



**WESTPAC GROUP  
ANNUAL REVIEW AND  
SUSTAINABILITY  
REPORT 2012**

# Strength. Return. Growth. Productivity.

See 'Strategy and Sustainability' on pages 6 & 7.

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Additional information is available online at:  
[www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre) then select 'Annual reports'

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St.George Bank	2012 Sustainability Recognition
Bank of Melbourne	GRI Table
BankSA	Sustainability Glossary
RAMS	Information Factpacs
Sustainability frameworks, reporting and indicators	Assurance Report

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More detailed information about the Westpac Group is available on our investor website at [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre)

In particular, we refer you to Section 1 of the Westpac Group Annual Report 2012, which can be viewed at or downloaded from that website.

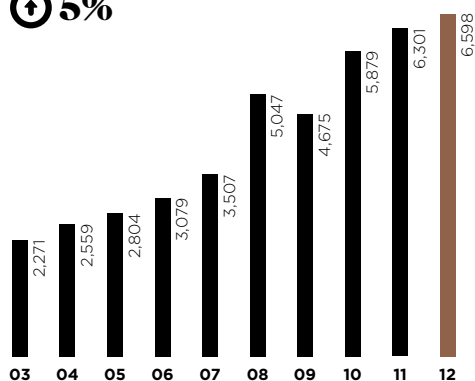
Information contained in or accessible through the websites mentioned in this Annual Review and Sustainability Report does not form part of this document unless we specifically state that it is incorporated by reference and forms part of this document. All references in this report to websites are inactive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

# 2012 PERFORMANCE HIGHLIGHTS

Cash Earnings (\$m)<sup>1,2</sup>

**\$6,598m**

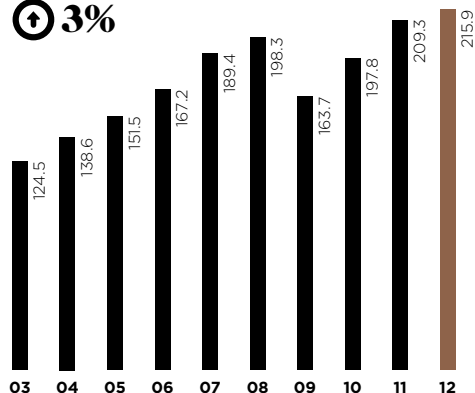
**⬆️ 5%**



Cash Earnings per Ordinary Share (cents)<sup>1,2</sup>

**215.9 cents**

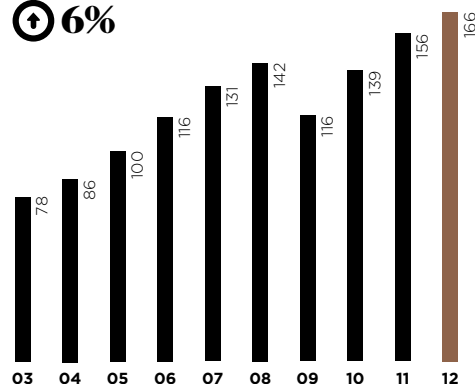
**⬆️ 3%**



Dividends per Ordinary Share (cents)

**166 cents**

**⬆️ 6%**



## OUR PERFORMANCE

	2012	2011	% Mov't 2012/2011
<b>Cash basis<sup>1</sup></b>			
Cash earnings (\$m)	6,598	6,301	5
Cash earnings per share (cents)	215.9	209.3	3
Cash return on equity <sup>3</sup> (%)	15.5	16.0	(50bps)
Economic profit <sup>4</sup> (\$m)	3,556	3,578	(1)

## Reported earnings

Net profit <sup>5</sup> (\$m)	5,970	6,991	(15)
Earnings per share (cents)	195.8	233.0	(16)
Dividends per share (cents)	166	156	6
Return on equity <sup>3</sup> (%)	14.0	17.8	(380bps)
Expense to income ratio (%)	44.0	43.8	(20bps)
Tier 1 capital ratio (%)	10.3	9.7	60bps
Asset quality ratio <sup>6</sup> (%)	5.6	6.3	70bps

## Sustainability

Employee Engagement <sup>7</sup> (%)	84	81
Women in Leadership <sup>8</sup> (%)	40	38
Lost time injury frequency ratio <sup>9</sup> (LTIFR)	1.9	2.5
Financial education <sup>10</sup> (hours)	73,301	85,194
Community investment <sup>11</sup> (\$m)	133	155
Greenhouse gas emissions <sup>12</sup> (tonnes CO <sub>2</sub> -e)	185,534	184,124

- Cash earnings is net profit attributable to equity holders adjusted for the impact of Treasury shares, fair value changes on economic hedges of hybrid instruments, and one-off significant items not part of ongoing business operations.
- Figures for 2009 (and for cash earnings in 2008 only in the ten-year chart) are presented on a 'pro-forma' basis, that is as if the merger between Westpac and St. George Bank Limited was completed on 1 October 2007. Cash earnings for 2009 has been restated to exclude the impact of St. George merger-related fair value adjustments.
- Return on average ordinary equity.
- Economic profit represents the excess of adjusted cash earnings over a minimum required rate of return on equity invested. For this purpose, adjusted cash earnings is defined as cash earnings plus the estimated value of franking credits paid to equity holders.
- Net profit attributable to equity holders.
- Net impaired assets to equity and collectively assessed provisions.
- Employee engagement score is determined through a voluntary employee survey conducted internally using Towers Watson's licensed survey methodology and is a score of employee engagement levels at the time the survey is administered. 2011 data excludes Westpac Pacific.
- Women in Leadership refers to the proportion of women (permanent and maximum term employees) in people leadership roles or senior roles of influence as a proportion of all leaders across the Group. Aligned to the Equal Opportunity for Women in the Workplace Agency (EOWA) standard. Excludes Westpac Pacific.
- Lost time injury frequency ratio (LTIFR) measures injuries per one million hours worked.
- Financial education (hours) refers to the number of hours of financial education, offered by the Westpac Group, undertaken by staff, customers and the general public. Excludes internet-based courses and keynote presentations offered by the Davidson Institute.
- Community investment is calculated in accordance with the GRI G3 Sustainability Reporting Guidelines - Financial Services Sector Supplement.
- Scope 1 and 2 emissions in Australia and New Zealand are reported for the period 1 July to 30 June. Prepared in line with the Greenhouse Gas Protocol, ISO 14064-1 standard, the National Greenhouse and Energy Reporting Act (2007) for Australia, and the Certified Emissions Measurement and Reduction Scheme for New Zealand. 2012 includes refrigerant data for the first time; excluding that data, the figure is 182,840 tonnes CO<sub>2</sub>-e.

## CHAIRMAN'S REPORT

**“Westpac’s sustainability approach is central to building a stronger bank for the long term and we are proud of being recognised as a global sustainability leader for over a decade.”**

**Lindsay Maxsted**  
Chairman

**I am very pleased, in my first year as Chairman, to report that the Westpac Group has delivered another solid performance in 2012.**

Your company has delivered good earnings growth while further strengthening our balance sheet and making strong progress on our strategic agenda. This performance has allowed us to continue the path of steady dividend increases over the year.

### **A solid financial result**

Cash earnings<sup>1</sup> for the year were \$6,598 million, an increase of 5% from the previous year, with cash earnings per share of 215.9 cents, up 3%. The result was built on 6% revenue growth, a 4% rise in expenses and slightly higher impairment charges or bad debts. The Board was pleased with the performance for the year – particularly in the context of the slower growth environment and the strengthening of the balance sheet that took place.

The Board considers a range of measures when assessing the performance of the company and believes that cash earnings is the most appropriate measure for assessing annual financial performance and is also a key measure used by the Board to assess dividend capacity.

Although cash earnings were higher in the year, reported net profit of \$5,970 million was down 15% on last year. The divergence in the movements between cash earnings and reported profit principally reflects that in 2011 we received a significant tax benefit associated with finalising the tax consolidation with the St. George merger, of \$1.1 billion, while in 2012 we incurred an additional tax expense of \$165 million related to retrospective changes to tax legislation. These one-offs (both positive and negative) are not included in cash earnings.

### **Improved returns for shareholders**

Given the quality of the Group's performance, the Board approved a final dividend for the year of 84 cents, which brought total dividends for the year to \$1.66 per share, up 6% on the prior year. The Board seeks to provide consistency in dividends for shareholders and has raised dividends per share by at least 2 cents per half for each of the last seven half years. Total dividends for the full year represent a payout ratio of 77% on a cash earnings basis. This ratio reflects the strength of the Group's capital position, a desire to distribute franking credits and our confidence in the future.

The Westpac share price was volatile during the early part of the year but improved strongly in the second half to finish up 22% for the year ended 30 September. When you allow for dividends paid, the total return to shareholders during the year exceeded 30%. Our market capitalisation stood at \$76.5 billion at 30 September 2012, up 24% for the year.

### **Remaining a strong bank**

As a Board, our aim is to build the sustainability of the company for the long run. Key to this aim is to ensure that Westpac has a strong balance sheet and effectively manages risk. This year we have made significant steps in strengthening the bank. In particular:

- Westpac's capital position has materially strengthened over recent years, with its Tier 1 ratio of 10.3% at September 2012, up from 9.7% 12 months ago and more than 50% higher than before the Global Financial Crisis;

1. For an explanation of Cash Earnings see footnote 1 in the 'Performance Highlights' on page 1.



- ▶ The Group's funding position has further improved, with a significant rise in the proportion of lending supported by customer deposits and a reduction in wholesale funding, particularly short-term offshore funding. Our customer deposit to loan ratio is now 68%, which is up from 63% the same time last year and from 52% five years ago;
- ▶ Liquid assets have increased to \$110 billion, up \$7 billion over the year; and
- ▶ Our asset quality has continued to improve, remaining sector-leading.

We are very pleased with the progress that has been made on all of these fronts.

Westpac's sustainability approach is central to building a stronger bank for the long term and we are proud of being recognised as a global sustainability leader for over a decade. In 2012, we continued to embed sustainability practices into our business, which included a review of our approach to managing environmental, social and governance risks.

Highlights of the year include:

- ▶ Being one of two banks selected by the New South Wales Government to undertake a trial of Social Benefits Bonds, providing \$10 million over five years to support 550 families in need;
- ▶ Exceeding our three-year goal of recruiting at least 100 Australian Indigenous people;
- ▶ Donating more than \$4 million to some 600 Australian based charities from Westpac employees and our 'Matching Gifts' program;
- ▶ Receiving a score of 92% in the Dow Jones Sustainability Index - the strongest score ever for the Group; and
- ▶ Increasing the percentage of women in leadership to 40%, up from 35% just two years ago.

### Good strategic progress

In 2012, we have seen the next phase of our strategy emerge, driving more value and coordination from our portfolio of brands, stepping up our productivity focus, and realigning the company to areas of stronger growth, including wealth and Asia.

Asia has been an area of particular focus, where we are investing heavily to build our capability and expand our network. I had the pleasure of travelling to Asia during the year to see firsthand the good progress we have made in our Asian businesses over recent years. We will further lift our investment in the year ahead to ensure we can continue to support customers operating in the region.

The Group is also very well positioned to benefit from the significant growth expected in wealth management and insurance over the next decade.

The BT Financial Group business has consistently led the market in capturing new flows over recent years and the investment we are planning is expected to further extend our already strong position.

### Changes to the Board during the financial year

Robert Elstone joined the Board as an independent non-executive Director, effective 1 February 2012. His experience, particularly in capital markets, and proven track record in leadership roles has further strengthened the Board and complemented the skills of the existing Directors.

As mentioned in last year's report, Ann Pickard joined the Board on 1 December 2011 and was formally elected at the 2011 Annual General Meeting.

Peter Wilson, who joined the Board in 2003, has announced that he will retire as a Director of Westpac effective from the close of this year's Annual General Meeting. Peter's link to Westpac followed the acquisition of Trust Bank New Zealand Limited in 1996, where he was the Chairman. Peter's financial acumen and deep understanding of the New Zealand market has been a real asset to the Board and he remains the Chairman of Westpac New Zealand Limited. We thank him for his valued contribution and wish him well for the future.

### Outlook

Looking ahead, the Australian economy has slowed into the new financial year as the more challenging international conditions continue to weigh on business and consumer confidence. Growth is expected to remain sound through 2013, although it will remain diverse, with sectors linked to mining investment performing well while other sectors such as retailing and manufacturing are likely to see challenging conditions remain. Nevertheless, Australia's fundamentals remain very sound and, unlike other developed nations, we retain the flexibility to respond to changes in the environment, including via monetary policy.

Given Westpac's solid financial performance this year, good momentum across divisions and the further strengthening of the balance sheet we remain well placed to continue delivering sound, high quality returns for shareholders.

## CEO'S REPORT

**“A key element of our performance for the year has been the significant strengthening of our financial position.”**

**Gail Kelly**

Chief Executive Officer

### **This year's achievements**

In 2012, Westpac's 196th year, I am very pleased to report a strong result for the company and continued good progress in delivering against our strategy. In a challenging external environment, we have lifted cash earnings 5%, strengthened our balance sheet and increased dividends by a sound 6%. Significant achievements during the year included:

- ▶ Materially repositioning our balance sheet, with stronger capital levels, an improved funding mix and a further uplift in liquid assets;
- ▶ Delivering on our strategy of deepening customer relationships, including sector leading cross sell of wealth and insurance products across our businesses;
- ▶ Generating solid performances through all our divisions with particularly pleasing momentum in the second half of the year; and

- ▶ Achieving good success with our investment set of initiatives. This includes reaching 70% completion of our major technology program (SIPs), Bank of Melbourne delivering on its milestones and making pleasing progress in targeted areas such as trade finance, Asia and wealth.

### **Financial performance<sup>1</sup>**

Our financial performance this year was strong, reflecting increased earnings, enhanced productivity and a further improvement in asset quality. The Group generated cash earnings of \$6,598 million, up 5%, with earnings per share of 215.9 cents.

Revenues were up a solid 6% over the year, with a significant 12% rise in customer deposits, sound loan growth of 4% and improved wealth management and markets income. Net interest margins were a little lower over the year as movements in loan interest rates did not fully match movements in funding costs, including the higher relative cost of deposits.

Expenses increased 4% in 2012, with productivity initiatives partially offsetting annual wage increases and higher investment and compliance costs.

Our strong focus on efficiency has resulted in cost savings of \$238 million in 2012, and led to a further reduction in our expense to income ratio to 40.8%, which remains well below our Australian peers.

Asset quality improved over the year, although the pace of improvement eased as sectors impacted by the continued strength of the Australian dollar and consumer caution showed some additional stress. Impairments were higher over the year, mostly reflecting a reduction in write-backs and an increase in collective provisions.

Across our divisions:

Within the newly created Australian Financial Services division:

- ▶ Westpac Retail & Business Banking (Westpac RBB) delivered a strong, 14% increase in cash earnings. The Westpac Local strategy, which has brought senior bank managers back into branches and decision making closer to the front line, has been the key driver of that improvement;
- ▶ St. George Banking Group's cash earnings were steady for the year. The business achieved improved momentum in the second half, with cash earnings rising 14% and a solid improvement across key metrics; and
- ▶ BT Financial Group's cash earnings were down 10% on the prior year, principally due to weaker asset markets and lower demand for equity investment. The division continued to be a leader in fund flows onto its platforms and is generating good growth in insurance. This contributed to an improved result in the second half of the year.



Westpac Institutional Bank maintained its leadership in institutional banking in Australia with its strong relationship based approach. Cash earnings increased 3% over the year with good contributions from all of its businesses.

Westpac New Zealand has invested heavily in its distribution network over recent years and this contributed to a strong performance this year, with cash earnings up 22%. The result was supported by improved margins, and increased take-up by our customers of wealth and insurance products.

### Deepening customer relationships

Our strategy of deepening customer relationships has seen very good progress this year leading to improved contributions across all our businesses. Evidencing this progress, over the past year the proportion of customers with four or more products in Westpac RBB increased by 170 basis points to 30.2%, while in St.George the proportion of customers with four or more products rose 200 basis points to 28.6% with Bank of Melbourne a key contributor to the rise.

In wealth, sales of superannuation and insurance products have been strong. Our award winning BT Super for Life product for example continues to expand rapidly, with the number of customers on the platform rising 24%. In insurance, sales of home and contents insurance and life insurance continue to improve rapidly both through our own network and via independent financial planners.

### Building an engaged workforce

Underlying our success over the year has been the commitment and engagement of our employees, who continue to respond positively to the challenges of the environment.

I have been delighted with the level of our employee engagement and the retention rate of our high performing employees. In addition, we have significantly reduced our lost time injury frequency rate, creating a safer workplace for our employees. All of these metrics are at the best levels Westpac has achieved for the last five years.

A key focus over the year has also been in improving the diversity and flexibility of the workforce and we have made significant progress. We set ourselves a target of increasing the percentage of women in leadership roles to 40% by the end of 2014 and I am proud to say that we have already met that objective, two years ahead of plan.

This is just one element of our diversity and flexibility agenda where we are creating an environment to attract and retain the very best people.

### Strategic priorities

Looking ahead, we have committed to five strategic priorities that will help maintain the momentum in transforming Westpac. These strategic priorities are:

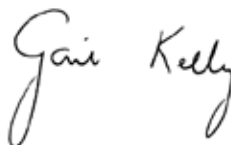
- ▶ A strong company – strong in all aspects including capital, funding and liquidity, and provisioning for risks;
- ▶ Reorient to higher growth and return sectors and segments. We are directing more resources to sectors generating higher growth and stronger returns, including wealth and insurance, deposits, small-to-medium businesses, natural resources, and Asia;
- ▶ Continue building deeper customer relationships. While we lead the market in cross sell, we still have much to do in better meeting the needs of all our customers;
- ▶ Materially simplify products and processes. We will further simplify products and processes to improve productivity and enhance the customer experience; and
- ▶ One team approach. It is our people, working together, who make the difference for customers. We will continue to build a culture that supports our people, encourages diversity and works collaboratively for customers. This is critical to the long-term success and sustainability of our company.

We are making good progress on our investment agenda. A key element of this work is focused on building a leading edge on-line and mobile capability to meet customers' rapidly changing preferences. The early benefits of this program are already evident with our innovative iPad<sup>2</sup> app for retail customers and mobile payments app for small businesses.

In wealth, we remain a leader in providing platforms to assist customers manage and grow their investments. We are commencing the development of a next generation wealth platform, which will provide more flexibility and choice for customers, and assist us in extending our lead position.

### Thank you and looking forward

Finally, it continues to be a privilege to lead this great company. I would like to take the opportunity to pass on my gratitude to the 36,000 people who make up the Westpac Group. They have clearly demonstrated with this result the power of pulling together and being courageous in their approach and actions. I would also like to thank our customers for their continued engagement and commitment. Finally, our thanks to you, our shareholders. We value and appreciate your support and will continue to work hard to enhance the value of your investment in us.



1. Results refer to Cash Earnings unless otherwise stated. For an explanation of Cash Earnings see footnote 1 in the 'Performance Highlights' on page 1.  
2. iPad is a registered trademark of Apple Inc., registered in the US and other countries.

# STRATEGY AND SUSTAINABILITY

## Vision and Strategy

### VISION

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

### VALUES

- ▶ Delighting Customers
- ▶ One Team
- ▶ Integrity
- ▶ Courage
- ▶ Achievement

### STRATEGIC PRIORITIES



#### Big shifts are changing our world, impacting customers and our business

This year we refreshed our strategy and strategic priorities in order to respond to the big shifts described below, supported by new long-term sustainability priorities. Our strategy is designed to meet both the more immediate and the longer-term changes, and in this way support our vision “To be one of the world's great companies, helping our customers, communities and people to prosper and grow”.

#### Identifying the big shifts

We are continuing to see material shifts in our operating environment that are impacting not only our business but also how our customers are working and interacting. Most of the major changes in our operating environment are not new and have been on our radar for a while, although the rate of change has increased. These shifts include:

- ▶ New rules of banking, including higher capital and liquidity requirements;
- ▶ Demographic changes, leading to shifts in focus in financial needs, especially for superannuation and retirement;
- ▶ Digitisation is rapidly transforming how customers and businesses interact;
- ▶ Structural changes in the Australian economy driven by the commodities super cycle and the high Australian Dollar; and
- ▶ The rise of emerging economies, including Asia, in driving global growth.

#### Our strategic priorities

Our strategic priorities for the period ahead have been set to build on our heritage and strengths while maintaining our momentum.



## SUSTAINABILITY PRIORITIES

Our strategic priorities are to:

- ▶ Maintain a strong company
- ▶ Reorient the business to higher growth/higher return sectors and segments
- ▶ Continue building deeper customer relationships
- ▶ Materially simplify products and processes
- ▶ Strengthen our One Team approach

Our long-term sustainability priorities are to anticipate and shape the most pressing, emerging societal issues:

- ▶ Respond to big shifts of demographic and cultural change
- ▶ Create economic solutions to environmental challenges
- ▶ Help customers achieve sustainable financial futures

Our strategic priorities are to:

- ▶ Ensure we are and remain a strong company;
- ▶ Reorient the business to higher growth/higher return sectors and segments;
- ▶ Continue building deeper customer relationships;
- ▶ Materially simplify products and processes, and drive innovation in digital; and
- ▶ Strengthen our One Team approach.

Our focus is on strength and profitability – to ensure we remain strong, building on all the good work in strengthening our capital, liquidity, provisioning, reputation and funding mix. On profitability, we are reorienting our focus to higher growth and return sectors and segments while continuing to simplify products and processes to improve the customer experience and efficiency. Our strategy remains one of building enduring customer relationships and we are investing heavily in further improving customer service, including through digital innovation. As always, we will tackle this change in a balanced way achieving an appropriate mix between **strength, return, growth** and **productivity**.

### Longer term sustainability priorities

Our 2011 sustainability review highlighted that, for the Group, much of the sustainability agenda is now 'business as usual'. We also recognise that sustainability issues will continue to arise and evolve, for example, the emerging scarcity of natural resources, energy security, and the response to climate change. These new frontiers and longer-term shifts form our sustainability focus. Our challenge is to anticipate and shape the most pressing emerging societal issues where we have the skills and experience to make a meaningful difference. Within three focus areas: demographic and cultural change; environmental challenges; and, sustainable financial futures, we have developed 10 objectives, which are set out on page 21.

# STRATEGY AND SUSTAINABILITY

## Material Issues

### The issues that matter

In exploring the material sustainability issues this year, we took a comprehensive look at both current and emerging issues. This has seen an overall increase in the number of issues listed, covering various levels of maturity. Building on last year's strategy work we sought external assistance in developing this process and the final list of issues represents these contributions and Westpac's own view and is considered within KPMG's assurance process.

**A. Customer relationships:** What are we doing to deepen customer relationships and respond to customers' needs, including improving service and providing quality advice? See Business Unit reports and online Customer Factpacs.

**B. Workforce restructuring:** How are we managing the impacts on employees from an increased focus on productivity, including the relocation of roles and retraining of employees? See Group Services and People.

**C. Regulation:** How are we engaging with regulators in an environment of increasing regulatory change to create a more robust financial system? See BT Financial Group.

**D. Diversity, flexibility and participation:** What has been achieved and what challenges remain in this ongoing area of focus? What is the role of workability in this equation? See People and online Employee Factpac.

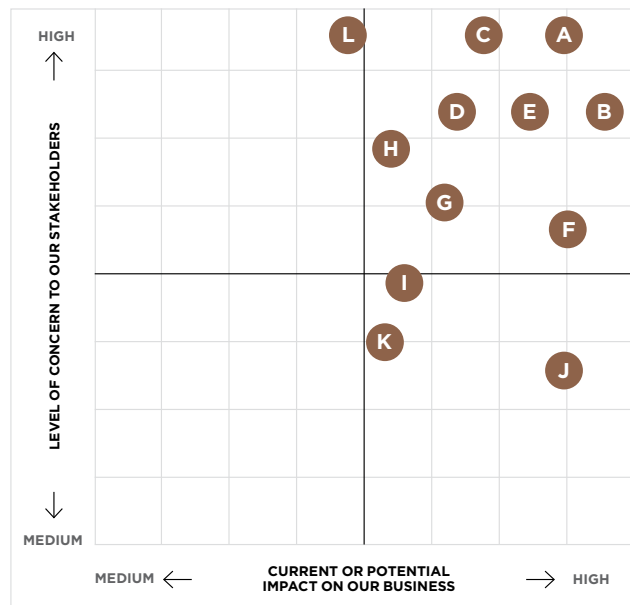
**E. Digitisation and IT security:** How can we more innovatively and efficiently meet customer demands for more flexible IT-enabled banking? How do we manage this demand against reliability, security and privacy considerations? See Group Services and Business Unit reports.

**F. The shift to wealth management:** What are we doing in response to changes to traditional paths of wealth creation? See Strategy and Sustainability, Sustainability Objectives and BT Financial Group.

**G. Social outcomes:** What are we doing to meet the needs of the broader community, especially the vulnerable or financially excluded? See Strategy and Sustainability, and Business Unit reports.

**H. ESG, lending and investing responsibly:** How is ESG risk factored into strategic planning and risk management processes? See Five-year Non-financial Summary, 2012 Performance Scorecard, BT Financial Group, Westpac Institutional Bank and Westpac Pacific.

### Material issues diagram



### I. Carbon trading, climate change adaptation and the low carbon economy:

How are we positioning to provide financial solutions to help customers mitigate and adapt to climate change? See Westpac Institutional Bank and Sustainability Objectives.

**J. Attracting and retaining talent:** How will we attract and retain talent in the face of changing demographic trends? How do we develop leaders as a source of competitive advantage and create an environment where people want to work? See People.

**K. Ongoing impacts of the financial crisis:** What are the effects of the European debt crisis on our domestic markets including the cost and accessibility of funding? How are we helping customers in this environment? See Chairman's Report.

**L. Financial literacy and wellbeing:** See also 'Social outcomes' (G.), What are we doing to meet the needs of customers in difficulty and increase financial literacy across the community? See Westpac RBB, Westpac New Zealand, BT Financial Group, Westpac Pacific and Five-year Non-financial Summary.

## Starting with Stakeholders

Open dialogue with a range of stakeholders is important in understanding not only current issues, but also emerging trends.

The starting point for our approach has been the impact on our stakeholders of the longer-term trends identified through our strategy process, together with the day-to-day impact of our operations. In keeping with our vision this includes not only our customers but also the communities in which we operate.

We have a range of channels and mechanisms for gathering and monitoring this feedback across our business, many of which are listed below. This year we also sought specific stakeholder feedback to assist in the development of additional credit policy statements.

During the year we commissioned a series of independent stakeholder interviews, which assessed the effectiveness of these channels, tested emerging themes and confirmed the identification of current issues.

STAKEHOLDER	PRIMARY ENGAGEMENT MECHANISMS	MAIN ISSUES RAISED DURING 2012
Customers	Tracking and analysis of feedback and complaints received via: our call centres and online; surveys; focus groups; and, local engagement by branch teams and relationship managers	<ul style="list-style-type: none"> <li>• Customer service</li> <li>• Improving financial inclusion, education and advice</li> <li>• Technological advancements as well as reliability and security</li> </ul>
Employees	Annual Staff Perspectives Survey, regular ongoing Pulse surveys and research, blogs and suggestion boxes, process improvement campaigns, People Leader Forums and team meetings	<ul style="list-style-type: none"> <li>• Leadership development</li> <li>• Workforce restructuring</li> <li>• Retention</li> <li>• Customer centricity</li> </ul>
Investment community	Formal surveys, briefings, questions received prior to and during Annual General Meetings	<ul style="list-style-type: none"> <li>• Regulation</li> <li>• Managing ongoing impacts of the financial crisis</li> <li>• Shift to wealth management</li> </ul>
Suppliers	Questionnaires, supplier forums and meetings with individual suppliers	<ul style="list-style-type: none"> <li>• Digitisation</li> <li>• Strategic partnerships</li> <li>• Innovation</li> </ul>
Broader community	Community Consultative Council meetings held in Australia and New Zealand, research with non-customers, local branch engagement, organisational mentoring, volunteering, issue-based community engagement, media coverage	<ul style="list-style-type: none"> <li>• Workforce restructuring</li> <li>• Cost of living</li> <li>• Social outcomes</li> <li>• Interest rates</li> <li>• Responsible lending</li> </ul>
Government and regulators	Meetings, policy trend analysis and industry forums	<ul style="list-style-type: none"> <li>• Carbon pricing</li> <li>• Competition in the sector</li> <li>• Interest rates and fees</li> <li>• Superannuation reform</li> <li>• Consumer credit</li> <li>• Financial service reform</li> <li>• Liquidity and capital standards</li> </ul>

# ORGANISATIONAL CHART



**Gail Kelly**  
Chief Executive Officer



**Brian Hartzler**  
Chief Executive,  
Australian Financial  
Services



**Rob Whitfield**  
Group Executive,  
Westpac  
Institutional Bank



**Peter Clare**  
Chief Executive Officer,  
Westpac New Zealand



**Jason Yetton**  
Group Executive,  
Westpac Retail &  
Business Banking



**George Frazis**  
Chief Executive Officer,  
St. George  
Banking Group

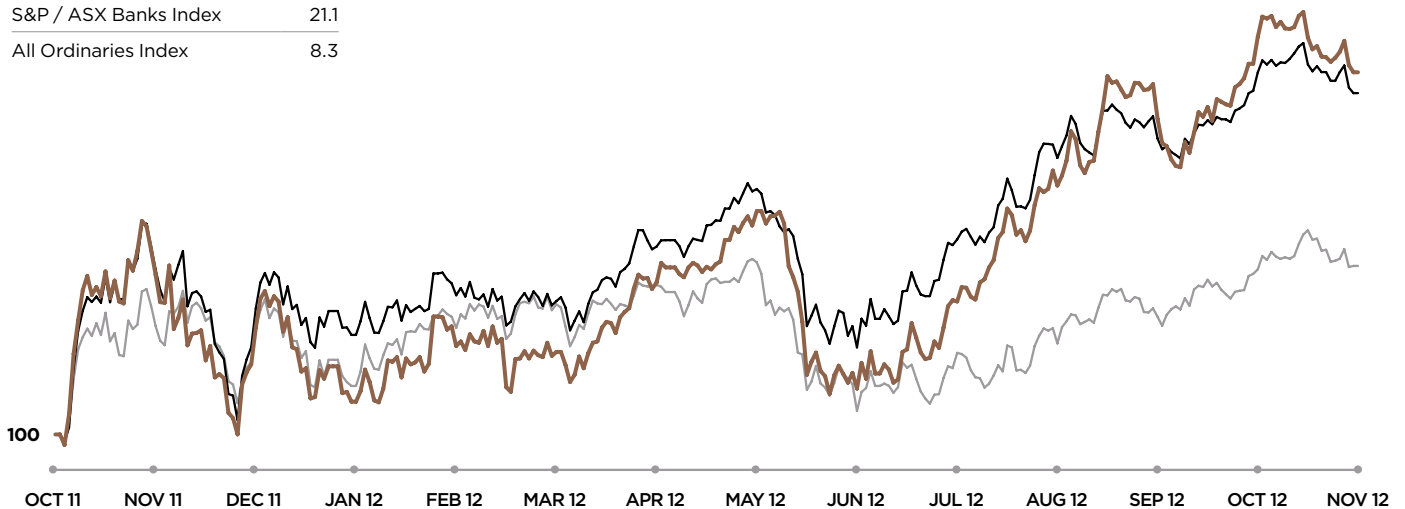


**Brad Cooper**  
Chief Executive Officer,  
BT Financial Group

## Total shareholder returns for the 12 months ended 30 September 2012

	%
Westpac	30.1
S&P / ASX Banks Index	21.1
All Ordinaries Index	8.3

— Westpac Banking Corporation  
— S&P/ASX 200 Banks Index  
— All Ordinaries Index



Westpac share price movement relative to the All Ordinaries Index and the S&P / ASX Banks Index, from base date 3 October 2011 to 2 November 2012

# WESTPAC GROUP EXECUTIVE TEAM



**Philip Coffey**  
Chief Financial Officer



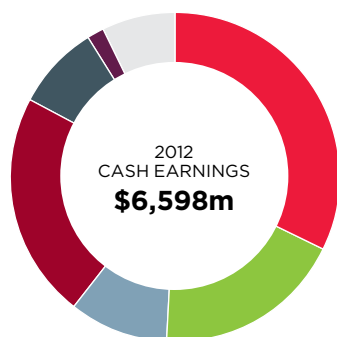
**John Arthur**  
Chief Operating Officer



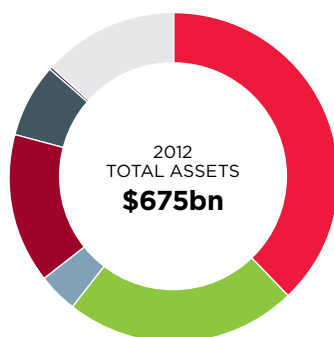
**Christine Parker**  
Group Executive,  
Human Resources &  
Corporate Affairs



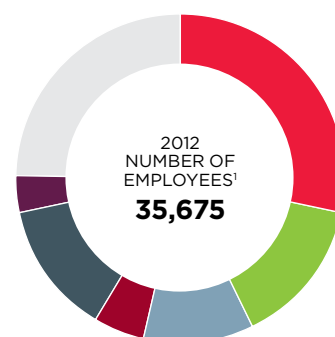
**Greg Targett**  
Chief Risk Officer



Westpac RBB	<b>\$2,114m</b>	32.0%
St.George	<b>\$1,231m</b>	18.7%
BTFG	<b>\$653m</b>	9.9%
WIB	<b>\$1,473m</b>	22.3%
Westpac NZ	<b>\$548m</b>	8.3%
Westpac Pacific	<b>\$107m</b>	1.6%
Other	<b>\$472m</b>	7.2%



Westpac RBB	<b>\$255.3bn</b>	37.8%
St.George	<b>\$154.6bn</b>	22.9%
BTFG	<b>\$26.9bn</b>	4.0%
WIB	<b>\$97.8bn</b>	14.5%
Westpac NZ	<b>\$48.6bn</b>	7.2%
Westpac Pacific	<b>\$3.0bn</b>	0.4%
Other	<b>\$88.8bn</b>	13.2%



Westpac RBB	<b>10,171</b>	28.5%
St.George	<b>5,106</b>	14.3%
BTFG	<b>3,898</b>	10.9%
WIB	<b>1,751</b>	4.9%
Westpac NZ	<b>4,691</b>	13.2%
Westpac Pacific	<b>1,306</b>	3.7%
Other	<b>8,752</b>	24.5%

1. Full time equivalent employees (FTE).

“From saving for their first home to growing their own business or setting up for retirement, we have a proud history of helping our customers achieve their dreams. The commitment our people have to delighting customers has underpinned our business’ growth and delivered strong results in a challenging environment. We will continue to focus on customer relationships and providing whole-of-life solutions to ensure we remain strong and sustainable.”

**Jason Yetton,**

Group Executive, Westpac Retail & Business Banking

### Deeper customer relationships

Our Westpac Local strategy empowers leaders to run each Branch and Business Banking Centre as a local business, and employees to use their understanding of their customers’ needs to provide the right solutions. Our focus on competitive savings offers, recognising loyalty, and more convenient banking through digital innovation is translating into deeper relationships, including more products per customer.

### Supporting customers at key life-stages

More Australians are entering retirement and we’ve responded by tailoring banking solutions to customers aged 50-plus and continuing to leverage our partnership with BT Financial Group to provide customers with access to high-quality financial planning and wealth products, including insurance and superannuation. We are also training more of our bankers in wealth qualifications. The proportion of our customers with wealth products<sup>1</sup> increased to a banking sector-leading 20.8%, from 19.8%.

### Business Banking

We launched a dedicated Industry Specialisation Division, providing solutions and specialist relationship managers for customers in the health, education, social sector, real estate services and strata management industries. We established a Natural Resources team to support customers benefiting from the energy, mining and resources boom. We took our expertise on-the-road with banking forums for our Agribusiness customers. Our third annual National Business Month initiative included events, financial education seminars and small business grants to support local businesses.

### Banking anywhere, anytime

Online and Mobile Banking are now important channels to many customers, requiring us to innovate quickly whilst focusing on the continued security of customers’ information and transactions.



Supporting customers at key life-stages

Our ‘Westpac Banking for iPad’<sup>2</sup> app responds to the increasing popularity of transactional banking via mobile devices, while our iPad<sup>2</sup> app for mortgage brokers enables the assessment of a customer’s eligibility for a Westpac mortgage product on-the-go. Our ‘PayWay’ app makes banking easier for mobile businesses, enabling credit card transactions via iPhone<sup>2</sup>.

### Making it easier for customers and bankers to do business

Our new teller technology platform provides a simpler, faster and better service experience for customers with multiple transactions and has removed the need for withdrawal slips. Our focus on service and process improvement has resulted in an 18% reduction in customer complaints this year. There is more to do to address service experience to improve on our customer advocacy, Net Promoter Score, results.

### Passionate, community banking

We launched the Westpac Community Grant program, providing 55 grants of \$10,000 each to local, not-for-profit organisations across Australia.

Following floods and severe storms in New South Wales, Victoria and Queensland, we waived ATM fees and activated our Disaster Relief Package to provide affected customers with immediate financial relief. Through Westpac’s comprehensive home and contents insurance<sup>3</sup>, we provided support for over 3,500 customers, paying more than \$18 million in claims following natural disasters this year.

Our recent world-class employee engagement scores demonstrate that our people continue to feel committed to and proud of working for Westpac.

1. Refer to the online Sustainability glossary, where full definitions are available at [www.westpac.com.au/corporateresponsibility](http://www.westpac.com.au/corporateresponsibility)
2. iPhone and iPad are trademarks of Apple Inc., registered in the US and other countries.
3. Issued by Westpac General Insurance Limited.

**“Customers choose their bank, and our St.George Banking Group approach is all about recognising that customers have real preferences as to where they conduct their banking. Nearly 50% of Australians would prefer to deal with a local, regional bank.”**

**George Frazis,**  
CEO St.George Banking Group

St.George Banking Group’s four brands – Bank of Melbourne, BankSA, St.George Bank and RAMS – provide sales, marketing and customer service to consumers, small-to-medium businesses and commercial customers nationally.

**Each of our brands provides customers real choice**

St.George celebrates its 75th anniversary this year, and has a deep history of helping its customers achieve their dreams. This heritage is built on service quality that regularly sees St.George ranked number one for customer satisfaction – ahead of the four major banks.

Almost one in three South Australians have a relationship with BankSA, which has a heritage dating back 164 years.

Bank of Melbourne, launched to provide Melburnians a genuine local banking alternative, celebrated its one-year anniversary on 25 July 2012.

RAMS offers simplicity and convenience. A network of 60 owner-operated franchisees and nearly 70 Home Loan Centres is now supported by an online account management tool – ‘myRAMS’ – and mobile phone app that gives customers access to their accounts 24/7. RAMS launched an online savings and transaction account with a mortgage offset option, assisting customers to save money and pay off their home loan faster.

**Smarter banking to help our customers**

We are constantly seeking better ways to help our customers achieve their dreams by providing smarter, more efficient ways to save time and money.

Building on the many ‘firsts’ already achieved, Bank of Melbourne, BankSA and St.George have again innovated in the mobile and online channel. During the year we launched two new features as part of our mobile banking app for iPhone<sup>1</sup>. ‘Budget Planner’ provides customers a better understanding of their financial position and how they are tracking against their goals. ‘PropertyMate’ helps customers assess properties they are inspecting, supporting more informed decisions.

1. iPhone is a trademark of Apple Inc., registered in the US and other countries.



George Frazis visits a local branch

In June we launched ‘Pay to Mobile’. Customers can pay anyone by simply knowing their mobile number. Customers can now open deposit accounts and apply for credit cards, via our iPhone mobile banking app and the mobile website.

Customers of Bank of Melbourne, BankSA and St.George enjoy many new enhancements on refreshed internet banking sites, making it easier for customers to navigate and use.

**Connected locally**

Our strength is that our brands and employees are deeply connected to their local communities.

We support a significant number of grassroots events across Australia. BankSA supported hundreds of community activities in 2012, ranging from local sporting club events, field days in rural areas, school fundraising in local communities to charity golf days. Bank of Melbourne provides grants to grassroots projects via the Local Project, a partnership with the Herald Sun.

St.George Foundation funded more than 100 local community projects worth nearly \$1,925,000 to help improve the lives of children who are physically, socially, or economically disadvantaged. St.George donated \$1 million to the Foundation and absorbed all administration costs.

We also want to help our communities improve their financial literacy. We continue to support Wesley Mission’s financial literacy program ‘In Charge of my Money’. More than 1,000 people have participated in the program since it commenced in May.

We were there for our customers in times of need. After the floods in Queensland and NSW in early 2012 we supported customers with a Customer Relief Package.

**“The decisions we make now, on behalf of our customers, can have a real and positive impact on our economic prospects and living standards for current and future generations.”**

**Brad Cooper,**

Chief Executive Officer, BT Financial Group

To create enduring relationships with customers it's crucial we help address two chronic issues for Australians: under-insurance, and reconnecting them with their superannuation.

95% of families do not have adequate insurance cover. We launched BT Protection Plans in 2011 and in the past year our life insurance market share grew at more than twice that of the market, helping bridge this gap.

We highlighted the \$17.4 billion of lost super with a replica of what this cash would look like, spelling out “L.O.S.T.” in Sydney’s CBD (see photo). The campaign was launched by Minister for Financial Services and Superannuation, Bill Shorten, and resulted in an estimated 7,500 lost super searches. This is the campaign’s second consecutive year and, despite progress, 45% of Australians are still likely to have lost super.

Our employee’s engagement with their own super is also paramount. In 2012, BT Super for Life became the Westpac Group’s default plan, welcoming almost 30,000 Westpac Group members and \$3 billion in savings. Employees now have first-hand experience of this award winning product.

#### **Working with the Government on regulatory reform**

We are actively working with the Government on reforms aimed at improving transparency and accessibility of advice.

We are well positioned for the Future of Financial Advice reforms and confident of operating a fully compliant model by 1 July 2013. Our bank financial planning businesses have moved to a fee-for-service model for new customers. Our new ‘Infinity’ platform is a low-cost solution supported by transparent fees. Our award-winning BT Super for Life product embraces the MySuper principles.

#### **Helping more Australians access financial advice**

Providing greater access to financial advice is critical to ensuring Australians are preparing for retirement. We are growing all parts of our financial advice offer – from holistic advice to limited and general advice.



BT Financial Group and Westpac’s Lost Super campaign at Circular Quay in Sydney

This year we have seen 9% growth in aligned planners, to 565, and 8% growth in salaried planners, to 547. Our Scalable Advice offering, providing affordable phone advice, continues to expand, with a 25% lift in customer conversations.

Irrespective of geographic location, we believe all Australians should have access to financial advice and we made our virtual financial planning services available to more branches. This service allows customers in remote areas of Australia to receive advice from financial planners through interactive and secure video conferencing.

We are also committed to providing the best platform administrative solutions, freeing up an advisers’ ‘back office’ so they can spend more time delivering quality advice. Our ability to meet advisers’ needs is evident with a consistent number one ranking in platform market share and annual net flows. We are building the ‘Next Generation’ platform over the next five years.

#### **Responsible lending and investment practices**

The integration of environmental, social and governance (ESG) factors into our investment management businesses is evolving. Our Advance Asset Management business has continued to build its knowledge and expertise, developed an ESG research framework, and embedded consideration of ESG factors into its investment process. As part of our commitment to the United Nations Principles of Responsible Investment (UN PRI), BT Financial Group participated in the voluntary reporting process of the UN PRI’s new reporting framework during 2012.



**“Critical to developing enduring relationships with our customers is our ability to remain at the forefront of industry and market developments with a focus on delivering positive outcomes across a range of emerging trends.”**

**Rob Whitfield,**

Group Executive, Westpac Institutional Bank

As Australasia's leading institutional bank, Westpac Institutional Bank (WIB) provides a range of financial services to commercial, corporate, institutional and government customers with connections in Australia and New Zealand. Our dedicated teams offer superior expertise in transactional banking, financial and debt capital markets, specialised capital and alternative investment solutions.

#### Deep customer relationships through insights

WIB continues to play an important role in providing guidance and insights to customers in volatile and changing global markets. Being voted Australia's number one relationship bank and number one transactional bank for the ninth year<sup>1</sup> reflects the value customers place on our expertise.

Critical to developing enduring relationships with customers is our ability to remain at the forefront of market developments, with a focus on delivering outcomes across a range of emerging trends. In 2012, our key achievements included:

- ▶ Providing thought leadership as the only bank directly invited to participate in a consultation process on the Government's 'Stronger Super' reforms when it was first established. We are the only bank in Australia to operate a superannuation clearing-house;
- ▶ Launching a program of seminars to share our expertise on the G20 regulatory reforms and the implications for customers; and
- ▶ Working with the NSW Government, launching a social benefit bond to support private sector growth in the provision of social services.

#### Strengthening capabilities in Asia

Asia is a key strategic area for many of our customers. In 2012, we accelerated our growth plans in the region to better support customers harnessing the growing trade and investment flows in the region.

We received in-principle approval for a foreign banking licence to operate in India and will open our maiden branch in Mumbai later this year. Additionally, we appointed a General Manager of Asia with extensive local experience.



Asia is a key strategic area for many of our customers

#### Navigating the clean economy

Voted as the best trading company in Australasia for carbon in 2011<sup>2</sup>, WIB is consistently recognised as a leader in understanding the risks and opportunities around carbon and broader environmental challenges for business.

The start of the Australian Carbon Price Mechanism on 1 July, 2012, and the recent announcement of the linking to Europe, extends our leading position and draws upon our breadth of practical experience.

We have also provided over \$3 billion in finance for projects that focus on environmental activities such as: renewable energy; greening the property sector; or water and waste management activities.

#### Addressing homelessness and affordable housing

The partnership between WIB and Mission Australia (MA) is now in its second year and underpins our aim to support community initiatives that address homelessness and deliver more affordable housing across Australia.

This year the construction of the Kingswood MA Centre was completed. Westpac donated over \$136,000 to this development, which aims to address family homelessness in Western Sydney.

We have also achieved some pleasing results through fundraising initiatives. \$380,000 was raised for MA and Papua New Guinea charity, 'Save the Children' in support of a Kokoda Trek involving employees and customers. Furthermore, WIB employees raised \$33,500 and filled 30 bins with blankets and clothing for the MA winter campaign.

More broadly, WIB is actively engaged in thought leadership for sustainable social and affordable housing. This year we were invited to participate in a consultative forum for the National Regulatory System for Community Housing. We are also hosting our second annual Social & Affordable Housing conference, a forum that aims to deepen our understanding of the needs of this sector.

1. Peter Lee Associates Large Corporate and Institutional Banking Survey, Australia.

2. 2011 Environmental Finance and Carbon Finance Award.

**“Through listening to their needs, we help New Zealanders gain confidence to ‘start asking’ about how they can save and invest for the future they desire. ‘Help is what we do’ – for our customers and our communities.”**

**Peter Clare,**

Chief Executive Officer, Westpac New Zealand

Peter Clare joined the Westpac New Zealand team as CEO in April this year and his strong business and banking experience in key areas such as operations, technology and product development will help New Zealanders continue to receive innovative solutions to their everyday banking needs.

### Supporting our customers and communities

We are 151 years old and part of the fabric of New Zealand. We are focused on giving our customers a truly local experience. An example of this is our new branch in Rotorua, which celebrates Maori culture with carvings and dual language interactions in its prominent new site in the culturally rich central North Island city.

We engage with local communities across the country through initiatives such as our long-standing relationship with New Zealand Westpac Rescue Helicopters and our support of both the past and future states of New Zealand, with initiatives such as the *Field of Poppies* for ANZAC Day and the Sir Peter Blake Trust.

### Focusing on the financial growth of our customers

Westpac is committed to supporting customers and communities in achieving their financial goals, with our Managing Your Money (MYM) program continuing to lift New Zealanders' financial confidence and capability. More than 17,500 people took part this year, including our newly introduced MYM workshops for small-to-medium sized businesses. This responded to feedback from our 2011 Grow New Zealand town hall meetings where surveys and discussions with 1,000 businesses identified education and business leadership as crucial for prosperous and sustainable communities.

GetOnline.co.nz, launched in June 2012 in collaboration with MYOB, helps Kiwi businesses gain access to more customers and increase their competitiveness with a free (for the first 12 months), commerce-enabled website. In the three months since launch there have been almost 6,000 active websites launched through this site.

### Working smarter to reduce our use of resources

We rebuilt our flagship Auckland CBD branch this year to showcase the new and changing role of technology in customers' banking activities. In Christchurch,



In support of the Returned Services Association's annual Poppy Appeal, Westpac New Zealand – together with the RSA – ‘planted’ a field of poppies outside Westpac on Takutai Square, to share with passers-by who could take one to wear as a symbol of remembrance and hope of our fallen servicemen and women

the Barrington Mall branch reflects our latest ‘Community’ branch format, with additional space for customer interaction in a private or family setting.

The rollout of smart ATMs throughout the country took a large step forward in 2012 with 67 of our ATMs now accepting deposits 24 hours a day. We have the largest fleet in New Zealand and this is another way we help our customers, in particular our small business customers who operate outside ‘traditional’ business hours. We have also launched the rollout of iPads<sup>1</sup> to all branches so that both staff and customers can engage with the range of self-serve applications now available.

Cash Tank™ our iPhone<sup>1</sup> app was introduced in December 2011 making it faster for customers to view their account balance, anytime, at the touch of a button. There have been more than 55,000 downloads from the Apple and Android stores and around 5 million balance requests.

We are tackling the banking sector's high use of paper through innovations such as paper-free lending. Customers can also reduce the amount of paper they receive by opting for online statements and mobile payments.

### Seeking economic and practical solutions to environmental issues

Westpac is the only financial institution currently making a carbon market in New Zealand Units (NZUs). As a large bank this serves to open up the opportunity to a wide audience and supports the New Zealand Government's commitment to the Kyoto Protocol.

Our people have achieved our four-year target of picking up more than one million pieces of rubbish from New Zealand's waterways as part of the Sir Peter Blake Trust Care for our Coast program, making New Zealand a more sustainable place.

1. iPhone and iPad are trademarks of Apple Inc., registered in the US and other countries.

**“Helping to ‘bank the unbanked’ remains a key focus area for Westpac Pacific. In some Pacific countries it is estimated that less than 10% of the population have access to basic financial services. This year we launched In-store Banking, which has helped us get more people into the financial system as well as deepen our relationships with merchants.”**

**Greg Pawson,**

General Manager, Westpac Pacific



Koki market stall holders, Port Moresby, Papua New Guinea

### Increasing access to financial services

One of Westpac Pacific's key business strategic goals is to deepen customer relationships. In 2012, we made significant progress with the launch of In-Store Banking, a facility that offers select merchants the ability to provide banking services to customers using EFTPOS terminals. In-Store Banking was launched in Fiji in January and today nearly 30 merchants across the region are able to attract a greater flow of customers to their business and generate income as a Westpac agent.

In-Store Banking brings convenient banking services to more people in the region in a cost-effective way. Importantly, many rural and remote areas that may have been overlooked by other major financial service organisations now have access to these services.

People near an In-Store Banking merchant can now make deposits, withdrawals, account balance enquiries and funds transfers between Westpac accounts. These services could now be as close as the customer's local merchant, which saves costs and travel time to a branch. Previously, this could take up to half a day.

### Increasing financial literacy

To support the introduction of financial services Westpac Pacific offered free business and personal financial literacy workshops in the communities where In-Store Banking is located. The workshops provide information and skills on budgeting, savings and cash flow management to school, church and community groups.

More than 15,500 people participated in the financial literacy program last year. It has evolved to focus on financial inclusion, not just education, in alignment with the objectives of the Pacific Financial Inclusion Program, a joint initiative of the UN Capital Development Fund, AusAID, the European Union and the UN Development Program.

### Focus on financial inclusion

Access to financial services improved with the launch of Choice Basic, an account with a pay-per-transaction fee structure, rather than a monthly fee. In the past year, more than 71,000 people across the region took advantage of this low-cost banking service.

Westpac Pacific's Mobile Phone Banking service completed its implementation across all seven Pacific countries in 2012. This enables registered customers to perform simple banking transactions via text messaging. Last year, more than 15,000 customers registered for the service and we continue enhancing its functionality following customer feedback.

### Improvements to Corporate Online

Business customers in Papua New Guinea benefited from enhancements made to the Corporate Online service this year, a banking solution unique to the region. The system gives medium to large local businesses the ability to better manage their accounts, receipts and payments. Recent system improvements now enable customers to make bulk payments, such as suppliers and companies' staff salaries.

### Continuing support in the Solomon Islands

In 2009, we reviewed our exposure to the Solomon Islands' forestry industry. Despite the fact that Westpac Pacific only finances licensed operators, we were concerned about the alignment with the broader Group's sustainability strategy. Since then, we have reduced our financial exposure by 70%.

The forestry industry remains one of the largest contributors to the Solomon Islands' economy and has historically been a large employer and driver of socio-economic activity. Given this, we are reducing our exposure in a socially responsible way and continuing to support local communities through the provision of financial education workshops and expanding the In-store Banking network. Working with our customers, our strategy is to cease funding the industry in the next two years.

## GROUP SERVICES

**“Group Services’ goal is to make it easier for our customers to do business with the Group by taking out complexity and doing things smarter.”**

**John Arthur,**  
Chief Operating Officer

Group Services brings together the key enabling functions of Technology, Operations, Property, Investments, Sourcing, Legal, and Compliance.

Bringing these functions together has enabled simplification and standardisation across our activities, leveraging the scale of, and maximising the benefits from, the organisational expertise of the combined functions.

Faced with a challenging operating environment, we have embarked on an ambitious program of productivity work. In addition to our ongoing focus on continuous improvement, together with Australian Financial Services we have developed a detailed approach to improving customer service quality and making business easier for our customers and people. Our focus will now shift to putting this plan into action.

### **Innovative, customer-focused technology**

Changing customer demands in relation to mobility, customer information and digitisation are being met by our technology innovation, such as the introduction of the Westpac iPad<sup>1</sup> app and significant updates to St.George’s mobile banking applications. Increased customer transaction demands have been well supported by our robust technology infrastructure; there are now over 46 million customer visits to Online Banking per month, including 16 million via mobile.



Our technology innovation has included significant updates to St.George’s mobile banking applications

We have also delivered significant customer-centric capabilities under our program of Strategic Investment Priorities (SIPs), including in our call centres, resulting in significantly reduced call handling times. The program aims to progressively transform our technology capabilities through simplified and innovative customer touch-points, enterprise-wide shared services, agile and efficient product systems, and robust, secure and stable infrastructure, involving a total investment of around \$2 billion. The program is now 70% complete.

IT stability continued to improve with disruptions at much lower levels than in previous years – the number of significant incidents has dropped from an average of more than 30 per month in 2008 to around six per month, despite record transaction volumes and a significant change agenda. Through the SIPs program we have also delivered a sustainable perimeter security environment to protect customers, staff and business partners.

### **Sustainable performance improvements**

We have significantly improved our operations services across a number of key customer touch-points through a strong quality focus across all our operations. For example, the time St.George takes to approve a mortgage has improved by over two days over the past 12 months, despite significantly increased application volumes.

### **Utilising the best resources**

The challenging operating environment has meant that, more than ever, we must have the right people in the right roles doing the right work. In some cases this means working closely with other organisations. They include a small number of strategic partners, some of whom have an international presence, through whom we can access best practice for business processes and technology, and manage our risk profile. Where this approach impacts our people because their roles transition to a strategic partner, we make it a priority to train and redeploy as many as possible into new roles. We currently redeploy around 36% of employees impacted by best sourcing initiatives and operating model changes, compared to a target of 30%.

Sustainable Supply Chain Management is a key part of our partnering processes, enabling us to confirm the commitment of all of our suppliers to sustainable business practices and continuous improvement. We have enhanced our supplier validation program this year by introducing a program specifically for offshore-based suppliers.

At the same time we are investing in our people, who are, and always will be, at the heart of delivering superior customer experience. We have launched new programs this year to support a high-performance culture and develop our leaders and young achievers, including an Indigenous communities partnership program.

1. iPhone and iPad are trademarks of Apple Inc., registered in the US and other countries.

## PEOPLE

**“Our people help our customers every day, and so every day we support our people to grow, thrive and succeed. In 2012 we continued to build a highly engaged workforce with leaders that create and sustain our high-performing customer culture.”**

**Christine Parker,**  
Group Executive,  
Human Resources & Corporate Affairs

In 2012 our employees demonstrated the highest levels of engagement we have recorded in our Employee Survey with our result up three percentage points to 84%, while our People Leader Index jumped four percentage points to 87%, placing us well ahead of the Global High Performing Norm of 82%.

### Being a great place to work

In a competitive talent market Westpac recognises that having a strong employee value proposition, and outstanding leadership, are key to attracting and retaining great people.

In 2012 we launched a market leading employee program, myWestpacgroup. This program provides employees with personalised tools to build proactive career development plans, assist in the management of work life balance and wellbeing, plan and manage their personal and family finances, and provide access to more than 100 employee benefits.

We are committed to attracting and developing great leaders who build teams that are highly engaged and that deliver outstanding outcomes for our customers, shareholders and the communities we work and live in. In 2012 we further strengthened our leadership development with more than 1,700 leaders participating in leadership development and coaching programs. We implemented a strategic partnership with the AGSM that includes access to thought leadership from global business schools and we've fast tracked high-potential leaders through intensive development programs. Westpac further continued to focus on our leaders of the future with participation in the One Young World Leaders conference.

### Being a safe place to work

Our journey to becoming a safer and injury-free workplace took a significant step forward in 2012 with the completion of our Health, Safety and Wellbeing (HS&W) transformation program. Our HS&W Management System has now been revised against the harmonised Australian Standards and Occupational Health & Safety (OHS) Legislation and we will continue to align it as changes occur.



Progress is clearly signposted by significant improvement of our Lost Time Injury Frequency Rate from 2.5 in September 2011 to 1.9 in September 2012. Contributing to this is a strong increase in the same day reporting of incidents moving from 68% in September 2011 to 80% in September 2012, indicating a material shift in the safety culture of our workplace.

### Building our diverse and inclusive team

Our drive for gender equity in the workplace was boosted during 2012 as we reached 40% of our senior leadership roles filled by women, well ahead of the 2014 target date and up from 38% in September 2011. We are now reviewing our target to ensure we keep pushing our agenda forward.

In 2012 we again gained EOWA certification as an employer of choice for women. We continued our partnership with UN Women to provide sponsorship of International Women's Day in Australia and we have introduced a new partnership this year with the Australian Financial Review to launch a new award for 100 of Australia's most influential women.

We further strengthened our commitment to Indigenous communities through the launch of our second Reconciliation Action Plan, building momentum in Indigenous employment and the continuation of our longstanding organisational mentoring program in Cape York and Redfern in partnership with Jawun.

We continue to increase accessibility through implementation of our accessibility action plan and our seven Employee Action Groups are actively championing our agenda within the business.

We are now looking ahead to our focus areas for 2013: the mainstreaming of flexible work practices; implementation of strategies for mature-age workers that enable greater participation; continuing to build inclusiveness of people of all sexualities; and, leveraging our cultural diversity.

# WESTPAC GROUP IN THE COMMUNITY

## Community involvement made meaningful for our people

Our activities support the Group's vision to be one of the world's great companies, helping customers, communities and people prosper and grow. Our approach seeks to make a positive impact, focusing on engaging our employees, partnering with communities and building capacity.

Activities, such as volunteering, organisational mentoring and workplace giving, aim to generate positive outcomes in a way that supports long-term customer and community relationships, brand, reputation and business. Our corporate citizenship and philanthropy programs were recognised as global best practice in the 2012 Dow Jones Sustainability Index.

More than 62% of our employees have indicated that they have participated in volunteering or fundraising during the year, many using paid volunteering leave. 84% of employees feel proud of our community initiatives. And, 80% believe our community initiatives are helping make a meaningful difference.

## Support for a stronger community sector

In 2012, total community contributions across the Group were \$133 million, equivalent to 1.41% of operating profit. This includes: foregone revenue from fee-free accounts for not-for-profit organisations and low-income earners; charitable gifts; community investments; and in-kind donations. This year, our Matching Gifts program provided over \$2 million to about 600 charities, bringing donations made by our people and the Group to more than \$30 million since 1999. A further \$34,000 has been matched, with most funds lent to 168 female micro-entrepreneurs in developing countries through Good Return.

Our Organisational Mentoring program continues to strengthen, this year supporting 33 not-for-profit organisations and social enterprises, including a number of Social Sector Banking clients and Indigenous businesses. The benefits have been mutual, with effectiveness surveys showing our partners believe our support has created positive, sustainable outcomes, while our employees have gained professional development with direct benefits to their current business role.

## Support for Indigenous communities

Since 2001, in partnership with Jawun Indigenous Corporate Partnerships, over 500 employees have shared their skills and expertise in support of Indigenous communities. Our recent emphasis has focused on building strong relationships and engagement with urban Indigenous communities, such as in Redfern, NSW, where we have completed an eighth round of secondments.



Our second Reconciliation Action Plan addresses the educational, financial and employment disadvantages faced by Aboriginal and Torres Strait Islander people.

We launched a Brothers and Sisters network in October 2011, to foster career networks and promote wider understanding of our Indigenous employees' traditional customs, and celebrated the inaugural Employee Ambassador Award. We continue to support Indigenous small business owners through our partnership with Many Rivers Microfinance.

## Foundation review

This year our charitable foundations distributed over \$4.2 million in grants to not-for-profit organisations.

Integral to the sustainability of the programs we fund is the non-financial support we provide – lending the skills and expertise of our employees to help build the capacity of the organisations to ensure their ongoing success.

Westpac Foundation continued its support of not-for-profit organisations providing education and employment opportunities to Australia's most disadvantaged people, awarding over \$2.2 million in grants to 74 not-for-profit organisations. An expanded grant program was launched in February to support innovative programs at various stages of development.

St. George Foundation partners with small community organisations, providing localised support to build secure futures for disadvantaged children. During 2012, more than \$1.9 million in grants were approved for programs in 108 Australian communities.

BankSA & Staff Charitable Fund distributed more than 100 donations totalling \$171,850 to local community causes in South Australia.

# SUSTAINABILITY OBJECTIVES

## Objectives supporting our longer term sustainability priorities

For more than a decade we have worked to embed sustainability into our culture, planning and processes. As a leading business we also want to play a role in addressing those emerging societal issues where we can make a meaningful difference. It is this thinking that forms the basis of our sustainability strategy. In last year's report we identified three pressing societal issues for initial focus. This year we confirmed ten objectives to help us address these issues, not just within our business, but also to help our customers and communities do the same. We will announce more specific short and long-term targets against these objectives during the year and formally report our progress in our 2013 report.

### Anticipate the big shifts of demographic and cultural change

Demographic changes will lead to unprecedented skill shortages in our region. With a specific focus on workforce participation, our initiatives will have a positive impact on our access to talent and on productivity. Cultural diversity will also increase in the broader community and in turn our customer base, even more so as we expand into Asia. We will share our experience with customers, business peers and governments to help address this social and economic challenge.

OBJECTIVE	DESCRIPTION
<b>Objective 1: Ensure our workforce is representative of the community</b>	Our starting point is to increase the participation and earning potential of one under-represented group, women in the 40+ age group. We will do this through career entry, development and flexible work practices. Over the longer term we want to be a champion for the financial and broader wellbeing of 40+ women. We want to lead on flexible work practices speaking out about the productivity benefits for Australia of a diverse and representative workforce.
<b>Objective 2: Extend working lives and quality of life</b>	We want to provide our employees with the opportunity to extend the length and quality of their working lives, and work with customers, governments and other partners on the same challenge. Our approach is a practical tool, 'Wellbeing at Westpac', to enable everyone to understand the factors that influence an individual's participation in work and ability to adapt to a changing employment landscape throughout their working life. Over the longer term we aim to both improve wellbeing and raise the retirement age across the Group.
<b>Objective 3: Anticipate the future needs of ageing and culturally diverse customers</b>	Our approach is to develop a national financial wellbeing index to build awareness and promote a dialogue about the factors that shape financial wellbeing. We want to encourage Australians to more actively manage their financial wellbeing. Over the longer term we will use insights from this to guide our product development.

### Economic solutions to environmental challenges

Whilst the environment and the economy are often seen at odds, our focus will be on innovative solutions to help customers prosper in the face of these systemic disruptions.

OBJECTIVE	DESCRIPTION
<b>Objective 4: Provide products and services to help customers adapt to environmental challenges</b>	Pressures from resource scarcity, rising energy costs and the need to adapt to a changing climate are increasing. We want to deliver a full suite of financial products and services across our retail brands to help customers manage these environmental challenges and support positive environmental outcomes.
<b>Objective 5: Increase lending and investment in CleanTech and environmental services</b>	We expect that moves to address environmental issues will give rise to new sectors and businesses. We will support the emerging CleanTech and environmental services sectors through new banking arrangements to meet their specific needs, supported by clear lending and investment commitments.
<b>Objective 6: Reduce our environmental footprint</b>	We want to take a broader view of our own environmental performance, with new measures and targets outlined on page 23.

### The changing financial landscape

We recognise that long-established assumptions for personal wealth creation have changed. We need new paths of wealth creation, which are less dependent on debt, coupled with new models of education and advice. We will help ensure customers and employees can be financially independent in this changed landscape while advocating more broadly on sustainable wealth creation.

OBJECTIVE	DESCRIPTION
<b>Objective 7: Ensure all our customers have access to the right advice to ensure a secure retirement</b>	Develop and provide different advice solutions depending on customers' needs. Our Advice and Private Bank businesses will continue to focus on providing holistic advice to customers. In addition, many Australians want advice targeted to specific needs and we will enhance and grow our Scalable Advice team to provide general and single topic advice on superannuation and insurance.
<b>Objective 8: Help our customers meet their financial goals in retirement</b>	Longer life expectancy for Australians and the need to generate a sustainable income means retirees have unique financial goals. Through a combination of innovative products and the right advice at the right time we want to help Australians achieve a more sustainable income in retirement.
<b>Objective 9: Increase access to financial services in the Pacific</b>	The challenging geography, poor infrastructure and subsistence livelihoods all contribute to poor financial inclusion in the Pacific. In response, having a bank account is fundamental to money management and a more sustainable financial future.
<b>Objective 10: Help people gain access to social and affordable housing</b>	The shortage of this housing in Australia and New Zealand is a significant feature of the changed financial landscape. We want to bring our skills and track record to bear on this priority community need through clear lending and investment commitments and thought leadership.

## 2012 PERFORMANCE SCORECARD

Following the finalisation of our sustainability strategy and objectives, we will adopt a new reporting dashboard in 2013. The outstanding objectives from the current performance scorecard will either be considered complete, integrated into business unit updates within our reporting, or included in the new dashboard as outlined below.

OBJECTIVE	OUTCOME
<b>CUSTOMER</b>	
Ranked as 1 and 2 for Net Promoter Score (NPS) in Australia amongst the major banks and St.George Banking Group.	Partially achieved. St.George continues to be ranked 1 for NPS amongst the major banks for business customers, while Westpac is currently ranked 3. St.George and Westpac also hold these ranks in the SME business segment, while in the Commercial business segment St.George and Westpac are currently ranked 3 and 2 respectively. For consumer NPS St.George and Westpac are currently ranked 1 and 4 respectively amongst the major banks. In the Affluent segment, Westpac holds 5th place.  Going forward we will adopt 'Growth in MyBank Customers' as a more appropriate measure to assess our progress on 'driving deep and enduring customer relationships' (one of our key strategic objectives). MyBank Customers have a quality and frequent transaction relationship with us and at least two additional quality financial needs met.
Achieve Net Promoter Scores of +1 for retail and -12 for business in Westpac New Zealand.	Not achieved. While the NZ retail NPS has steadily improved, the target has not yet been met. The target has been revised from 2011, as we are now using a business unit NPS measure.
To be a top 3 regional player in carbon related markets by 2013.	Achieved. Westpac Institutional Bank offers a full range of financial solutions across regional carbon markets. Westpac has traded in the European carbon market since 2006 and is the largest financial intermediary and the principal New Zealand unit price maker in the domestic currency. Westpac's capabilities in carbon markets are well positioned to support the introduction of the Australian Carbon Price Mechanism and its future linkage with the EU Emissions Trading Scheme.  This objective was achieved ahead of schedule and will continue to be reported in the Westpac Institutional Bank update.
<b>EMPLOYEE</b>	
Increase the percentage of Women in Leadership roles to 40% by the end of 2014.	Due 2014. At the 30 September 2012, 40% of leadership roles were filled by women against our Full Year 2012 target of 38.5%, up from a base of 33% in early 2010.  This will continue to be reported in the Five-year Non-financial Summary, with targets established until 2017.
Implement initiatives to address the outcomes of our Diversity Audit.	Achieved. We continue to build momentum in our broader Diversity Program, including: the development of a roadmap to mainstream flexibility as a key focus for 2013; continuing our commitment to indigenous communities in Australia, New Zealand and the Pacific; building strength in making our workplace accessible to all, including people with disabilities; refreshing our mature age strategy to further cement Westpac Group's position as an employer of choice; and, supporting greater inclusion of people of all sexualities through the establishment of an Employee Action Group (EAG) and extending the range of EAGs.  Ongoing updates will be provided in the People update.
<b>COMMUNITY</b>	
Reduce Scope 1 and 2 emissions by 30% on 2008 baseline by 2013.	Due 2013. Emissions are currently tracking 7.7% below pre-2008 levels but are above the levels required to meet the 2013 five-year target.  See page 23 for details of future reporting.
Embed Organisational Mentoring into operational processes by 2013.	Achieved. Organisational Mentoring is now fully embedded into operational processes. In Full Year 2012, there were 75 active participants supporting approximately 33 not-for-profit organisations, social enterprises and social sector projects. Organisational Mentoring is also being utilised by employees as a unique development opportunity in addition to providing meaningful community support.  Ongoing updates will be provided in the People and Community updates.
Provide the Managing Your Money program to 45,000 New Zealanders by 2013; and Implement financial literacy education for small to medium sized (SME) customers in New Zealand.	Achieved. Since launching the 'Managing Your Money' program in 2006 over 63,000 New Zealanders have participated in the workshops and online tutorials, and 137 employees have been trained to deliver the program. Building on this success, Westpac launched a new program in Full Year 2012 catering for the small and medium enterprise market.  Future activities will be reported in the Westpac New Zealand update.
Launch a major initiative to help address social disadvantage.	Achieved. In its second year, the Group's partnership with Mission Australia provided funding for specific projects to help address family homelessness in Australia, including: a national research project with the goal to enhance the wellbeing of homeless children; and, a new Mission Australia Centre in Kingswood (NSW), which will provide accommodation options and support services for families in need.  This objective has been replaced by a broader commitment to make funding available for social and affordable housing, in which the Mission Australia partnership will play a role.
<b>BUSINESS</b>	
Incorporate consideration of Environmental, Social and Governance (ESG) issues into relevant risk management policies, practices and decision-making processes by 2013.	Achieved. The Group's ESG Risk Management Framework, ESG Credit Risk Policy and suite of position statements were reviewed and updated during Full Year 2012 to ensure that ESG considerations are embedded more consistently across the Group's activities. ESG risk management training sessions were also conducted for risk and credit managers.  Updates will be provided on our website on an ongoing basis at <a href="http://www.westpac.com.au/corporateresponsibility">www.westpac.com.au/corporateresponsibility</a>
Embed responsible lending and investment practices in key processes by 2013.	Due 2013. In 2012, BTFG participated in a voluntary pilot of the United Nations Principles of Responsible Investment's (UN PRI) new reporting framework. Advance Asset Management also developed an ESG Research Framework to further embed ESG factors into the investment process.  Future activities will be reported in line with our UN PRI commitment and in the BT Financial Group update.



## Changes to our environmental objectives and reporting

As stated in previous reports, we do not anticipate meeting our 2013 objective to reduce Scope 1 and 2 emissions by 30%. This target was always an ambitious one established against a backdrop of a 40% emissions reduction achieved between 1996 and 2008.

Whilst we rebased our emissions profile following the merger with St.George, the complexity of the combined portfolio made the task more difficult. In addition, necessary technology upgrades approved in 2010 saw the emissions trajectory for our data centres increase by over 25% during the target period.

Despite these changes we have still achieved a net reduction of 7.7%, including:

- › A 27% reduction in fuel emissions over three years by switching to 4 cylinder hybrid vehicles; increased use of E10 fuel; and, driver education programs;
- › Energy reductions of up to 20% have been achieved in selected branches, through lighting upgrades and the installation of timers and sensors, saving 4,400 tonnes of CO<sub>2</sub>-e and \$50,000;
- › 6,500 tonnes of CO<sub>2</sub>-e saved from HVAC projects; and
- › A 20% reduction in emissions in New Zealand between 2009 and 2012, including a 50% reduction in emissions from electricity.

We have established new targets, outlined below, and taken measures to improve our forecasting and formally apply an internal carbon price. These targets have been expanded to provide a more detailed view of our performance, including the reporting of a specific data centre measure for the first time, Power Usage Effectiveness.

Recognising our previous emissions reductions activity has meant that many of the opportunities for reductions have already been implemented, we have decided to make our operations carbon neutral over the life of the strategy, 2013 to 2017.

MEASURE	FY13 TARGET	FY17 TARGET
kWh of electricity/m <sup>2</sup> for commercial and retail sites - Aust & NZ	Maintain current levels	10% reduction
Power Usage Effectiveness – Aust	-	1.60
Office (paper) – Aust & NZ	1% reduction	5% reduction
Recycling rates for Sydney Head Office locations	60%	75%
Total emissions (tonnes CO <sub>2</sub> equivalent) – Aust & NZ	Carbon neutral	Carbon neutral

# FIVE-YEAR SUMMARY

## Financial and other information

(In \$millions unless otherwise indicated)

	2012	2011	2010	2009	2008
<b>Income statements – years ended 30 September<sup>2</sup></b>					
Net interest income	12,502	11,996	11,842	11,646	7,222
Non-interest income	5,481	4,917	5,068	4,859	4,383
Net operating income	17,983	16,913	16,910	16,505	11,605
Operating expenses	(7,909)	(7,406)	(7,416)	(7,171)	(5,455)
Impairment losses on loans	(1,212)	(993)	(1,456)	(3,238)	(931)
Profit from ordinary activities before income tax expense	8,862	8,514	8,038	6,096	5,219
Income tax expense	(2,826)	(1,455)	(1,626)	(2,579)	(1,287)
Net profit attributable to non-controlling interests	(66)	(68)	(66)	(71)	(73)
<b>Net profit attributable to equity holders</b>	<b>5,970</b>	<b>6,991</b>	<b>6,346</b>	<b>3,446</b>	<b>3,859</b>
St.George cash earnings prior to merger	–	–	–	163	1,321
Cash earnings adjustments – non-merger related <sup>3</sup>	271	139	(55)	812	(144)
St.George merger related cash earnings adjustments	357	(829)	(412)	254	11
<b>Cash earnings<sup>3</sup></b>	<b>6,598</b>	<b>6,301</b>	<b>5,879</b>	<b>4,675</b>	<b>5,047</b>
<b>Financial position and key financial ratios<sup>2</sup></b>					
<b>Balance sheet as at 30 September</b>					
Total assets (\$m)	674,965	670,228	618,277	589,587	439,676
Shareholders' equity and minority interests (\$m)	46,219	43,808	40,118	36,571	19,471
<b>Business performance</b>					
Operating expenses to operating income ratio (%)	44.0	43.8	43.9	43.4	47.0
Net interest margin (%)	2.16	2.19	2.21	2.38	2.07
<b>Capital adequacy</b>					
Tier 1 ratio (%)	10.3	9.7	9.1	8.1	7.8
Total capital ratio (%)	11.7	11.0	11.0	10.8	10.8
Total equity to total assets (%)	6.8	6.5	6.5	6.2	4.4
<b>Credit quality</b>					
Net impaired assets to equity and collectively assessed provisions (%)	5.6	6.3	6.2	5.7	3.0
Total provisions to gross loans (basis points)	82	88	105	101	69
<b>Shareholder value</b>					
Dividends per ordinary share (cents)	166	156	139	116	142
Dividend payout ratio (%)	84.8	67.0	64.9	92.6	68.9
Dividend payout ratio – cash earnings (%)	77	75.0	70.5	72.7	71.6
Cash earnings to average ordinary equity (%)	15.5	16.0	16.1	14.0	22.3
Earnings per share (cents)	195.8	233.0	214.2	125.3	206.0
Net tangible assets per ordinary share <sup>4</sup> (\$)	10.47	9.96	8.96	7.89	7.71
Share price as at 30 September (\$):	24.85	20.34	23.24	26.25	21.48

1. The Summary Income Statement and the Balance Sheet and key financial ratio information have been extracted from the Westpac 2012 audited Annual Report.

2. For more detail please refer to the Westpac 2012 Annual Report, which is available at: [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre)

3. Net profit attributable to equity holders adjusted for the impact of Treasury shares, fair value changes on economic hedges of hybrid instruments, and one-off significant items not part of ongoing business operations.

4. Total equity attributable to owners of Westpac, after deducting goodwill and other intangible assets divided by the number of ordinary shares outstanding, less treasury shares held.

## Non-financial and other information<sup>1,2</sup>

	2012	2011	2010	2009	2008
<b>Customer</b>					
Total customers (millions)	11.8	11.5	11.3	10.6	6.9
Total online customers — active registrations (millions)	4.0	3.7	3.4	4.3	3.3
Number of points of bank representation	1,538	1,532	1,517	1,491	1,089
Number of ATMs	3,639	3,544	3,625	3,540	2,285
Percentage of Talking ATMs (%)	91	88	n/a	n/a	n/a
NPS — Westpac Aust - Affluent	(18)	(17)	(24)	(16)	n/a
NPS — Westpac Aust - Commercial	(4)	3	(7)	(5)	n/a
NPS — Westpac Aust - SME	(17)	(10)	(21)	(24)	n/a
NPS — St.George consumer	0	(2)	(4)	(9)	(13)
NPS — St.George business	1	(5)	3	(21)	n/a
Social Sector Banking Footings (\$m)	11,490	8,210	7,101	6,072	n/a
Responsible Investment Funds Under Management (\$m)	981	644	891	717	513
<b>Employees</b>					
Total core full time equivalent staff (number at financial year end)	33,418	33,898	35,055	34,189	26,717
Employee Engagement (%)	84	81	80	81	78
Employee Voluntary Attrition (%)	9.9	11.5	11.8	n/a	n/a
New Starter Retention (%)	84.8	83.8	n/a	n/a	n/a
High Performer Retention (%)	95.9	95.3	94.3	n/a	n/a
Lost Time Injury Frequency Ratio (LTIFR)	1.9	2.5	2.6	2.6	3.4
Women as a percentage of the total workforce (%)	61	61	61	62	63
Women in Leadership (%)	40	38	35	n/a	n/a
<b>Environment</b>					
Total Scope 1 and 2 emissions — Aust & NZ (tonnes CO <sub>2</sub> -e)	185,534	184,124	189,425	187,239	197,002
Total Scope 3 emissions — Aust & NZ (tonnes CO <sub>2</sub> -e)	51,369	57,163	70,457	61,846	47,694
Total paper usage — Aust & NZ (tonnes)	6,030	6,262	6,655	7,146	8,791
Proportion of infrastructure and utilities financing in renewables and hydro (%) — Aust & NZ	52	45	52	51	56
Finance assessed under the Equator Principles — Group (\$m)	1,140	383	364	1,292	1,315
<b>Social</b>					
Community investment — Group — GRI reporting basis (\$m)	133	155	116	84	64
Community investment as a percentage of pre-tax profits — Group (%)	1.50	1.82	1.44	1.38	1.22
Community investment as a percentage of pre-tax operating profit (Cash Earnings basis) — Group (%)	1.41	1.72	1.37	1.24	1.20
Financial education — Group (participants)	36,182	42,109	n/a	n/a	n/a
Financial education — Group (hours completed)	73,301	85,194	n/a	n/a	n/a
<b>Supply chain</b>					
Total supply chain spend — Aust (\$bn)	4.22	4.61	4.39	4.17	2.70
Percentage of top 150 suppliers (\$ invoiced) screened for sustainability — Aust (%)	94	92	86	99	99

1. As at 30 September unless indicated otherwise in the online Sustainability glossary where full definitions are available. For further information, also refer to the Factpacs, which are available online at [www.westpac.com.au/corporateresponsibility](http://www.westpac.com.au/corporateresponsibility)

2. n/a indicates the information was not collected in the relevant period. Unless otherwise stated, all data from 2009 includes St.George Banking Group.

## BOARD OF DIRECTORS



### Lindsay Maxsted

DipBus (Gordon), FCA., FAICD Age 58

Independent Director since March 2008. Chairman since December 2011. Chairman of the Nominations Committee. Member of each of the Audit and Risk Management Committees.



### Gail Kelly

HigherDipEd, BA, MBA with Distinction, HonDBus, Age 56

Executive Director since February 2008. Managing Director & Chief Executive Officer since February 2008. Member of the Technology Committee.



### John Curtis AM

BA, LLB (Hons.), Age 62

Independent Director and Deputy Chairman since December 2008. Chairman of the Remuneration Committee. Member of each of the Nominations and Risk Management Committees.



### Elizabeth Bryan

BA (Econ.), MA (Econ.), Age 66

Independent Director since November 2006. Chairman of the Risk Management Committee. Member of each of the Nominations, Remuneration and Technology Committees.



### Gordon Cairns

MA (Hons.), Age 62

Independent Director since July 2004. Member of each of the Remuneration and Risk Management Committees.

## DIRECTOR AND GROUP EXECUTIVE REMUNERATION

Executive remuneration remains a focus for governments, regulators, shareholders and other stakeholders. We have assessed our executive remuneration frameworks and are satisfied that we have a solid foundation for managing remuneration-related risk for the long term.

Key to this success was the continuing efforts of our Board and executive team led by Gail Kelly.

### Non-executive Director Remuneration

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

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

### Board of Directors – Remuneration received during 2012

NAME	POSITION	Westpac Banking Corporation Board Fees <sup>1</sup> (\$000)	Subsidiary and Advisory Board Fees (\$000)	Superannuation (\$000)	Total (\$000)
Lindsay Maxsted	Chairman	662	-	16	678
John Curtis	Deputy Chairman	366	-	16	382
Elizabeth Bryan	Non-executive Director	323	-	16	339
Gordon Cairns	Non-executive Director	278	-	16	294
Robert Elstone	Non-executive Director	182	-	9	191
Peter Hawkins	Non-executive Director	300	35	16	351
Ann Pickard	Non-executive Director	206	-	13	219
Peter Wilson	Non-executive Director	306	132	16	454

<sup>1</sup> Includes fees paid to the Chairman and members of Board Committees.



**Robert Elstone**

BA (Hons.), MA (Econ.), MCom, Age 59

Independent Director since February 2012.

Member of each of the Audit, Technology and Risk Management Committees.



**Peter Hawkins**

BCA (Hons.), SF Fin, FAIM, ACA (NZ), FAICD, Age 58

Independent Director since December 2008.

Chairman of the Technology Committee. Member of each of the Audit, Nominations and Risk Management Committees.



**Ann Pickard**

BA, MA, Age 57

Independent Director since December 2011.

Member of each of the Remuneration and Risk Management Committees.



**Peter Wilson**

CA, Age 71

Independent Director since October 2003.

Chairman of the Audit Committee. Member of each of the Nominations and Risk Management Committees.

**CEO and Senior Executive Remuneration**

The Westpac Group's remuneration strategy is to attract and retain talented employees by rewarding them for achieving high performance, developing sustainable customer relationships and delivering superior long-term results for our shareholders. This strategy incorporates sound principles of risk management and governance.

**Senior executive team — remuneration received during 2012 (either as cash or in the case of equity, the value that has vested during 2012).**

NAME	POSITION	Fixed remuneration & Superannuation <sup>1</sup> (\$000)	2012 STI cash payment <sup>2</sup> (\$000)	Other short term benefits <sup>3</sup> (\$000)	2012 Total cash payments <sup>4</sup> (\$000)	Prior year* equity awards <sup>5</sup> vested during 2012 (\$000)
Gail Kelly	Managing Director & Chief Executive Officer	3,029	2,268		5,297	5,430
John Arthur	Chief Operating Officer	1,175	702		1,877	160
Peter Clare	Chief Executive Officer, Westpac New Zealand Limited	988	810		1,798	248
Philip Coffey	Chief Financial Officer	1,355	1,080		2,435	485
Brad Cooper	Chief Executive Officer, BT Financial Group	1,007	1,080		2,087	291
George Frazis	Chief Executive, St. George Banking Group	1,033	912		1,945	1,329
Brian Hartzler	Chief Executive, Australian Financial Services	633	150	370	1,153	1,251
Christine Parker	Group Executive, Human Resources & Corporate Affairs	845	600		1,445	125
Greg Targett	Chief Risk Officer	1,367	690		2,057	126
Rob Whitfield	Group Executive, Westpac Institutional Bank	1,736	1,296		3,032	400
Jason Yetton	Group Executive, Westpac Retail & Business Banking	859	660		1,519	334

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

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

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

3 Incorporates other contracted amounts.

4 This is the addition of the previous three columns.

5 Prior year equity awards include both deferred STI and LTI allocations that have vested in 2012. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2012, multiplied by the five day volume weighted average price of Westpac ordinary shares at the time they vested, less any exercise price payable.

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

Further details, including an explanation of remuneration components and individual circumstances, are provided in the Remuneration Report in the Group's 2012 Annual Report — available at [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre)

# INFORMATION FOR SHAREHOLDERS

## ANNUAL GENERAL MEETING

The Westpac Annual General Meeting (AGM) will be held in the Grand Ballroom at the Hilton Sydney, 488 George Street, Sydney, on Thursday, 13 December 2012, commencing at 10:00am.

The AGM will be webcast live on the internet go to [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre) then select 'Annual General Meeting'. An archived version of the webcast will be placed on the website to enable the AGM proceedings to be viewed at a later time.

## FINANCIAL CALENDAR

### Westpac ordinary shares

Record date for final ordinary share dividend	15 November 2012 <sup>1</sup>
Annual General Meeting	13 December 2012
Final ordinary share dividend payable	20 December 2012
Half Year end	31 March 2013
Interim results and ordinary share dividend announcement	3 May 2013
Record date for interim ordinary share dividend	17 May 2013 <sup>2,3</sup>
Interim ordinary share dividend payable	2 July 2013 <sup>3</sup>
Year end	30 September 2013
Final results and ordinary share dividend announcement	4 November 2013
Record date for final ordinary share dividend	14 November 2013 <sup>4,5</sup>
Annual General Meeting	13 December 2013 <sup>6</sup>
Final dividend payable	19 December 2013 <sup>4</sup>

1. Record date for 2012 final ordinary share dividend in New York – 14 November 2012.
2. Record date for 2013 interim ordinary share dividend in New York – 16 May 2013.
3. Dates will be confirmed at the time of announcing the 2013 interim results.
4. Dates will be confirmed at the time of announcing the 2013 final results.
5. Record date for 2013 final ordinary share dividend in New York – 13 November 2013.
6. Details regarding the location of this meeting and the business to be dealt with will be contained in the separate Notice of Meeting sent to shareholders in November 2013.

### Westpac hybrids and notes

The financial calendars for Westpac SPS, Westpac SPS II, Westpac CPS and Westpac Subordinated Notes are available online in our Investor Centre at: [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre) under 'Financial Calendar'.

## USEFUL INFORMATION

### Online information

#### Australia

Westpac's internet site [www.westpac.com.au](http://www.westpac.com.au)

Investors can short cut to our Investor Centre at [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre). The Centre includes the current Westpac share price and charting, and links to the latest ASX announcements and Westpac's share Registrars.

#### New Zealand

Westpac's New Zealand internet site [www.westpac.co.nz](http://www.westpac.co.nz)

### Stock exchange listings

Westpac ordinary shares are listed on:

- › Australian Securities Exchange, (code WBC);
- › New York Stock Exchange (NYSE), as American Depositary Receipts (ADR's), (code WBK); and
- › New Zealand Exchange Limited, (code WBC).

### Share Registrars

For information about your shareholding or to notify a change of address, dividend payment instructions etc., you should contact the appropriate share Registrar. Full details, including links to the registry websites, can be found in our Investor Centre at [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre) under 'Shareholder Information'

### Australian share register:

Link Market Services Limited  
Locked Bag A6015, Sydney South NSW 1235  
Australia: 1800 804 255  
International: +61 2 8280 7070  
Email: [Westpac@linkmarketservices.com.au](mailto:Westpac@linkmarketservices.com.au)

### New Zealand branch register:

Link Market Services Limited  
PO Box 91976, Auckland 1030, New Zealand  
New Zealand: 0800 002 727  
International: +64 9 375 5998  
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Papua New Guinea — Port Moresby

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#### Global locations

Specific contact details for the many global locations can be located on our website at [www.westpac.com.au](http://www.westpac.com.au).

Select 'About Westpac' from the top menu bar, then 'Global Locations' from the 'Explore' menu.

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For further information on our compliance with International Agreements, including the United Nations Global Compact and Declaration on Human Rights, contact General Manager, Corporate Affairs & Sustainability.

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