performance hurdle of the same design as for the second tranche of the CEO 2001 options. The performance options have a ten year life from date of grant. The exercise price is the average weighted market price of our ordinary shares traded on the Australian Stock Exchange Limited over the five trading days up to the time the offer is made. The initial period for testing against the performance hurdle is after three years. Executives can elect to vest based on the result of this testing or opt to test again on the fourth anniversary. Executives can elect to vest based on the result of this testing on the fourth anniversary or opt to do a final test on the fifth anniversary. Executives do not have the choice to revert to the results based on the earlier testing. Any performance options that do not vest are forfeited. Upon exercising vested performance options, the executive has the right to their entitlement in whole or in part as fully paid ordinary shares. The exercise price is payable at that time. Any performance options that do not vest will be forfeited. Each performance option vesting entitles the holder to one ordinary share in Westpac upon the payment of the exercise price.
- Performance share rights have been granted under the Westpac Performance Plan, with vesting subject to meeting of a performance hurdle of the same design as for the second tranche of the CEO 2001 options. The performance share rights have a ten year life from date of grant. After vesting the performance share rights entitle the holder to elect to receive fully paid Westpac ordinary shares at no cost to the participant. The performance share rights awarded to each of the senior executives have a two-year initial testing period. The performance share rights will be subject to the same periodic testing as for performance options above, except that they will be tested on the second, third and fourth anniversaries. Any performance share rights that do not vest will be forfeited. Each performance share right vesting entitles the holder to one ordinary share in Westpac.
- The fair value of share options, performance options and performance share rights included in the tables above for the CEO and the seven most senior executives have been estimated at grant date using a pricing model that uses the same theoretical framework as that underlying the Black-Scholes formula, appropriately adapted and extended to reflect the vesting and performance hurdle features of the grant. The assumptions included in the model for 2003 include a risk free interest rate of 5.5%, a dividend yield on Westpac shares of 4% and a volatility in the Westpac share price of 19%. Other assumptions include volatilities of, and correlation factors between, share price movements of the ranking group members and Westpac, which are used to assess the impact of performance hurdles. The performance hurdles have reduced the value of the share options and performance options to 81% of unhurdled equivalents (68% for the performance share rights). Share options and performance options have been valued assuming a contracted life of 10 years and an additional 6% discount has been applied to reflect the expected life after the vesting date. The performance share rights awarded have been valued over an expected life of up to four years.

Equity-based remuneration – Equity-based instruments granted in respect of the 2003 performance review period

	Type of equity-based instrument to be granted	No. to be granted ¹	Estimated grant date	Estimated first possible vesting date	Exercise price \$
Ilana Atlas	Performance options	137,867	20/01/04	20/01/07	16.34
	Performance share rights	38,071	20/01/04	20/01/06	–
Philip Chronican	Performance options	266,544	20/01/04	20/01/07	16.34
	Performance share rights	73,604	20/01/04	20/01/06	–
David Clarke	Performance options	321,691	20/01/04	20/01/07	16.34
	Performance share rights	88,832	20/01/04	20/01/06	–
Philip Coffey	Performance options	211,397	20/01/04	20/01/07	16.34
	Performance share rights	58,375	20/01/04	20/01/06	–
Michael Coomer	Performance options	183,823	20/01/04	20/01/07	16.34
	Performance share rights	50,761	20/01/04	20/01/06	–
Michael Pratt	Performance options	294,117	20/01/04	20/01/07	16.34
	Performance share rights	81,218	20/01/04	20/01/06	–
Ann Sherry	Performance options	179,227	20/01/04	20/01/07	16.34
	Performance share rights	49,492	20/01/04	20/01/06	–

¹ The number of performance options and performance share rights to be granted under the Westpac Performance Plan has been estimated as part of the year end performance review based on the indicative value applied for remuneration purposes (the remuneration value). At the offer date (28 October 2003), the remuneration value for each performance option is \$2.72 and for each performance share right is \$9.85. The fair value of the performance options and performance share rights will be determined at grant date.

Share options and performance share rights

During the financial year ended 30 September 2003, there were 6,058,829 options granted under the Westpac Performance Plan, the General Management Share Option Plan, the Senior Officers' Share Purchase Scheme and the Chief Executive Share Option Agreement 2001, to 76 eligible officers for nil consideration, with exercise dates between October 2005 and May 2013 and a weighted average exercise price of \$13.69.

During the financial year ended 30 September 2003, there were 3,966,488 performance share rights granted under the Westpac Performance Plan to 476 participating officers (45 of whom also received grants of share options for nil consideration), with exercise dates between January 2005 and August 2013.

In certain circumstances such as retrenchment, providing performance hurdles have been satisfied, a proportion of performance options or performance share rights can be exercised earlier than the above dates.

There were 8,540,969 shares issued during the year due to the exercise of options and performance share rights, which resulted in total consideration of \$86,308,488 being paid to Westpac.

Currently there are 39,223,802 options outstanding and 3,781,876 performance share rights outstanding. The latest dates for exercise of options range between December 2003 and May 2013 and the weighted average exercise price is \$13.30, the latest dates for exercise of performance share rights range between January 2013 and August 2013.

Options granted under the Westpac Performance Plan, the General Management Share Option Plan and the Chief Executive Share Option Agreement 2001 totalling 5,888,829 (weighted average exercise price \$13.69) and all performance share rights granted, are subject to performance hurdles that will determine the particular proportion which may be exercised, if any, following the end of the performance period.

The performance hurdles compare the total shareholder returns received by Westpac shareholders against those received by shareholders of a group of companies over the performance period.

No person holding an option or a performance share right has or had, by virtue of the option or performance share right, a right to participate in any share issue of any other body corporate.

Cost of long-term incentives as part of remuneration

Total salaries and other staff expenses do not include a charge for share options, performance options and performance share rights granted during the year or for performance options and performance share rights to be granted under the Westpac Performance Plan. Westpac expects to include the cost of these incentives as an expense in its financial statements once a relevant international accounting standard is adopted as an Australian standard and related potential tax implications for the share capital account are addressed.

Westpac has estimated that based on recognising the cost of long-term incentives over their vesting period a charge of \$33 million would have been recorded for the year ended 30 September 2003.

Indemnities and insurance

Under Westpac's Constitution Westpac must indemnify, unless the indemnity is forbidden or made void by statute, each Director and Secretary of Westpac and of each of its related bodies corporate and each employee of Westpac against:

1. every liability incurred by each such person in their capacity as Director, secretary or employee, as the case may be; and
2. all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity.

Each of the Directors named on pages 34 and 35 of the Corporate Governance statement and the Secretaries of Westpac, Richard Willcock and Michelle Marchhart, has the benefit of this indemnity which extends to all Directors, secretaries of Westpac and each of its related bodies corporate and to all employees of Westpac.

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

Following shareholder approval at the 2000 Annual General Meeting, Westpac entered into Deeds of Indemnity with Leon Davis, John Fairfax and Sir Llewellyn Edwards in their capacity as trustees of the Westpac Foundation, in identical terms to those set out in the 2000 Notice of Meeting.

No amount has been paid under any of these indemnities during the financial year ended 30 September 2003 or since that date.

A resolution seeking shareholder approval for Westpac entering into similar Deeds of Indemnity with any Director or former Director who is appointed to act as a trustee of the Westpac Foundation is proposed for consideration at the 2003 Annual General Meeting.

The Westpac Constitution permits Westpac to the extent permitted by applicable laws to pay or agree to pay premiums in respect of any contract of insurance, which insures any person who is or has been a Director or secretary of Westpac or any of its related bodies corporate against any liability incurred by that person in that capacity, including a liability for legal costs, unless:

- (a) Westpac is forbidden by statute to pay or agree to pay the premium; or
- (b) the contract would, if Westpac paid the premium, be made void by statute.

Westpac, on behalf of the Westpac Group of companies, for the year ended 30 September 2003 arranged insurance cover in respect of the amounts which Westpac may have to pay under any of the indemnities set out above. The insurance policy prohibits disclosure of the premium payable and the nature of the liabilities covered.

Environmental disclosure

The operations of Westpac are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or of any State or Territory of Australia.

Westpac may, however, become subject to environmental regulation in enforcing securities over land for the recovery of loans.

Westpac has not incurred any liability (including for rectification costs) under any environmental legislation.

Rounding of amounts

Westpac is an entity to which ASIC Class Order 98/0100 dated 10 July 1998, relating to the rounding of amounts in Directors' reports and financial reports, applies. Amounts in this report and the accompanying financial report have been rounded to the nearest million dollars, unless indicated to the contrary.

Political donations

During the financial year ended 30 September 2003, donations and other contributions totalling \$215,765 were made to political parties in Australia and \$52,000 to political parties in New Zealand including:

Australia

Party	Amount ¹
Australian Labor Party	\$94,630
Liberal Party of Australia	\$98,385
National Party of Australia	\$20,000
Australian Democrats	\$2,750
Total	\$215,765

¹ Represents aggregate amounts at both Federal and State/Territory levels and includes contributions made to political functions and events.

New Zealand

Party	Amount
New Zealand Labour Party	\$15,000
New Zealand National Party	\$15,000
ACT New Zealand	\$5,000
Green Party of Aotearoa New Zealand	\$5,000
New Zealand First	\$5,000
United Future New Zealand	\$5,000
Jim Anderton's Progressive Coalition	\$2,000
Total	\$52,000

Directors' Meetings

Each Director attended the following meetings of the Board of Directors and Committees of the Board during the financial year, which ended on 30 September 2003:

Board meetings

Director	Notes	Regular Board meetings		Special Board meetings	
		No. of meetings held ¹	No. of meetings attended	No. of meetings held ¹	No. of meetings attended
Leon Davis		10	10	3	3
David Morgan		10	10	3	2
Barry Capp	3	10	10	3	2
David Crawford		10	10	3	3
Sir Llewellyn Edwards		10	10	3	3
Ted Evans		10	10	3	3
John Fairfax	9	9	9	3	3
Carolyn Hewson	2	7	7	3	3
Helen Lynch	3	10	10	3	1

Board Committee meetings

Board Audit and Compliance Committee

Name	Notes	No. of meetings held ¹	No. of meetings attended
David Crawford (Chairman)	4	5	4
Leon Davis		5	5
Helen Lynch	4	5	5
Barry Capp	5	2	2
Carolyn Hewson	6	2	2

Board Credit and Market Risk Committee

Name	Notes	No. of meetings held ¹	No. of meetings attended
Ted Evans (Chairman)		4	4
Barry Capp	5	3	3
Leon Davis		4	4
John Fairfax	9	4	4
Carolyn Hewson	6	2	2

Board Remuneration Committee

Name	Notes	No. of meetings held ¹	No. of meetings attended
Barry Capp (Chairman)		6	6
Leon Davis		6	6
Sir Llewellyn Edwards		6	5

Board Nominations Committee

Name	Notes	No. of meetings held ¹	No. of meetings attended
Leon Davis (Chairman)	7	2	2
Barry Capp		2	2
David Crawford		1	1
Sir Llewellyn Edwards		2	1
Ted Evans	8	2	2
Helen Lynch	7	1	1

Board Social Responsibility Committee

Name	Notes	No. of meetings held ¹	No. of meetings attended
Sir Llewellyn Edwards (Chairman)		4	3
Leon Davis		4	4
John Fairfax	9	4	4
David Morgan		4	4

Notes to tables:

- Number of meetings held during the period the Director was a member of the Board and/or relevant Committee.
- Carolyn Hewson was appointed as a Director on 6 February 2003.
- Prior to the meeting, each of Barry Capp and Helen Lynch provided comments to the Chairman on the subject matter of the Special Board meetings which they were unable to attend.
- On 6 February 2003, Helen Lynch retired as the Chairman and continued as a member of the Board Audit and Compliance Committee and David Crawford was appointed the Chairman.
- On 1 November 2002, Barry Capp retired as a member of the Board Audit and Compliance Committee and was appointed as a member of the Board Credit and Market Risk Committee.
- Carolyn Hewson was appointed to the Board Audit and Compliance Committee and the Board Credit and Market Risk Committee with effect from 5 May 2003.
- On 25 July 2003, Helen Lynch retired as the Chairman and a member of the Board Nominations Committee, Leon Davis was appointed the Chairman and David Crawford was appointed as a member.
- Ted Evans was appointed as a member of the Board Nominations Committee with effect from 3 October 2002.
- John Fairfax resigned from the Board and its committees with effect from 1 September 2003.

While not shown above, the CEO and many Non-executive Directors who are not Committee members also participated in scheduled Board Committee meetings and special Board Committee meetings throughout the year.

Signed in accordance with a resolution of the Board of Directors.



Leon A. Davis
Chairman
30 October 2003



David Morgan
Managing Director &
Chief Executive Officer
30 October 2003

Ten year summary

\$m (unless otherwise indicated)	2003	2002	2001	2000	1999
Statement of financial performance – year ended 30 September¹					
Net interest income	4,344	4,146	4,051	3,669	3,476
Non-interest income	2,986	2,978	2,537	2,414	2,155
Net operating income	7,330	7,124	6,588	6,083	5,631
Total operating expenses excluding bad and doubtful debts	(3,926)	(3,995)	(3,570)	(3,503)	(3,434)
Operating profit before bad and doubtful debts and income tax expense	3,404	3,129	3,018	2,580	2,197
Bad and doubtful debts	(485)	(461)	(433)	(202)	(171)
Profit from ordinary activities before income tax	2,919	2,668	2,585	2,378	2,026
Income tax expense	(728)	(471)	(677)	(660)	(567)
Net profit attributable to outside equity interests	(8)	(5)	(5)	(3)	(3)
Profit from ordinary activities	2,183	2,192	1,903	1,715	1,456
Abnormal items (net of tax) ²	–	–	–	–	–
Net profit attributable to our equity holders	2,183	2,192	1,903	1,715	1,456
Statement of financial position at 30 September¹					
Total assets	221,339	191,037	189,845	167,618	140,220
Loans	160,473	135,870	122,250	107,533	97,716
Acceptances	3,788	4,788	15,700	15,665	10,249
Deposits and public borrowings	129,071	110,763	96,157	89,994	85,546
Loan capital	4,544	4,512	4,838	4,892	2,692
Total equity	13,996	10,468	9,705	9,262	8,997
Total risk weighted assets	142,909	128,651	127,242	114,816	102,592
Share information					
Earnings per share (cents):					
Before abnormals	115.6	118.3	102.8	88.8	77.0
After abnormals	115.6	118.3	102.8	88.8	77.0
Dividends per ordinary share (cents)	78.0	70.0	62.0	54.0	47.0
Net tangible assets per ordinary share (\$) ³	4.97	4.56	4.28	3.96	3.71
Share price (\$):					
High	17.14	17.01	14.55	12.97	12.06
Low	12.83	13.11	11.87	9.16	8.36
Close	16.20	13.85	13.29	12.75	9.45
Ratios					
Total equity to total assets (%)	6.3	5.5	5.1	5.5	6.4
Total equity to total average assets (%)	6.7	5.6	5.4	5.8	6.4
Total capital ratio (%)	10.5	9.6	9.9	9.9	9.2
Dividend payout ratio (%)	67.5	59.2	60.3	60.8	61.0
Return on average ordinary equity (%)	19.2	21.7	21.1	18.4	16.8
Productivity ratio ⁴	3.99	3.90	3.78	3.35	3.08
Total operating expenses to operating income ratio (%)	53.6	56.1	54.2	57.6	61.0
Net interest margin	2.65	2.80	3.11	3.10	3.25
Other information					
Points of bank representation (number at financial year end) ⁵	1,129	1,371	1,347	1,375	1,625
Core full time equivalent staff (number at financial year end) ⁶	25,013	23,637	27,088	29,510	31,731

Notes:

- The above statements of financial performance extracts for 2003, 2002 and 2001 and statements of financial position extract for 2003 and 2002 are derived from the consolidated financial statements included in this report, and for prior years are derived from financial statements previously published, each of which have been presented in accordance with Australian GAAP.
- For reporting periods ending on or after 30 June 2001, we are no longer permitted (under Australian GAAP) to disclose abnormal items on the face of the statement of financial performance. Where a revenue or expense is of such a size, nature or incidence that its disclosure is relevant in explaining our financial performance, we are required to disclose its nature and amount on the face of the statement of financial performance or in the notes to the financial statements.
- After deducting preference equity and goodwill.

\$m (unless otherwise indicated)	1998	1997	1996	1995	1994
Statement of financial performance – year ended 30 September¹					
Net interest income	3,492	3,353	3,254	2,982	2,761
Non-interest income	2,003	1,739	1,472	1,391	1,555
Net operating income	5,495	5,092	4,726	4,373	4,316
Total operating expenses excluding bad and doubtful debts	(3,392)	(3,228)	(3,049)	(2,654)	(2,637)
Operating profit before bad and doubtful debts and income tax expense	2,103	1,864	1,677	1,719	1,679
Bad and doubtful debts	(168)	(78)	(121)	(330)	(695)
Profit from ordinary activities before income tax and abnormal items	1,935	1,786	1,556	1,389	984
Income tax expense	(589)	(493)	(421)	(371)	(276)
Net profit attributable to outside equity interests	(4)	(2)	(3)	(3)	(3)
Profit from ordinary activities before abnormal items	1,342	1,291	1,132	1,015	705
Abnormal items (net of tax) ²	(70)	–	–	(68)	–
Net profit attributable to our equity holders	1,272	1,291	1,132	947	705
Statement of financial position at 30 September¹					
Total assets	137,319	118,963	121,513	105,835	93,861
Loans	91,738	77,874	81,201	64,365	61,242
Acceptances	10,325	11,242	11,197	11,656	12,219
Deposits and public borrowings	83,164	72,636	74,886	58,198	54,925
Loan capital	2,523	1,895	2,199	2,881	2,929
Total equity	8,611	8,206	7,891	7,583	7,299
Total risk weighted assets	97,430	87,133	86,503	74,930	72,567
Share information					
Earnings per share (cents):					
Before abnormals	70.1	70.0	58.9	53.5	36.0
After abnormals	66.4	70.0	58.9	49.8	36.0
Dividends per ordinary share (cents)	43.0	39.0	33.0	28.0	18.0
Net tangible assets per ordinary share (\$) ³	3.59	3.69	3.39	3.81	3.67
Share price (\$):					
High	11.45	9.10	6.59	5.51	5.55
Low	7.10	6.43	5.20	3.90	3.83
Close	9.28	8.70	6.54	5.36	4.20
Ratios					
Total equity to total assets (%)	6.3	6.9	6.5	7.2	7.8
Total equity to total average assets (%)	6.2	6.6	6.8	7.8	7.3
Total capital ratio (%)	9.3	10.5	10.8	13.9	13.8
Dividend payout ratio (%)	64.8	55.7	56.0	56.2	50.0
Return on average ordinary equity before abnormals (%)	15.5	17.0	14.6	13.0	9.8
Productivity ratio ⁴	3.22	2.90	2.63	2.86	3.01
Total operating expenses to operating income ratio (%)	61.7	63.4	64.5	60.7	61.1
Net interest margin	3.44	3.59	3.7	3.8	3.5
Other information					
Points of bank representation (number at financial year end) ⁵	1,832	1,547	1,788	1,547	1,616
Core full time equivalent staff (number at financial year end) ⁶	33,222	31,608	33,832	31,416	31,396

Notes (continued):

4 Net operating income/salaries and other staff expenses.

5 As of 2003, business banking, agribusiness, private bank and financial planning centres all operate from our branch network and as such are no longer counted as separate points of representation.

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

The bottom line

The financial statements and specific disclosures included in this Concise Financial Report have been derived from the Annual Financial Report of Westpac Banking Corporation and its controlled entities (the 'Group') and do not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the Annual Financial Report for the year ended 30 September 2003.

A copy of the 2003 Annual Financial Report including the independent audit report is available and will be sent to any shareholder without charge upon request. The Annual Financial Report can be requested by phoning Australia 612 9226 3143 and can be accessed via the internet at www.westpac.com.au.

Management discussion and analysis of the statement of financial performance

Net interest income was \$4,344 million for 2003, an increase of \$198 million or 5% compared with \$4,146 million for 2002, and this in turn was an increase of \$95 million or 2% over 2001. This includes \$27 million in 2003 (2002 nil) relating to BTFM and \$316 million in 2002 (2001 \$490 million) relating to the divested AGC business. Excluding these items, net interest income increased \$487 million or 13% during 2003 (2002 \$269 million or 8%). This improvement has been driven by strong growth in average interest earning assets, 12% in 2003 (2002 13%), predominantly as a result of high growth in household lending. This has been partially offset by a contraction in interest margins due to an increasingly competitive market and a number of structural changes to our business in 2003.

Reported non-interest income was \$2,986 million for 2003, an increase of \$8 million or less than 1% compared with 2002, and this in turn was an increase of \$441 million or 17% over 2001. 2002 includes \$751 million relating to the sale of our AGC business, offset by \$142 million (\$63 million credit) relating to the effect of changes in accounting policy, and \$149 million relating to a write down on our investment securities. Excluding these items, non-interest income increased by \$468 million or 19% in 2003, compared with \$44 million or 2% growth in 2002. Non-interest income also includes \$232 million (2002 \$28 million) from BTFM and RAAM and \$49 million relating to AGC in 2002 (2001 \$59 million).

We continued to experience strong growth in our core retail products with net fees and commissions increasing \$130 million or 8% (2002 increase of \$92 million or 6%). The growth was driven by increases in loan volumes and transaction activities. Additionally in 2003 we have benefited from a realignment of our fee structure in our Business and Consumer Banking unit. Financial markets trading income also grew strongly up \$44 million or 20% in 2003. This was due to a significantly improved financial markets performance in our Institutional Bank compared to 2002, including the development of new fee-based revenues through innovative debt securities and an increase in corporate debt activity.

Reported total operating expenses excluding bad and doubtful debts were \$3,926 million for 2003, a decrease of \$69 million or 2% compared with 2002, and in turn was an increase of \$425 million or 12% over 2001. The 2002 expenses include \$443 million of significant items. This included \$221 million relating to the adoption of the International Accounting Standard (IAS) 19 for superannuation, \$86 million wealth management integration costs and \$136 million expensing of outsourcing costs. Excluding these items, operating expenses excluding bad and doubtful debts increased by \$374 million or 11% in 2003 (decrease of \$18 million or 1% in 2002). Operating expenses excluding bad and doubtful debts in 2003 also included \$283 million (2002 \$25 million) relating to the operations of BTFM and RAAM and 2002 includes \$94 million (2001 \$143 million) relating to AGC. The increase in 2003 is due to a number of factors including:

- expenses of \$148 million associated with the change in the composition of our business following the divestment of AGC and the acquisition of RAAM, BTFM and Hastings;
- organic expense growth of \$163 million in our ongoing business (excluding all acquisitions and divestment). This increase includes:
 - an additional \$77 million following the adoption of IAS 19 in relation to our defined benefit superannuation funds in 2002; and
 - a \$42 million increase due to the appreciation of the New Zealand dollar against the Australian dollar during 2003.

Organic expense growth excluding the above items was \$44 million.

The slight decrease in 2002 after adjusting for significant items was due to efficiency savings offset by volume and inflationary increases.

Bad and doubtful debts were \$485 million for 2003, an increase of \$24 million or 5% and an increase of \$28 million or 6% over 2001. In 2002, bad and doubtful debts included \$101 million (2001 \$158 million) relating to the sold AGC business. Excluding the impact of AGC in 2002, the 2003 bad and doubtful debts charge increased \$125 million or 35% in 2003, and increased \$85 million or 31% over 2002. The higher charge in 2003 was the result of increased dynamic provisioning due to overall loan growth and the rebuilding of the equipment finance portfolio, partially offset by lower specific provisions and lower direct write-offs following the disposal of AGC in May 2002. The 2002 increase was predominantly due to a small number of downgrades in our corporate book and write-offs in consumer and personal lending products.

Reported basic earnings per share (EPS) for 2003 were 115.6 cents, a decrease of 2% compared with 2002, which was an increase of 15% over 2001. Reported fully diluted EPS for 2003 were 115.3 cents, a decrease of 2% compared with 2002, which was an increase of 15% over 2001.

Statement of financial performance for the years ended 30 September
Westpac Banking Corporation and its controlled entities

	Note	2003 \$m	Consolidated 2002 \$m	2001 \$m
Interest income		10,024	9,220	10,258
Interest expense		(5,680)	(5,074)	(6,207)
Net interest income		4,344	4,146	4,051
Non-interest income:				
Fees and commissions received		2,515	2,266	2,099
Fees and commissions paid		(679)	(560)	(485)
Proceeds from sale of assets		642	3,594	757
Carrying value of assets sold		(625)	(2,760)	(719)
Wealth management revenue		1,293	108	566
Life insurance claims and change in policy liabilities		(547)	238	(51)
Other non-interest income		387	92	370
Total non-interest income		2,986	2,978	2,537
Net operating income		7,330	7,124	6,588
Operating expenses excluding bad and doubtful debts:				
Salaries and other staff expenses		(1,836)	(1,829)	(1,744)
Equipment and occupancy expenses		(596)	(589)	(648)
Other expenses		(1,494)	(1,577)	(1,178)
Total operating expenses excluding bad and doubtful debts		(3,926)	(3,995)	(3,570)
Operating profit before bad and doubtful debts and income tax expense		3,404	3,129	3,018
Bad and doubtful debts		(485)	(461)	(433)
Profit from ordinary activities before income tax expense		2,919	2,668	2,585
Income tax expense		(728)	(471)	(677)
Net profit		2,191	2,197	1,908
Net profit attributable to outside equity interests		(8)	(5)	(5)
Net profit attributable to equity holders of Westpac Banking Corporation		2,183	2,192	1,903
Foreign currency translation reserve adjustment		(156)	(76)	74
Total revenues, expenses and valuation adjustments attributable to equity holders of Westpac Banking Corporation recognised directly in equity		(156)	(76)	74
Total changes in equity other than those resulting from transactions with owners as owners		2,027	2,116	1,977
Earnings per ordinary share (in cents) after deducting distributions on other equity instruments				
Basic	4	115.6	118.3	102.8
Fully diluted	4	115.3	117.9	102.4

The above statement of financial performance should be read in conjunction with the accompanying notes and discussion and analysis.

Management discussion and analysis of the statement of financial position

Assets

As at 30 September 2003, our assets totalled \$221.3 billion. This was an increase of \$30.3 billion over the \$191.0 billion as at 30 September 2002. Discussion on significant changes in assets follows.

Trading and investment securities decreased by \$1.5 billion to \$12.4 billion in 2003. This was primarily due to a reduction in our holdings of Australian government securities.

During 2003 loans and acceptances increased by \$23.6 billion to \$164.3 billion. The major reasons for this increase were as follows:

- continued growth in housing finance. Housing loans increased by 21% or \$13.8 billion (adjusting for securitisation) in Australia and 13% or \$1.7 billion (adjusting for securitisation) in New Zealand;
- an increase in margin lending of \$1.0 billion due to the acquisition of BTFM, and the subsequent cessation of securitisation arrangements which had funded BTFM's margin lending portfolio and instead, funding margin lending loans on-balance sheet;
- business lending to small and medium sized enterprises rose by \$3.2 billion for year ended 30 September 2003; and
- continued rebuilding of the business leasing product after the sale of our finance company, AGC in Australia (and the loan book of AGC in New Zealand). This product increased by \$2.7 billion over the prior year.

Life insurance assets increased by \$3.0 billion during 2003 to \$10.5 billion. This increase was mainly attributable to the acquisition of BTFM.

As at 30 September 2003 all other assets totalled \$26.3 billion, an increase of \$4.3 billion. This rise resulted mainly from the combined impact of growth in goodwill, in securities purchased under agreements to resell and in other financial markets assets.

Liabilities and Equity

Our total liabilities at 30 September 2003 were \$207.3 billion, an increase of \$26.7 billion from \$180.6 billion as at 30 September 2002. Discussion on the significant changes in liabilities follows.

The increase of \$18.3 billion in our deposits and public borrowings during 2003, combined with increased debt issues of \$2.4 billion, were the major sources of funding for our asset expansion.

Rises in securities purchased not yet delivered and in other financial markets liabilities were major factors in the movement of \$5.9 billion in other liabilities. Other financial markets liabilities primarily represent the negative fair value of trading derivative financial instruments.

Our equity increased by \$3.5 billion during 2003 to \$14.0 billion. In addition to accumulated profits for 2003 of \$2.2 billion, this was largely the result of the issue of hybrid equity instruments during the year. In December 2002 we issued \$0.7 billion of Fixed Interest Resettable Trust Securities (FIRsTS), and in August 2003, \$1.1 billion of Trust Preferred Securities (TPS). These increases to equity were partly offset by the distribution of dividends (net of dividend reinvestment).

Statement of financial position as at 30 September
Westpac Banking Corporation and its controlled entities

	Note	Consolidated 2003 \$m	2002 \$m
Assets			
Cash and balances with central banks		1,786	1,669
Due from other financial institutions		6,035	5,242
Trading securities		8,793	10,643
Investment securities		3,656	3,313
Loans		160,473	135,870
Acceptances of customers		3,788	4,788
Life insurance assets		10,522	7,566
Regulatory deposits with central banks overseas		425	455
Goodwill		2,558	1,754
Fixed assets		842	815
Deferred tax assets		1,019	587
Other assets		21,442	18,335
Total assets		221,339	191,037
Liabilities			
Due to other financial institutions		3,831	4,731
Deposits and public borrowings		129,071	110,763
Debt issues		29,970	27,575
Acceptances		3,788	4,788
Current tax liabilities		310	537
Deferred tax liabilities		246	80
Life insurance policy liabilities		9,896	7,163
Provisions		462	1,093
Other liabilities		25,225	19,327
Total liabilities excluding loan capital		202,799	176,057
Loan capital			
Subordinated bonds, notes and debentures		3,971	3,795
Subordinated perpetual notes		573	717
Total loan capital		4,544	4,512
Total liabilities		207,343	180,569
Net assets		13,996	10,468
Equity			
Ordinary shares		3,972	3,503
Reserves		(73)	82
Retained profits	3	7,343	5,930
New Zealand Class shares		471	471
Trust Originated Preferred Securities (TOPrS SM)		465	465
Fixed Interest Resettable Trust Securities (FIRsTS)		655	–
Trust Preferred Securities (TPS)		1,132	–
Total equity attributable to equity holders of Westpac Banking Corporation		13,965	10,451
Outside equity interests in controlled entities		31	17
Total equity		13,996	10,468

The above statement of financial position should be read in conjunction with the accompanying notes and discussion and analysis.

Concise Financial Report

Statement of cash flows for years ended 30 September Westpac Banking Corporation and its controlled entities

	2003 \$m	Consolidated 2002 \$m	2001 \$m
Cash flows from operating activities			
Interest received	9,948	9,130	10,080
Interest paid	(5,724)	(5,269)	(6,461)
Dividends received excluding life business	36	27	51
Other non-interest income received	4,151	3,711	3,367
Operating expenses paid	(3,318)	(3,291)	(3,330)
Net (increase)/decrease in trading securities	1,759	(791)	(143)
Income tax paid excluding life business	(1,131)	(699)	(527)
Life business:			
Receipts from policyholders and customers	2,958	2,531	2,427
Interest and other items of similar nature	119	58	138
Dividends received	379	323	362
Payments to policyholders and suppliers	(3,025)	(1,961)	(2,249)
Income tax paid	(60)	(3)	(64)
Net cash provided by operating activities	6,092	3,766	3,651
Cash flows from investing activities			
Proceeds from sale of investment securities	189	492	508
Proceeds from matured investment securities	1,260	335	139
Purchase of investment securities	(2,114)	(1,873)	(866)
Proceeds from securitised loans	247	2,472	202
Net (increase)/decrease in:			
Due from other financial institutions	(698)	(212)	(1,598)
Loans	(25,942)	(25,501)	(13,304)
Life insurance assets	(186)	(316)	134
Regulatory deposits with central banks overseas	(58)	(19)	193
Other assets	(1,497)	(967)	186
Purchase of fixed assets	(323)	(284)	(299)
Proceeds from disposal of fixed assets	85	262	171
Proceeds from disposal of other investments	8	246	–
Controlled entities acquired, net of cash acquired	(823)	(328)	5
Controlled entities and businesses disposed, net of cash held	360	2,136	44
Net cash used in investing activities	(29,492)	(23,557)	(14,485)
Cash flows from financing activities			
Issue of loan capital	1,679	–	350
Redemption of loan capital	(978)	–	(813)
Proceeds from issue of ordinary shares	87	91	110
Proceeds from issue of New Zealand Class shares	–	–	203
Proceeds from issue of FIRsTS (net of issue costs \$12 million)	655	–	–
Proceeds from issue of TPS (net of issue costs \$13 million)	1,132	–	–
Buyback of shares	–	(408)	(753)
Net increase/(decrease) in:			
due to other financial institutions	(695)	(949)	1,799
deposits and public borrowings	19,384	20,095	3,553
debt issues	3,658	2,495	7,007
other liabilities	(368)	46	447
Payment of distributions and dividends	(1,038)	(977)	(836)
Payment of dividends to outside equity interests	(2)	(2)	(1)
Net cash provided by financing activities	23,514	20,391	11,066
Net increase in cash and cash equivalents	114	600	232
Effect of exchange rate changes on cash and cash equivalents	3	(10)	11
Cash and cash equivalents at beginning of year	1,669	1,079	836
Cash and cash equivalents at year end	1,786	1,669	1,079

The above statement of cash flows should be read in conjunction with the accompanying notes and discussion and analysis.

Note 1. Summary of significant accounting policies

This Concise Financial Report has been derived from or is consistent with the Annual Financial Report of Westpac Banking Corporation ("Westpac") and its controlled entities ("the Group"), for the year ended 30 September 2003, which has been prepared in accordance with the requirements for an authorised deposit-taking institution under the Banking Act 1959 (as amended), Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

This Concise Financial Report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the relevant provisions of the Corporations Act 2001.

A full description of the accounting policies adopted by the Group is provided in the 2003 Annual Financial Report.

Comparative information is restated where appropriate to enhance comparability.

Change in accounting policy

Providing for dividends

A provision is only made for any dividends declared, determined or publicly recommended by the Directors on or before the end of the financial year, but not distributed as at balance date.

The above policy was adopted with effect from 1 October 2002 to comply with the new Australian accounting standard AASB 1044: Provisions, Contingent Liabilities and Contingent Assets. In previous reporting periods, in addition to providing for any dividends declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date, a provision was made for dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the financial year and the completion of the financial report.

An adjustment of \$651 million was made against the consolidated retained profits at the beginning of the financial year to reverse the amount provided as at 30 September 2002 for the proposed final dividend for the year ended on that date. This adjustment reduced consolidated provisions and total liabilities at the beginning of the financial year by \$651 million with corresponding increases in consolidated net assets, retained profits, total equity and the total dividends provided for or paid during the current financial year.

The restatement of consolidated retained profits, provisions and total dividends provided for or paid during the year set out below show the information that would have been disclosed had the new accounting policy always been applied.

	2003 \$m	Consolidated 2002 \$m (Restated)	2001 \$m (Restated)
Restatement of retained profits			
Reported retained profits at the end of the previous financial year	5,930	4,174	3,435
Change in accounting policy for providing for dividends	651	577	512
Restated retained profits at the beginning of year	6,581	4,751	3,947
Net profit attributable to equity holders of Westpac Banking Corporation	2,183	2,192	1,903
Total available for distribution	8,764	6,943	5,850
Transfer from reserve fund	–	876	–
Aggregate of amounts transferred (to)/from other reserves	(1)	2	(7)
Restated dividends provided for or paid	(1,345)	(1,192)	(1,041)
Distributions on other equity instruments	(75)	(48)	(51)
Restated retained profits at year end	7,343	6,581	4,751
Restatement of dividends provided for or paid			
Reported dividends provided or paid during the year	1,345	1,266	1,106
Adjustment for change in accounting policy	–	(74)	(65)
Restated dividends provided for or paid during the year	1,345	1,192	1,041
Restatement of liabilities – provisions			
Reported carrying amount	462	1,093	1,038
Adjustment for change in accounting policy	–	(651)	(577)
Restated carrying amount – provisions	462	442	461

Note 2. Dividends and distributions provided for or paid

	2003 \$m	Consolidated 2002 \$m	2001 \$m
Ordinary dividends¹			
Interim ordinary dividend paid:			
Ordinary shares 38 cents per share (2002 34 cents per share, 2001 30 cents per share) all fully franked	673	597	520
New Zealand Class shares 38 cents per share (2002 34 cents per share, 2001 30 cents per share) all fully imputed	20	18	16
Final ordinary dividend provided for or paid:			
2002 ordinary shares 36 cents per share (2001 32 cents per share) all fully franked ²	632	631	560
2002 New Zealand Class shares 36 cents per share (2001 32 cents per share) all fully imputed ²	20	20	17
Over provision of dividend in prior years	–	–	(7)
Total ordinary dividends provided for or paid	1,345	1,266	1,106
Distributions on other equity instruments			
Distributions paid or provided for:			
TOPRS	41	48	51
FIRsTS	34	–	–
Total distributions on other equity instruments	75	48	51
Dividends not recognised at year end¹			
Since year end the directors have recommended the payment of the following ordinary dividends:			
Ordinary shares 40 cents per share fully franked	715	–	–
New Zealand Class shares 40 cents per share fully imputed	21	–	–
	736	–	–
Franking account balance			
Franking account balance at year end	617	104	2
Franking credits arising from payment of current income tax payable	303	466	353
Franking credits utilised for payment of proposed final dividend	(308)	(270)	(240)
Adjusted franking account balance at year end	612	300	115

1 Following the change in accounting policy for providing for dividends, as set out in note 1, a liability has not been recognised for the recommended final dividend as at 30 September 2003 payable on 19 December 2003 out of retained profits.

2 Due to the change in accounting policy for dividend provisions, dividends previously provided for in the year ended 30 September 2002 are now also shown as paid in the year ended 30 September 2003 subject to adjustment for under provision of \$1 million in 2002.

Note 3. Retained profits

	2003 \$m	Consolidated 2002 \$m	2001 \$m
Retained profits			
Reported balance at previous year end	5,930	4,174	3,435
Change in accounting policy for providing for dividends	651	–	–
Balance at beginning of year	6,581	4,174	3,435
Transfer from reserve fund	–	876	–
Aggregate of amounts transferred (to)/from other reserves	(1)	2	(7)
Net profit attributable to equity holders of Westpac Banking Corporation	2,183	2,192	1,903
Ordinary dividends provided for or paid	(1,345)	(1,266)	(1,106)
Distributions on other equity instruments	(75)	(48)	(51)
Balance at year end	7,343	5,930	4,174

Note 4. Earnings per ordinary share

	2003		Consolidated 2002		2001	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of earnings used in the calculation of earnings per ordinary share (\$million)						
Net profit	2,191	2,191	2,197	2,197	1,908	1,908
Net profit attributable to outside equity interests	(8)	(8)	(5)	(5)	(5)	(5)
TOPrS distribution	(41)	(41)	(48)	(48)	(51)	(51)
FIRsTS distribution	(34)	(34)	–	–	–	–
Earnings	2,108	2,108	2,144	2,144	1,852	1,852
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares	1,824	1,824	1,812	1,812	1,801	1,801
Potential dilutive adjustment:						
Exercise of options	–	4	–	7	–	8
Total weighted average number of ordinary shares	1,824	1,828	1,812	1,819	1,801	1,809
Earnings per ordinary share (cents)	115.6	115.3	118.3	117.9	102.8	102.4

During the year ended 30 September 2003, 8,540,979 (2002 9,742,767) options and share rights were converted to ordinary shares. The diluted earnings per share calculation includes that portion of these options and share rights assumed to be issued for nil consideration, weighted with reference to the date of conversion. The estimated weighted average number included was 1,516,098 (2002 1,774,778). In determining diluted earnings per share, options with an exercise price greater than the market price of Westpac shares as at 30 September 2003 have not been included, as these were not considered dilutive.

Subsequent to 30 September 2003, nil options (2002 155,000 options) were granted to employees under the Westpac Performance Plan, General Management Share Option Plan and the Senior Officers' Share Purchase Scheme. These options have not been included in the determination of diluted earnings per share.

Note 5. Group segment information

The basis of segment reporting reflects the management of the business within the Group, rather than the legal structure of the Group. The business segment results have been presented on a management reporting basis and consequently, internal charges and transfer pricing adjustments have been reflected in the performance of each business segment. Intersegment pricing is determined on an arm's length basis.

Primary reporting – business segments

The business segments are defined by the customers they service and the services they provide. The Business and Consumer Banking segment is responsible for servicing and product development for consumer and smaller to medium-sized business customers within Australia. The BT Financial Group designs, manufactures and services financial products that enable customers to achieve their financial goals through the accumulation management and protection of personal wealth. The Institutional Banking segment represents primarily corporations and institutional customers either based in, or with interests in, Australia and New Zealand, and also provides certain services to middle-market business banking customers in Australia and New Zealand. The New Zealand Banking segment provides banking and wealth management services to consumer and business customers. Other includes the results of Business and Technology Solutions and Services, Group Treasury, Pacific Banking and Head Office functions. The majority of the direct operating expenses of Other are recharged back to the business segments as indicated in the internal charges line within operating expenses.

Note 5. Group segment information (continued)

	Consolidated 2003					Total \$m
	Business and Consumer Banking \$m	BT Financial Group \$m	Institutional Banking \$m	New Zealand Banking \$m	Other \$m	
Revenue from external customers	8,858	1,471	1,947	1,898	687	14,861
Internal revenue	278	57	1,312	(454)	(1,193)	–
Total segment revenue	9,136	1,528	3,259	1,444	(506)	14,861
Interest income	7,099	101	1,319	1,447	58	10,024
Interest expense	(3,378)	(1)	(570)	(677)	(1,054)	(5,680)
Internal charges ¹	(563)	(17)	(372)	(73)	1,025	–
Net interest income	3,158	83	377	697	29	4,344
Net non-interest income	1,179	719	512	317	259	2,986
Internal charges ¹	110	(190)	33	–	47	–
Total operating income	4,447	612	922	1,014	335	7,330
Depreciation and goodwill amortisation	(80)	(78)	(3)	(69)	(183)	(413)
Other non-cash expenses	(72)	(10)	(14)	(4)	(119)	(219)
Other operating expenses	(1,650)	(322)	(329)	(451)	(542)	(3,294)
Internal charges ¹	(621)	(28)	(127)	(18)	794	–
Total operating expenses excluding bad and doubtful debts	(2,423)	(438)	(473)	(542)	(50)	(3,926)
Bad and doubtful debts	(322)	–	(107)	(45)	(11)	(485)
Profit from ordinary activities before income tax expense	1,702	174	342	427	274	2,919
Income tax expense	(524)	(47)	42	(144)	(55)	(728)
Outside equity interest	–	–	(2)	(2)	(4)	(8)
Net profit	1,178	127	382	281	215	2,183
Total assets	121,051	13,983	52,238	22,409	11,658	221,339
Total liabilities	85,171	10,345	36,376	22,724	52,727	207,343
Acquisition of fixed assets and goodwill	177	947	113	33	17	1,287

¹ Internal charges are eliminated on consolidation.

	Consolidated 2002					Total \$m
	Business and Consumer Banking \$m	BT Financial Group \$m	Institutional Banking \$m	New Zealand Banking \$m	Other \$m	
Revenue from external customers	10,337	84	1,757	2,521	581	15,280
Internal revenue	208	31	524	34	(797)	–
Total segment revenue	10,545	115	2,281	2,555	(216)	15,280
Interest income	6,796	37	952	1,273	162	9,220
Interest expense	(3,124)	–	(518)	(629)	(803)	(5,074)
Internal charges ¹	(556)	(8)	(92)	7	649	–
Net interest income	3,116	29	342	651	8	4,146
Net non-interest income	1,762	359	254	378	225	2,978
Internal charges ¹	136	(195)	33	2	24	–
Total operating income	5,014	193	629	1,031	257	7,124
Depreciation and goodwill amortisation	(90)	(13)	(22)	(75)	(173)	(373)
Other non-cash expenses	(77)	(5)	(11)	(3)	(295)	(391)
Other operating expenses	(1,486)	(217)	(297)	(399)	(832)	(3,231)
Internal charges ¹	(773)	(36)	(78)	(16)	903	–
Total operating expenses excluding bad and doubtful debts	(2,426)	(271)	(408)	(493)	(397)	(3,995)
Bad and doubtful debts	(368)	–	(96)	(51)	54	(461)
Profit from ordinary activities before income tax expense	2,220	(78)	125	487	(86)	2,668
Income tax expense	(478)	33	1	(140)	113	(471)
Outside equity interest	–	–	–	(1)	(4)	(5)
Net profit ²	1,742	(45)	126	346	23	2,192
Total assets	101,613	9,099	49,125	19,944	11,256	191,037
Total liabilities	76,154	7,342	37,361	21,403	38,311	180,571
Acquisition of fixed assets and goodwill	200	333	6	74	1	614

¹ Internal charges are eliminated on consolidation.

² Includes the net profit on sale of shares in Australian Guarantee Corporation of \$662 million in Business and Consumer Banking, and \$92 million in New Zealand Banking for the sale of certain assets of Australian Guarantee Corporation (N.Z.) Limited.

Note 5. Group segment information (continued)

	Consolidated 2001					Total \$m
	Business and Consumer Banking \$m	BT Financial Group \$m	Institutional Banking \$m	New Zealand Banking \$m	Other \$m	
Revenue from external customers	9,462	556	2,369	1,941	(278)	14,050
Internal revenue	170	73	726	72	(1,041)	–
Total segment revenue	9,632	629	3,095	2,013	(1,319)	14,050
Interest income	7,439	6	1,253	1,550	10	10,258
Interest expense	(3,760)	–	(672)	(964)	(811)	(6,207)
Internal charges ¹	(593)	19	(208)	61	721	–
Net interest income	3,086	25	373	647	(80)	4,051
Net non-interest income	1,078	522	508	302	127	2,537
Internal charges ¹	61	(145)	10	–	74	–
Total operating income	4,225	402	891	949	121	6,588
Depreciation and goodwill amortisation	(88)	(21)	(11)	(71)	(202)	(393)
Other non-cash expenses	(82)	(5)	(12)	(3)	(47)	(149)
Other operating expenses	(1,382)	(101)	(303)	(415)	(827)	(3,028)
Internal charges ¹	(875)	(45)	(95)	(11)	1,026	–
Total operating expenses excluding bad and doubtful debts	(2,427)	(172)	(421)	(500)	(50)	(3,570)
Bad and doubtful debts	(309)	(2)	(114)	(31)	23	(433)
Profit from ordinary activities before income tax expense	1,489	228	356	418	94	2,585
Income tax expense	(536)	(37)	7	(145)	34	(677)
Outside equity interest	–	–	–	–	(5)	(5)
Net profit	953	191	363	273	123	1,903
Total assets	98,474	8,491	52,221	18,509	12,150	189,845
Total liabilities	80,150	1,037	39,492	19,301	40,161	180,141
Acquisition of fixed assets and goodwill	107	–	6	48	148	309

¹ Internal charges are eliminated on consolidation

Secondary reporting – Geographic segments

	2003		2002		2001	
	\$m	%	\$m	%	\$m	%
Operating revenue						
Australia	12,024	80.9	12,130	79.4	10,481	74.6
New Zealand	2,493	16.8	3,051	20.0	2,382	17.0
Other ¹	344	2.3	99	0.6	1,187	8.4
Total	14,861	100.0	15,280	100.0	14,050	100.0
Profit from ordinary activities before income tax expense						
Australia	2,267	77.7	2,113	79.2	1,796	69.5
New Zealand	430	14.7	662	24.8	482	18.6
Other ¹	222	7.6	(107)	(4.0)	307	11.9
Total	2,919	100.0	2,668	100.0	2,585	100.0
Net profit attributable to equity holders of Westpac Banking Corporation						
Australia	1,604	73.5	1,866	85.1	1,301	68.4
New Zealand	386	17.7	466	21.3	336	17.7
Other ¹	193	8.8	(140)	(6.4)	266	13.9
Total	2,183	100.0	2,192	100.0	1,903	100.0
Assets						
Australia	179,908	81.3	151,918	79.5	151,421	79.8
New Zealand	32,945	14.9	30,972	16.2	28,977	15.3
Other ¹	8,486	3.8	8,147	4.3	9,447	4.9
Total	221,339	100.0	191,037	100.0	189,845	100.0
Acquisition of fixed assets and goodwill						
Australia	1,168	90.8	539	87.8	249	80.6
New Zealand	107	8.3	74	12.0	48	15.5
Other ¹	12	0.9	1	0.2	12	3.9
Total	1,287	100.0	614	100.0	309	100.0

¹ Other includes Pacific Islands, Asia, Americas and Europe.

Concise Financial Report

Directors' declaration

In accordance with a resolution of the Directors of Westpac Banking Corporation ('Westpac'), the Directors declare that the accompanying Concise Financial Report of the consolidated entity, for the year ended 30 September 2003 set out on pages 60 to 70:

- (a) has been derived from or is consistent with the Annual Financial Report for the financial year; and
- (b) complies with Accounting Standard AASB 1039: Concise Financial Reports.

Dated at Sydney this 30th day of October 2003

For and on behalf of the Board.



L.A. Davis
Chairman



D.R. Morgan
Managing Director and
Chief Executive Officer

Independent audit report to the members of Westpac Banking Corporation

Matters relating to the electronic presentation of the audited concise financial report

This audit report relates to the concise financial report of Westpac Banking Corporation ("Westpac") for the year ended 30 September 2003 included on Westpac's web site. Westpac's directors are responsible for the integrity of Westpac's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the concise financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this web site.

Audit opinion

In our opinion, the concise financial report of Westpac Banking Corporation for the year ended 30 September 2003 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, discussion and analysis of and notes to the financial statements, and the directors' declaration for Westpac Banking Corporation (Westpac) for the year ended 30 September 2003.

The directors of the Westpac are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of Westpac. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of Westpac for the financial year ended 30 September 2003. Our audit report on the full financial report was signed on 30 October 2003, and was not subject to any qualification. In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



DH Armstrong
Sydney
Partner
30 October 2003

Shareholder information

Annual General Meeting

The Annual General Meeting (AGM) will be held in the Grand Ballroom on Level 2 of the Sheraton on the Park Hotel, 161 Elizabeth Street, Sydney NSW on 11 December 2003, commencing at 1.30pm.

The AGM will be webcast live on www.westpac.com.au and an archive version will be lodged on the website for viewing at a convenient time.

Shareholders' calendar

Record Date for final dividend	26 November 2003
Record Date for final dividend (New York)	25 November 2003
Annual General Meeting	11 December 2003
Final dividend payable	19 December 2003
Half year end	31 March 2004
Interim results and dividend announcement	6 May 2004
Record Date for interim dividend	10 June 2004*
Record Date for interim dividend (New York)	9 June 2004*
Interim dividend payable	2 July 2004*
Year end	30 September 2004
Final results and dividend announcement	8 November 2004
Record Date for final dividend	24 November 2004**
Record Date for final dividend (New York)	23 November 2004**
Final dividend payable	15 December 2004**
Annual General Meeting	16 December 2004#

* Dates will be confirmed at the time of announcing 2004 interim results.

** Dates will be confirmed at the time of announcing 2004 final results.

Details regarding the date of this meeting and the business to be dealt with, will be contained in the separate Notice of Meeting sent to shareholders in November 2004.

Voting rights

Ordinary Shares

On a show of hands, each shareholder present in person, each proxy who is not a shareholder and each duly appointed corporate representative who is not a shareholder, shall have one vote.

On a poll, each shareholder shall have one vote for each fully paid share held, each person present as a proxy and duly appointed corporate representative shall have one vote for each fully paid share held by the shareholder that the person represents.

New Zealand Class Shares

Holders of this class of share are not personally able to vote at a general meeting, but may give voting directions on agenda items in the event of a poll.

Dividends payment

Holders of shares traded on Australian Stock Exchange Limited may elect, by notification to ASX Perpetual Registrars Limited:

- to receive their Westpac ordinary share dividends by **cheque** or by **direct credit** to an account with Westpac or any other bank in Australia, New Zealand, or the United Kingdom, or with any building society or credit union in Australia. Any change to direct credit details should be promptly notified to ASX Perpetual Registrars Limited in writing;

or

- if they are resident in, or their address on the register of shareholders is in, Australia or New Zealand, to have the dividends on some or all of their ordinary shares automatically reinvested in additional shares by participating in the **Dividend Reinvestment Plan (DRP)**.

Details of the DRP can be obtained at www.westpac.com.au/investorcentre, click on "Shareholder Services" and into "Dividend Information", then under Ordinary Shares, click on "Dividend Reinvestment Plan", or by contacting ASX Perpetual Registrars Limited.

Stock exchange listings

Westpac Ordinary Shares are listed on:

Australian Stock Exchange Limited (code WBC), New York Stock Exchange (as American Depositary Shares, code WBK), Tokyo Stock Exchange and New Zealand Exchange Limited.

Westpac FIRsTS (code WBKPA) are listed on the Australian Stock Exchange Limited.

New Zealand Class Shares (code WPT) are listed on the New Zealand Exchange Limited.

Limit on size of shareholdings

There are limits on the acquisition of a shareholding in a bank under the Financial Sector (Shareholdings) Act 1998. Under this Act, a person (including a company) must not acquire an interest in an Australian financial sector company (which includes banks) where the acquisition would take that person's voting power (which includes the voting power of the person's associates) in the financial sector company to more than 15% of the voting power of the financial sector company, without first obtaining the Federal Treasurer's approval. Even if a person has less than 15% of the voting power, the Federal Treasurer has the power to declare that a person has practical control of that company and, by applying for an order from the Federal Court of Australia, may require the person to relinquish that control.

Sources of information for shareholders

Westpac's internet site – www.westpac.com.au

The Investor Centre at www.westpac.com.au/investorcentre provides key information about Westpac Banking Corporation shares, including annual reports, financial results, news and information, contacts, and important dates. There is a link to ASX Perpetual Registrars Limited for information about your shareholding via "Shareholder Services" and into "Share Registries".

An overview of Westpac's businesses and history can be found at the "Investor Centre" under "Corporate Information".

Annual Report

We provide our report to shareholders in two parts:

- a Concise Annual Report; and
- an Annual Financial Report.

Both parts are lodged with the Australian Stock Exchange Limited (ASX) and the Australian Securities and Investments Commission (ASIC) and are available on www.westpac.com.au under the "Westpac Info" tab at "Annual Report" in "Main Menu".

The main source of information is the Concise Annual Report, which is available as outlined above at www.westpac.com.au or is mailed to shareholders (who have elected to receive it) in November. We also lodge a user-friendly version of the Concise Annual Report on our website – see below on how to register your email address so as to be notified when it is available.

Shareholders who do not wish to receive the Concise Annual Report, or who are receiving more than one copy, or who wish to also receive an Annual Financial Report, should notify ASX Perpetual Registrars Limited, including their shareholder number with the notification. Irrespective of individual elections regarding receipt of an annual report, all shareholders will continue to receive all other shareholder information.

Shareholders can register their email address and receive information electronically. This provides fast access to information and by reducing printing, paper usage and mail delivery, is friendlier to the environment. To register, go to www.westpac.com.au/investorcentre and click on register your email under "Shareholder News". At the time of registration, you can choose which information you would like to receive by email.

Other information

Other sources of information produced during the year include:

- a newsletter containing a review of half yearly performance, which is mailed to shareholders with dividend statements in July;
- an annual Summary of Performance published in Japanese for shareholders in Japan;
- documents lodged from time to time in the USA to comply with that country's regulatory requirements (such documents are submitted concurrently to the Australian Stock Exchange Limited); and
- annual reports and information booklets produced by controlled entities and operating divisions of Westpac Banking Corporation.

Shareholder information

Top twenty ordinary shareholders at 30 September 2003

	No. of fully paid ordinary shares	% held
J P Morgan Nominees Australia Limited	301,773,589	16.89
Westpac Custodian Nominees Limited	215,008,244	12.03
National Nominees Limited	206,327,184	11.54
Citicorp Nominees Pty Limited	114,217,568	6.39
RBC Global Services Australia Nominees Pty Limited	77,617,171	4.34
ANZ Nominees Limited	43,961,840	2.46
Queensland Investment Corporation	33,281,256	1.86
AMP Life Limited	28,221,567	1.58
Cogent Nominees Pty Limited	25,132,399	1.41
Commonwealth Custodial Services Limited	14,122,286	0.79
HSBC Custody Nominees (Australia) Limited	13,148,566	0.74
Australian Foundation Investment Company Limited	10,961,616	0.61
Permanent Trustee Australia Limited	8,806,843	0.49
Government Superannuation Office	8,370,828	0.47
NRMA Nominees Pty Limited	6,918,986	0.39
Bond Street Custodians Limited	6,246,830	0.35
PSS Board	5,825,707	0.33
Victorian Workcover Authority	5,487,150	0.31
CSS Board	5,402,755	0.30
Zurich Investment Management Limited	5,180,898	0.29
	1,136,013,283	63.57

Top twenty shareholders hold 63.57 per cent of total ordinary shares issued.

Substantial shareholders as at 30 September 2003

There are no shareholders appearing on the Register of Substantial Shareholders as at 30 September 2003.

Analysis of holdings at 30 September 2003

By class:

	Ordinary fully paid	%	No. of ordinary shares ('000)	%	Options and rights to subscribe for ordinary shares*
1 – 1,000	112,500	52.92	49,650	2.78	3
1,001 – 5,000	76,805	36.13	174,515	9.77	225
5,001 – 10,000	13,681	6.44	97,281	5.44	272
10,001 – 100,000	9,189	4.32	199,624	11.17	514
100,001 and over	412	0.19	1,265,899	70.84	69
Totals	212,587	100.0	1,786,969	100.0	1,083

*Issued under Senior Officers' Share Purchase Scheme, General Management Share Option Plan, Chief Executive Share Option Agreement and Westpac Performance Plan.

Percentage of total securities held by

Top 20 holders in each class	63.57	53.23
Holdings of less than a marketable parcel	4,885	

By domicile:

	No. of holdings*	% of holdings	No. of issued shares and options ('000)	% of issued shares and options
Australia	203,299	95.15	1,801,662	98.43
New Zealand	7,130	3.34	15,892	0.87
United Kingdom	1,638	0.77	5,531	0.30
United States	340	0.16	1,340	0.07
Singapore	224	0.10	1,985	0.11
Other overseas	1,039	0.48	4,048	0.22
Totals	213,670	100.00	1,830,458	100.00

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

Top twenty NZ Class shareholders at 30 September 2003

	No. of fully paid NZ Class shares	% held
New Zealand Central Securities Depository Limited	9,877,965	18.40
ABN Amro Nominees NZ Limited	1,016,212	1.89
Custodial Services Limited	505,146	0.94
Forbar Custodians Limited	439,185	0.82
Galt Nominees Limited	372,163	0.69
Moturua Properties Limited	291,600	0.54
Amalgamated Dairies Limited	224,100	0.41
Avalon Investment Trust Limited	222,500	0.41
First NZ Capital Custodians Limited	217,611	0.41
Challenge Investment Company Limited	209,400	0.39
Leveraged Equities Custodians Limited	196,406	0.37
Paradise Finance Limited	188,000	0.35
Investment Custodial Services Limited	175,333	0.33
Surrey Charles Innes Kent	171,937	0.32
Ace Finance Limited	131,000	0.24
Auckland Medical Research Foundation	129,060	0.24
ASB Nominees Limited	122,000	0.23
First NZ Capital Scrip Limited	108,785	0.20
Dublin Nominees Limited	100,000	0.19
Custodial Nominees Limited	89,684	0.17
	14,788,087	27.54

Top twenty shareholders hold 27.54 per cent of total NZ Class shares issued.

Note: On 7 May 2003, Westpac (NZ) Investments Limited cancelled the 698,375 NZ Class Shares that were being held as Treasury Stock, reducing the number of shares on issue to 53,694,931.

Analysis of NZ Class holdings at 30 September 2003

By class:

	NZ Class fully paid	%	No. of NZ class shares ('000)	%
1 – 1,000	23,643	74.58	10,013	18.65
1,001 – 5,000	6,857	21.63	15,575	29.01
5,001 – 10,000	802	2.53	5,925	11.04
10,001 – 100,000	366	1.15	8,045	14.98
100,001 and over	35	0.11	14,137	26.32
Totals	31,703	100.00	53,695	100.00
Holdings of less than a marketable parcel	819			

By domicile:

	No. of holdings	% of holdings	No. of Issued shares ('000)	% of issued shares
New Zealand	31,326	98.81	53,331	99.34
Australia	210	0.67	196	0.36
United Kingdom	55	0.17	43	0.08
United States	22	0.07	20	0.03
Hong Kong	12	0.04	24	0.04
Other overseas	78	0.24	81	0.15
Totals	31,703	100.00	53,695	100.00

Useful information

Online

Australia

Westpac's internet site www.westpac.com.au provides information for shareholders and customers and is the gateway to Westpac's internet banking and broking services. The site also provides information on Westpac's products, economic updates, community sponsorships and support activities, media releases, and other information relating to Westpac's 186 year history. An overview of Westpac's businesses and history can be found at www.westpac.com.au/investorcentre under "Corporate Information".

New Zealand

www.westpac.co.nz provides the gateway to Westpac's internet banking services. The site also provides a comprehensive home buying guide and information for customers on a range of Westpac products, economic updates, news and information, key financial results, sponsorships and other community activities.

Westpac Investor Relations

Information other than that relating to your shareholdings can be obtained from: Investor Relations, Level 25, 60 Martin Place, Sydney, NSW 2000 Australia

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

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

Email: westpac@westpac.com.au

Share registries

For information about your shareholding or to notify a change of address etc., you should contact the appropriate share registry.

Ordinary shares

ASX Perpetual Registrars Limited,
Level 8, 580 George Street, Sydney NSW 2000

Postal address: Locked Bag A6015, Sydney South NSW 1235

Website: www.asxperpetual.com.au

Shareholder enquiries:

Telephone: (02) 8280 7070 or 1800 804 255 (toll free in Australia)

Facsimile: (02) 9287 0303, Email: registrars@asxperpetual.com.au

A link to the ASX Perpetual Registrars Limited website is available at www.westpac.com.au/investorcentre at "Shareholder Services" and into "Share Registries". The www.asxperpetual.com.au site allows you to view details of your holding/s, obtain historical share price information and, under "FAQs", provides answers to the most frequently asked questions, including how to make changes to your address or dividend payment arrangements, or to select how you wish to receive communications.

Westpac FIRsTS

ASX Perpetual Registrars Limited,
Level 8, 580 George Street, Sydney NSW 2000

Postal address: Locked Bag A14, Sydney South NSW 1232

Telephone: 1300 8280 7111 (Australia), Facsimile: 02 8280 8489
0800 111 149 (New Zealand)

New Zealand (NZ Class shares only)

Computershare Investor Services Limited,
Level 2, 159 Hurstmere Road,

Takapuna North Shore City, New Zealand

Postal address: Private Bag 92119, Auckland 1020, New Zealand

Shareholder enquiries: (09) 488 8777, Facsimile: (09) 488 8787

Telephone: (09) 488 8700, Email: enquiry@computershare.co.nz

Depository in USA for American Depository Shares (ADS)*

listed on New York Stock Exchange (code WBK – CUSIP 961214301)

JPMorgan Chase Bank

4 New York Plaza, 13th Floor, New York NY 10004 USA

Telephone: (212) 623 0347, Facsimile: (212) 623 0079

Shareholder enquiries: (781) 575 4328

Facsimile: (781) 515 4088, Email: adr@jpmorgan.com

Website: www.adr.com

* Each ADS equals five, fully paid ordinary shares

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

The Mitsubishi Trust and Banking Corporation

1-7-7 Nishi-Ikebukuro, Toshima-ku, Tokyo 171-8508, Japan

Telephone: (3) 5391 1900, Facsimile: (3) 5391 2041

Website: www.mitsubishi-trust.co.jp

How to contact us

In Australia – At www.westpac.com.au go into "Contact Us" and click on "Telephone directory", or on the following;

	Westpac	Bank of Melbourne	Challenge Bank
Account enquiries and general information			
– personal customers	132 032	132 575	131 862
– business customers	132 142	131 919	132 885
Home loan enquiries	131 900	131 575	131 900
Cardholder enquiries and lost and stolen cards	1300 651 089	1300 651 089	1800 061 547
ATM enquiries and service difficulties	1800 022 022	1800 022 022	1800 022 022
BT Financial Group	132 135	132 135	132 135
Westpac Financial Services	131 817	131 817	131 817
Westpac Broking	131 331	131 331	131 331

In New Zealand – At www.westpac.co.nz go into "About Us" and under "Westpac New Zealand", click on "Contact Us", or on the following;

Account enquiries and general information			
– personal customers	0800 400 600	– business customers	0800 177 377
– private and priority	0800 900 910	– self service	0800 172 172
ATM enquiries and service difficulties	0800 400 600	– agricultural customers	0800 177 155
Cardholder enquiries and lost and stolen cards	0800 888 111	Home loan enquiries	0800 177 277
		Financial Services	0800 738 641

Where to find us

Australia

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Sydney NSW 2000
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Bank of Melbourne

360 Collins Street
Melbourne Vic 3000
Telephone: (03) 9608 3222
Facsimile: (03) 9608 3304

Challenge Bank

109 St George's Terrace
Perth WA 6000
Telephone: (08) 9426 2211
Facsimile: (08) 9426 2880

International payments

Telephone: 1800 063 509
Facsimile: (02) 9806 4152

Asia

Hong Kong

Room 3303-05
Two Exchange Square
8 Connaught Place
Central, Hong Kong
Telephone: (852) 2842 9888
Facsimile: (852) 2840 0591

People's Republic of China

Suite 2210 SCITECH Tower
22 Jianguomenwai Da Jie
Beijing
People's Republic of China
Telephone: (86 10) 6512 3465
Facsimile: (86 10) 6512 3780

Republic of Singapore

#19-00 SIA Building
77 Robinson Road
Singapore 068896
Telephone: (65) 530 9898
Facsimile: (65) 532 3781

Japan

Level 4
Toranomon Waiko Building ii
5-2-6 Toranomon, Minato-ku
Tokyo 105-0001, Japan
Telephone: (813) 3438 3080
Facsimile: (813) 3438 3064

Republic of Indonesia

16th Floor
Wisma Standard Chartered Bank
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Facsimile: (62 21) 574 3720

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Unit E, 8th Floor,
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317 Silom Road
Bangkok 10500, Thailand
Telephone: (66 2) 234 2650
Facsimile: (66 2) 234 2996

Pacific Banking

Cook Islands

Main Road Avarua
Rarotonga, Cook Islands
Telephone: (682) 22014
Facsimile: (682) 20802

Niue

Main Street
Alofi, Niue
Telephone: (683) 4221
Facsimile: (683) 4043

Samoa

Westpac Bank Samoa Limited
Beach Road
Apia, Samoa
Telephone: (685) 20000
Facsimile: (685) 22848

Tonga

Westpac Bank of Tonga
Railway Road
Nuku'alofa, Tongatapu
Telephone: (676) 23933
Facsimile: (676) 24048

Fiji

Level 2, Westpac House
73 Gordon Street, Suva, Fiji
Telephone: (679) 132032
Facsimile: (679) 3300718

Papua New Guinea

Westpac Bank-PNG-Limited
9th floor, Deloitte Tower
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Port Moresby, NCD,
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Facsimile: (675) 322 0634

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Honiara, Solomon Islands
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